UNITED STATES DEPARTMENT OF LABOR

AGENCY FINANCIAL REPORT

FISCAL YEAR 2018

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

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A Message from the U.S. Secretary of Labor

In our resurgent economy under President Trump's leadership, American workers and job seekers are pursuing a brighter future through family-sustaining jobs and opportunities. This economy has created more than 4 million jobs since the President's election. Under this Administration, the number of open jobs outnumbers job seekers, an unprecedented accomplishment. Month-after-month, jobless claims have reached lows not seen in nearly half a century.

Whether through expanding apprenticeship opportunities; allowing small businesses to access quality, affordable care coverage; or strengthening retirement security, the U.S. Department of Labor is working to help all Americans secure good, safe, family-sustaining jobs.

In the pursuit of our objectives for America's workforce, we have committed ourselves to responsible and efficient deployment of resources. In this spirit, I am pleased to present the U.S. Department of Labor's Fiscal Year 2018 Agency Financial Report (AFR). In this annual publication to Congress and the American people, we take the opportunity to demonstrate our operational record and financial stewardship of public funds. The report explains how we allocate our $12.2 billion budget, and highlights our key accomplishments and plans for the future. I report with great pride that independent auditors of our financial statements have issued an unmodified "clean" opinion.

I am also pleased to provide an unqualified statement of reasonable assurance in the Department's internal controls, as required by the Federal Managers Financial Integrity Act (FMFIA) of 1982 and Office of Management and Budget Circular A-123. Our assessment of our internal controls, and the compliance of our financial management systems, are outlined in the *Management's Discussion and Analysis* section of this report. In accordance with federal requirements, our financial data and summary performance results are thorough and complete.

In addition to transparency tools such as this financial report, we continually analyze our programs to measure the return on investment. Our robust and ambitious evaluation agenda allows us to assess the impact of our programs on the lives of workers and their families. By measuring these results, we can strengthen the initiatives that work and change the ones that don't. For more about our evaluation work, reference 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 Budget on DOL.gov.

R. Alexander Acosta
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: Support the Ability of All Americans to Find Good Jobs

2: Promote Safe Jobs and Fair Workplaces for All Americans

3: Administer Strong Workers' Compensation and Benefits Programs

This Administration is working to create more opportunity for the American workforce – the greatest in the world. We have already accomplished much, and there is more to come in the years ahead. For more information, I encourage you to visit DOL.gov and read our Fiscal Year (FY) 2018—2022 Strategic Plan, which provides a five-year outline of specific and measureable outcomes and goals.

R. ALEXANDER ACOSTA
U.S. Secretary of Labor
November 15, 2018

UNITED STATES DEPARTMENT OF LABOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our Mission:

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

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

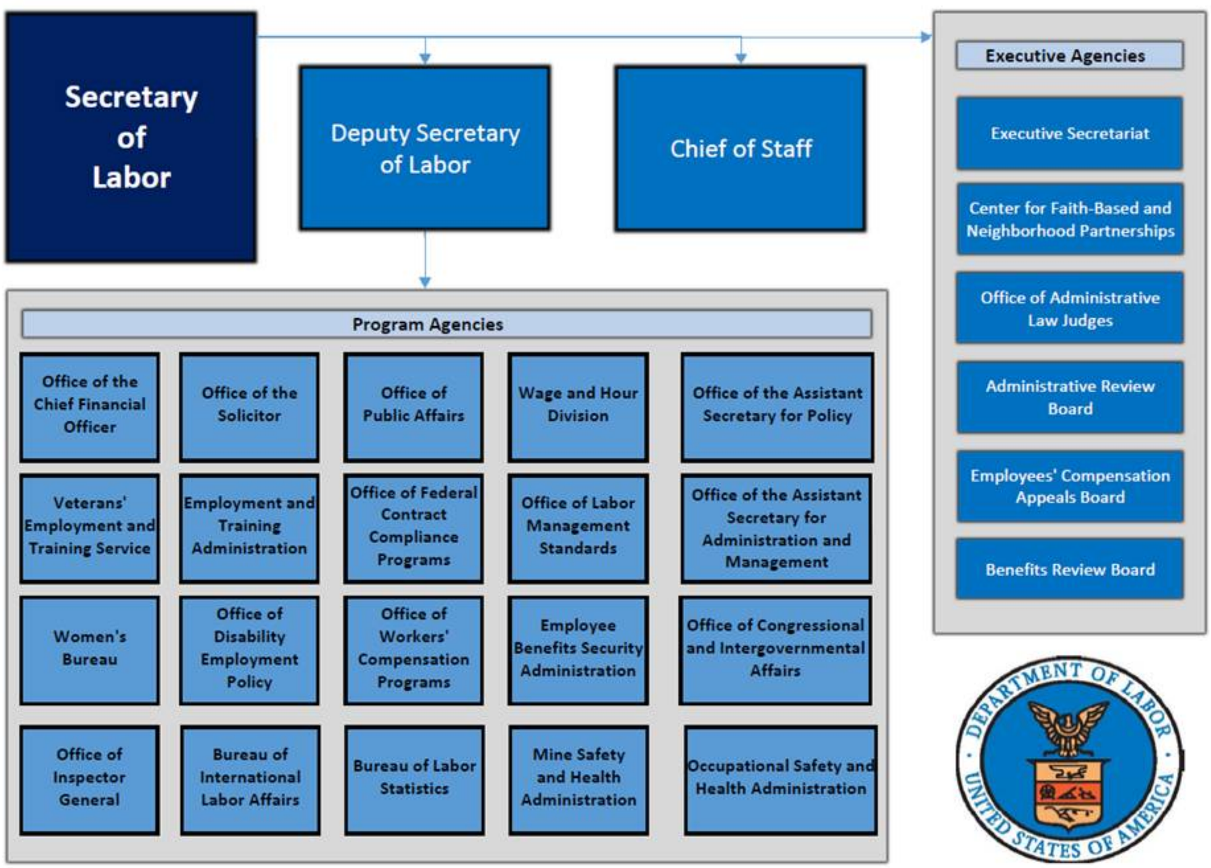
Mission Statement and Organizational Structure

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

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

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

US Department of Labor Organizational Chart



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

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

Program Performance Overview

The Program Performance Overview discusses the Department's key performance measures and program priorities. This section includes results for measures related to spending as reported in the following Financial Section. Performance results for outcome measures reported under the Government Performance and Results Act are included in the Annual Performance Report, which will be published by February 5, 2019 with the FY 2020 Congressional Budget Justification. These reports will be posted at http://www.dol.gov/dol/aboutdol/#budget.

The Program Performance Overview organizes DOL program agencies into three categories that report FY 2018 performance data. The Department's mission is also supported by administrative, policy, legal, public affairs, and Congressional liaison offices.

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

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

EMPLOYMENT AND STATISTICAL PROGRAMS

Employment and Training Administration (ETA)

ETA provides employment assistance, labor market information, and job training through the administration of programs authorized by the Workforce Innovation and Opportunity Act (WIOA) for adults, youth, dislocated workers, and other populations. Additionally, ETA administers the Job Corps program; the Trade Adjustment Assistance program; the Employment Service, authorized under the Wagner-Peyser Act; Foreign Labor Certification activities; the Community Service Employment for Older Americans program; and Apprenticeship programs. Grants monitoring is a significant grant management function. All ETA grants are monitored to ensure accountability and to track performance outcomes.

Percent of Grants Monitored Annually by Regional Offices – Staff in the six ETA Regional Offices monitor grants to ensure compliance with federal statutes and regulations and assess performance progress through enhanced desk monitoring reviews and on-site monitoring reviews. WIOA underscores the importance of strategic efforts and strong communication with our federal partners. This includes the coordination of technical assistance and monitoring activities. ETA monitored approximately 30% of all active grants assigned to the regions in FY

2018, exceeding the target of 26%. This outcome includes all monitoring that resulted in a monitoring report, whether on-site or Enhanced Desk Monitoring Review.

Looking Forward: As of October 1, 2018, ETA has a total of 2,135 active grants with a total funding portfolio of $20.7 billion; 1,768 grants are assigned to 215 regional FTE and 367 grants assigned to approximately 16 FTE in the national office. ETA will maintain the same grant monitoring target of 26% in FY 2019.

Veterans' Employment and Training Service (VETS)

VETS is committed to meeting the employment and training needs of veterans, transitioning service members, and eligible spouses - especially those with significant barriers to employment. VETS also focuses on connecting employers across the country with work-ready veterans. VETS' mission is to prepare America's veterans, service members, and their spouses for meaningful careers; provide them with employment resources and expertise; protect their employment rights; and promote their employment opportunities.

One aspect of VETS' service to veterans with significant barriers to employment is the Homeless Veterans' Reintegration Program (HVRP). HVRP addresses the needs of one of the most vulnerable populations of veterans, those who are homeless or at risk of homelessness. HVRP provides employment and training services to homeless veterans, equipping them with the skills to gain meaningful employment. VETS has increased the grant ceiling for each HVRP grantee to $500,000 to aid grantees in serving this complex and vulnerable population. VETS will analyze the performance data in FY 2019 and FY 2020 to determine the impact of this grant increase on the program. The target population of this grant program requires specialized services to include supportive services that are costly. In FY 2018 VETS achieved 90% of its target with an HVRP participant job placement rate of 60.2% while serving nearly 18,000 participants.

VETS is also responsible for administering the Uniformed Services Employment and Reemployment Rights Act (USERRA) program, which protects civilian job rights and benefits for active duty service members, veterans, and members of the National Guard and Reserves. USERRA provides anti-discrimination provisions that prohibit employers from taking adverse actions against any current or prospective employee, due in part to those individuals' past, present, or future military service, status, or obligations. To provide prompt resolution for both claimants and employers, VETS assesses the percent of closed USERRA cases meeting the agency's quality standard and customer satisfaction of USERRA cases. VETS FY 2018 performance exceeded the established goal with a result of 96.0%, compared to a 95.0% target. VETS is currently assessing other agencies' metrics and quality assessment procedures in an effort to consider alternative methods to gauge the quality of USERRA investigations and referrals. In FY 2018, VETS initiated a single region full-time investigator pilot program and is expected to be completed at the end of 2018, with analysis of the results following shortly after. In FY 2018, VETS also completed a pilot to improve case Report of Investigations (ROI). This new ROI is intended to remedy deficiencies in VETS' investigative and case review processes, streamline and eliminate redundancies inherent in other tools currently in use. This ROI will facilitate improved quality metrics through a more streamlined audit process.

Looking Forward: In FY 2019, VETS will continue to measure HVRP success by using the job placement metric in conjunction with average hourly wages of those job placements. One key to assisting this population is to provide quick job placement into a career path with sustainable wages. Additionally, VETS will create an HVRP data dictionary which will assist grantees with clear and concise data collection definitions, as well as ensure that all grantee performance outcomes are reported uniformly. VETS will continue to improve the new USERRA case ROI and all VETS investigative and case review processes and eliminate redundant and outdated tools. VETS will also formalize the VETS Case Review Program.

Veterans' Employment and Training Service (VETS)					
Measure	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Percent of USERRA Closed Cases Meeting the Agency's Quality Standard (Annual)	91.5%	91.7%	95.5%	99.0%	96.0%

Office of Disability Employment Policy (ODEP)

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

In FY 2018 ODEP monitored "Policy Outputs" and "Implementation Tools" as key performance measures using a revised definition from previous years. ODEP issued 63 "Policy Outputs," against a target of 64, which include documents recommending or implementing a significant policy change or an interpretation of existing policy related to disability employment. ODEP issued 136 "Implementation Tools," which are technical assistance and informational materials developed to aid entities in adopting and implementing proven practices.

ODEP has produced a steady stream of policy outputs, capitalizing on interest by states in implementing effective practices that prioritize competitive, integrated employment and an increased interest by employers in hiring people with disabilities spurred by new regulations. In FY 2018, the majority of ODEP's resources were invested in developing implementation tools and policy guidance, providing technical assistance, and conducting outreach to support the implementation of legislations such as the Workforce Innovation and Opportunity Act (WIOA), as well as Section 501 and Section 503 of the Rehabilitation Act. ODEP's implementation tools remain critical to the successful adoption and implementation of the referenced legislation and regulations. Additionally, ODEP continued working with states to promote the adoption of implementation tools and policies through its State Exchange on Employment and Disability initiative.

Looking Forward: In FY 2019, ODEP will implement the Retaining Employment and Talent After Injury/Illness Network (RETAIN) Demonstration Projects in eight states to promote Stay-at Work/Return-to-Work (SAW/RTW) policies and practices and to begin to build evidence for what works in retaining employees or bringing them back to work after a temporary absence due to occupational as well as non-occupational illness and/or injury. ODEP plans to work with states that are interested in adopting systemic changes that facilitate retention and return-to-work rates after a temporary work disability.

Women's Bureau (WB)

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

In FY 2018, WB provided $1,403,190 to support four Women in Apprenticeships and Nontraditional Occupations (WANTO) grants and $650,000 for a grant to train and employ women workers affected by opioid abuse in Maryland. WB also launched an initiative on child care in conjunction with the White House and held one national and nine regional listening sessions to discuss the impact of child care on working families and identify solutions for expanding access. In collaboration with VETS and the White House, WB launched an interactive map to assist military spouses in identifying options for obtaining and transferring professional licenses and credentials.

Looking Forward: In FY 2019, WB plans to continue the WANTO grant program with a new approach focused on increasing the impact of the grants in placing women in pre-apprenticeships, apprenticeships, and nontraditional occupations. WB plans to convene a National Symposium on Women in Apprenticeship to bring together WANTO grantees and others to discuss the current status of women in apprenticeship, research gaps, and promising apprenticeship models, and develop a case-based resource guide for employers and workforce development centers. WB also plans to collaborate with the White House and OMB to hold a National Symposium on Childcare, and work with HHS to develop a national database that will assist in evaluating how childcare costs affect women's labor force participation. In collaboration with VETS, WB will develop a Transition Assistance Program (TAP) for military spouses, which will include a curriculum as well as an in-person and online community for military spouses as they pursue their post-service educational, financial and employment goals. In conjunction with the White House, CEA, SBA and U.S. Department of Treasury, the WB will continue its development of an interagency e-learning platform to connect women business owners with the tools and skills they need to scale their businesses. A tentative launch of the platform is set for March 2019.

Bureau of Labor Statistics (BLS)

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

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

In FY 2018, BLS reached 100% of the underlying timeliness targets for all of its Principal Federal Economic Indicators (PFEIs). BLS reached 85% (17 out of 20 measures) of the underlying accuracy targets and 88% (7 out of 8 measures) of the underlying relevance targets for its PFEIs. BLS experienced fewer average website page views when compared to FY 2017 averaging approximately 14.9 million page views each month. BLS scored slightly higher in the FXI when compared to FY 2017, with a year-end score of 77. Results for the five performance measures are shown in the table below.

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

Bureau of Labor Statistics (BLS)					
Measure	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Percentage of timeliness targets achieved for the Principal Federal Economic Indicators (PFEIs)	100%	100%	100%	100%	100%
Percentage of accuracy targets achieved for the PFEIs	95%	100%	100%	100%	85%
Percentage of relevance targets achieved for the PFEIs	100%	100%	100%	100%	88%

Bureau of Labor Statistics (BLS)					
Measure	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Average number of BLS website page views each month (Dissemination)[1]	17,423,845	16,965,254	16,324,885	15,514,973	14,924,242
Customer satisfaction with the BLS website through the ForeSee Experience Index (Mission Achievement)	77	75	76	75	77

WORKER PROTECTION PROGRAMS

Occupational Safety and Health Administration (OSHA)

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

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

Preliminary results show there was a slight decrease in Safety Inspections to 26,398 in FY 2018. The preliminary number for completed Health Inspections is 5,550, which is below the number of previous years' inspections. OSHA continued to allocate significant enforcement resources to respond to employer-reported incidents in accordance with OSHA's severe injury reporting (SIR) requirements. These requirements stem from the Occupational Injury and Illness Recording and Reporting Requirements-NAICS Update and Reporting Revisions regulation which took effect January 1, 2015. The SIR increased the number of employer-reported referrals, as employers must now report hospitalizations of one employee or more and any fatality to the Agency. OSHA addressed these reports through either unprogrammed inspections or non-formal rapid response investigations (RRI). This activity reduced the time and resources available for previously programmed inspection activity, which prioritized high hazard industries or focused emphasis on program related inspections. Preliminary data indicates the RRI activity increased the unprogrammed workload by adding almost 8,400 non-formal investigations for FY 2018.

OSHA administers the whistleblower protection provisions of Section 11(c) of the OSH Act. Section 11(c) prohibits any person from discharging or in any manner retaliating against any employee because the employee has exercised rights under the OSH Act. Also, OSHA protects workers from retaliation through 21 other whistleblower protection statutes; this includes reported violations of various airline, commercial motor carrier, consumer product, environmental, financial, food safety, health care, nuclear, pipeline, public transportation agency, railroad, maritime, and securities laws. In FY 2018, according to preliminary data, OSHA completed 2,922 whistleblower investigations, exceeding the targeted 2,725 investigations, and awarding more than $29 million to complainants including 59 reinstatements.

Looking Forward: In FY 2019, OSHA's effort to promote Safety and Health Programs (SHP) will unite the various programmatic components of the agency in a common, proactive, and positive message addressing the agency's core mission. Companies that adopt an SHP improve both their safety culture and safety performance. In addition, OSHA cooperative program participants often reach stakeholders that OSHA may not otherwise interact

[1] In FY 2015, BLS replaced its dissemination measure due to a change in software. The FY 2014 result is shown for trend comparison purposes.

with through dissemination of safety and health information locally, within their company, or industry. OSHA will also continue to focus on reducing the burden on small employers, providing assistance to small employers, and trying to reach more small businesses with proactive and helpful information and services. Finally, OSHA will continue to refine current enforcement strategies and implement new programs to target inspection resources to the most egregious employers and serious hazards.

Occupational Safety and Health Administration (OSHA)					
Measure	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Safety Inspections	29,345	28,904	25,704	26,607[r][2]	26,398[e][3]
Number of Health Inspections	6,818	6,918	6,244	5,789[r]	5,550[e]

Mine Safety and Health Administration (MSHA)

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

MSHA is required to conduct four inspections annually at active underground mines and two inspections annually at active surface mines. The table below shows the number of inspections conducted by mine type. Fluctuations in the number of inspections over time reflect variation in the number of mines operating during any given year. In FY 2018, MSHA met its target to perform all mandated inspections at coal and metal and nonmetal mines (MNM).

Looking Forward: MSHA will use the following strategies in pursuit of achieving its mission: reducing powered haulage injuries, increasing inspection and enforcement effectiveness, strengthening and modernizing training and education, strengthening safety and health standards, and enhancing efforts to protect miners from discrimination.

Mine Safety and Health Administration (MSHA)					
Measure	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of regular mandated MNM underground inspections	964	862	905	882[r][4]	899[e][5]
Number of regular mandated coal underground inspections	1,657	1,642	1,342	1,212[r]	1,216[e]
Number of regular mandated MNM surface inspections	15,289	15,656	15,642	16,373[r]	15,032[e]
Number of regular mandated coal surface inspections	2,519	2,350	1,753	2,320[r]	1,964[e]

Wage and Hour Division (WHD)

WHD is responsible for administering and enforcing laws that establish the minimum standards for wages and working conditions. WHD enforces and administers the minimum wage, overtime and child labor provisions of the Fair Labor Standards Act (FLSA); the prevailing wage requirements and wage determination provisions of the Davis Bacon Act (DBA) and Related Acts (DBRA), Service Contract Act (SCA), Contract Work Hours and Safety Standards Act (CWHSA), Walsh-Healey Act, and Copeland Act; the wages and working conditions under the

[2] [r] Indicates revised result from the FY 2017 AFR.
[3] [e] Indicates estimated preliminary result.
[4] [r] Indicates revised result from the FY 2017 AFR.
[5] [e] Indicates estimated preliminary result.

Migrant and Seasonal Agricultural Worker Protection Act (MSPA); the Family and Medical Leave Act (FMLA); the Employee Polygraph Protection Act (EPPA); and the garnishment provisions of the Consumer Credit Protection Act (CCPA). WHD also enforces the field sanitation and temporary labor camp standards in agriculture and certain employment standards and worker protections of the Immigration and Nationality Act (INA). Collectively, these labor standards cover most private, state, and local government employment. They protect over 143 million workers in more than 9.8 million establishments throughout the U.S. and its territories.

WHD focuses its enforcement and compliance assistance efforts to achieve the greatest impact. Employers and employees benefit when businesses manage costs through innovation and efficiencies rather than by violating the law. The agency uses data and evidence to identify areas and industries in which serious violations may be widespread and often organizes educational and enforcement initiatives in those areas. WHD complements enforcement with outreach and education to employers. By partnering with industry and employers to produce meaningful compliance assistance, WHD can increase compliance with the laws it enforces. By combining enforcement with education, more workers in this country can obtain stable and secure income and responsible businesses can succeed. In FY 2018, WHD increased the results for "Percent of Agency-Initiated Investigations," reaching the highest percentage (53% against a 46% target) in recent history. Data show that agency-initiated investigations and the strategic use of enforcement resources have achieved positive results for low-wage workers and result in a greater deterrent effect.

"Percent of Investigations in Priority Industries" reflects WHD's commitment to prioritizing enforcement resources in those industries with the most serious violations rather than burdening compliant employers with investigations that do not uncover compliance problems. The increased level of agency-initiated investigations, as well as prioritization of complaints, has increased the agency's presence in those priority industries that have a history of violations. WHD's performance has led to significant outcomes. In the last 5 years, WHD has helped more than 1.3 million workers and recovered more than $1.3 billion dollars in back wages. In FY 2018 alone, WHD collected over $300 million in back wages. WHD enforcement actions in FY 2018 found, on average, approximately $1,150 for each employee due back wages.

Looking Forward: To protect fair and vigorous competition, WHD addresses compliance issues systemically and prevents violations through compliance assistance to reach a broader audience. The combination of compliance assistance and enforcement increases compliance with the laws. Moving forward, WHD is increasing its focus on efficiency and effectiveness. When the agency is more efficient, it is able to dedicate resources to cases that are larger, more complex, and more impactful. WHD is also updating its performance measures, including its priority industries measure. Going forward, the priority industry measure will focus only on FLSA investigations. It will also count investigations in regional priority industries in addition to national priority industries, which WHD is identifying using a data-driven approach. To ensure a level playing field for all employers, WHD will conduct its business more effectively by assessing existing evidence and generating new knowledge to achieve agency goals. Compliance assistance to the employer community is a central component of WHD's efforts to meet its mission, and the demand for accessible information about the laws WHD enforces remains high. WHD will continue efforts to modernize compliance assistance information and reach and inform a broader audience.

Office of Federal Contract Compliance Programs (OFCCP)

OFCCP ensures that nearly 200,000 Federal contractor 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'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.

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. Continuing this trend, in FY 2017 OFCCP closed 1,142 compliance evaluations that returned financial remedies of $23.9 million. Also in FY 2017 OFCCP completed 79 percent of construction evaluations from high-impact construction projects that have a significant employment and economic impact on the community. In FY 2018 OFCCP closed 812 compliance evaluations that returned financial remedies of $16.4 million, completed 90% of construction evaluations from high-impact construction projects, and achieved 109% of target on a new measure for FY 2018, "Percent of Discrimination Conciliation Agreements with Systemic Pay Discrimination Findings."

Looking Forward: In FY 2019, 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. Compliance assistance that supports contractors self-auditing their employment practices and implementing plans to come into compliance remains a critical component of OFCCP's outreach and education strategy. Compliance assistance is also an important complement to the agency's compliance evaluation strategy in light of the limited number of contractors that are actually scheduled to undergo a compliance review each year.

Bureau of International Labor Affairs (ILAB)

ILAB promotes a level global playing field for workers and businesses in the United States and around the world by improving labor conditions and advancing U.S. labor priorities in key countries. ILAB's goal is to ensure that countries that fail to enforce their labor laws, or allow exported goods to be produced through exploitative labor conditions, do not receive an unfair advantage at the expense of children and slaves.

ILAB supports quality jobs in the United States by ensuring U.S. trade agreements and preference programs are fair for American workers; combating international child labor, forced labor, and human trafficking; and improving global working conditions. ILAB has four main cross-cutting strategies for achieving this goal: (1) monitoring, evaluating, and reporting to strictly enforce countries' compliance with labor-related trade commitments and relevant labor standards; (2) developing, advocating for, and negotiating policy positions that advance U.S. interests; (3) overseeing technical assistance and cooperative activities to strengthen implementation of labor laws and standards and reduce the exploitation of vulnerable workers and children in key countries; and (4) conducting and disseminating research on various international labor, trade, and/or economic issues and conditions.

Looking Forward: In FY 2019, ILAB will continue to ensure that trade partners comply with labor commitments and continue to help strengthen labor law enforcement overseas so that U.S. workers and businesses are not placed at a competitive disadvantage. ILAB will also engage in negotiating, monitoring, enforcing, reporting, technical cooperation, and research and evaluation activities with partners and stakeholders in key countries.

Office of Labor-Management Standards (OLMS)

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

OLMS focuses audit resources by using advanced targeting techniques to identify the labor unions most likely to be subject to a violation of the law. The success of audit targeting strategies is measured by the Percent of Targeted Audits that Result in a Criminal Case (Fallout Rate). Since the implementation of this performance measure, OLMS has increased the fallout rate from 15.2% on a target of 13% in FY 2011 to 20.0% on a target of 15.75% in FY 2018. Timely resolution of union election complaints is a paramount goal of the LMRDA, and OLMS gauges its progress against this goal through the "Average Number of Days to Resolve Union Officer Election Complaints" measure. From an average of 79 days in FY 2011, OLMS has reduced the average number of days to resolve complaints to 68.8 days, below the 70-day target for FY 2018.

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 Disclosure Reports Filed Electronically" measure. OLMS continues to use existing outreach tools (e.g., seminars, compliance assistance incidental to an audit, and its Voluntary Compliance Partnership program) to introduce and encourage union leaders and other filers to use web-based forms. In FY 2018, OLMS achieved an e-filing rate of 76% on a target of 60%.

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. OLMS continues to enhance efforts to coordinate work between the National Office, SOL, and field staff by identifying new means of communications and extending existing channels to more efficiently process election cases. In the past, these efforts have expedited processing and OLMS believes 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 41 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 requiring filers of LM-3 and LM-4 reports to do so electronically. Once fully implemented (by FY 2019), over 80% of reports will be required to be filed electronically and electronic filing will be available for 85 percent of the full volume of reports expected to be filed.

Employee Benefits Security Administration (EBSA)

EBSA is charged with protecting more than 150 million workers, retirees and their families who are covered by nearly 649,000 private retirement plans, 2.2 million health plans, and similar numbers of other welfare benefit plans. Together, these plans hold estimated assets of $9.8 trillion. EBSA's proactive enforcement, outreach and education programs protect the most vulnerable populations while ensuring broad compliance with the Employee Retirement Income Security Act of 1974 (ERISA) and related laws. EBSA assists plan fiduciaries and others in understanding their obligations under ERISA by providing interpretive guidance and making related materials available through its website and publications, training programs, and more. EBSA is also committed to helping workers and retirees understand their benefits and receive the benefits they have earned. The primary objectives of EBSA's enforcement program are to improve ERISA compliance by recovering losses and unjust profits stemming from misconduct by plan fiduciaries and service providers and to increase the deterrent impact of the agency's enforcement efforts on employee benefit plans, participants and beneficiaries.

EBSA's enforcement program, within the context of its integrated approach to compliance assistance, seeks to detect and correct violations that result in monetary recoveries for employee benefit plans, participants and beneficiaries or secure other corrective remedies including, but not limited to, significant broad-based reforms for large plans or common service providers. In FY 2014, EBSA developed measures designed to increase the effectiveness of its enforcement program while avoiding reliance on raw case numbers. As a result, EBSA replaced its cases closed measures in FY 2015 with three measures that track investigation timeliness. EBSA's FY 2018 results exceeded the FY 2018 targets for these measures. In FY 2018, EBSA also implemented two new performance measures that evaluate the effectiveness and efficiency of the Major Case priority by its results. EBSA focused its FY 2018 enforcement resources on National Enforcement Projects and the Major Case Enforcement Priority. The Major Case Enforcement Priority concentrates a significant portion of the agency's enforcement resources on those cases likely to have the greatest impact on the protection of plan assets and participants' benefits.

Looking Forward: In FY 2019, EBSA will continue to assist individuals in understanding their rights and responsibilities under ERISA. In particular, the agency's compliance and participant assistance, outreach and education programs will focus on disseminating information related to health (Association Health Plans, etc.) and retirement benefit protections and retirement savings education. EBSA will also continue to implement performance measurement changes designed to increase the effectiveness of its enforcement program. The following overlapping and related attributes will be emphasized: effective targeting and data analysis, 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.

COMPENSATION AND BENEFITS PROGRAM

Office of Workers' Compensation Programs (OWCP)

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

OWCP faces the challenge of the nationwide opioid drug epidemic and works to ensure that initial encounters with prescription opioids are limited in supply and duration to only what is appropriate and necessary. The FECA program identified the implementation of policies to control the overuse of opioid medications as an Agency Priority Goal for FY 2018-FY 2019. Preliminary results indicate that the new policies led to a reduction in initial opioid prescriptions and the duration of new opioid prescriptions for federal employees with work-related injuries from the FY 2016 baseline to 56% in FY 2018.

A major aspect of the Longshore program focuses on ensuring that employer injury reports and first payment of benefits are timely. The percentage of first payments of compensation issued for non-Defense Base Act cases within 30 days from the date disability begins has increased from 87% in FY 2014 to 88% in FY 2018, which exceeded the 87% target.

The Black Lung program experienced a significant increase in the number of claims filed in FY 2010, another surge in FY 2014, and claims volumes remained high through FY 2018. As incoming claims continued to climb, staffing remained level and the pending claims continued to age. Consequently, the average time to process a Black Lung claim rose from 234 days in FY 2014 to 335 days in FY 2018. In FY 2018, the program focused on maximizing productivity and managing pending claims—with a special emphasis on the cohort of claims pending more than 365 days. The program sustained high-level productivity, issued 6,676 Proposed Decisions and Orders, and reduced the number of claims pending for more than 365 days by five percent from a high of 20.3% during FY 2018 and the total pending claims inventory by seven percent. The Black Lung program also continued to pursue quality initiatives for issuing accurate decisions.

The Energy program works closely with DOE, the Department of Justice, the Social Security Administration, and the National Institute for Occupational Safety and Health (NIOSH) to issue claim decisions. The average number of days between filing date and final decision for cases not sent to NIOSH when a hearing was not held was reduced from 166 days in FY 2014 to 163 days in FY 2018 (exceeding the FY 2018 target of 170 days); this measure accounts for approximately 70% of all claims.

Looking Forward: In FY 2019, OWCP will continue development of the OWCP Workers' Compensation System (OWCS), an integrated claims processing and management system for all four programs. OWCP expects the Longshore program to fully implement OWCS in 2019. OWCP will leverage efficiencies gained by centralizing and modernizing administrative functions to enable professional staff to increase decision-making productivity on new and pending Black Lung claims.

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

The Federal-State UI Program, authorized under the Federal Unemployment Tax Act and Title III of the Social Security Act, provides temporary, partial wage replacement for eligible unemployed workers, providing them with income support when suitable work is unavailable. To qualify for benefits, unemployed workers must meet eligibility requirements established by state laws that conform to federal law, including that they have worked recently, are involuntarily unemployed, are able and available for work, and are actively seeking work. The "Total Unemployment Rate" of 4.0 percent in FY 2018 is calculated using Bureau of Labor Statistics data. It is the sum of the (not seasonally adjusted) unemployment level for October through September divided by the sum of the (not seasonally adjusted) labor force level for October through September.

As of June 30, 2018, one of the key measures for this program, "First Payment Timeliness" (Percent of All Intrastate First Payments Made within 21 Days after the Last Day of the First Compensable Week) had a preliminary FY 2018 result of 84.0%. This is a slight drop from the previous two years' results; ETA will continue efforts to work with states to improve timeliness.

In FY 2018, using the states' performance on the first payment timeliness core measure data, ETA worked with all states failing to meet the performance standard by requiring corrective action plans to achieve first payment timeliness in their State Quality Service Plans. In addition to six states designated "High Priority" in previous years, ETA selected three more states in FY 2018 with the poorest overall performance to provide them with 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.

Looking Forward: In FY 2019, ETA UI staff will work with "High Priority" states to develop comprehensive Corrective Action Plans (CAPs) designed to improve performance. Examples of ETA's customized technical assistance strategies to support performance improvement for the poor performing states include:

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

In FY 2018, ETA launched the new UI benefits operations state self-assessment process, which will aid states in identifying and addressing operational issues impacting performance. The new process involves a comprehensive review of 15 functional and program areas within UI benefits operations. States will have until March 31, 2019, to complete the entire sets of questions for all 15 functional and program areas, and results must be submitted to ETA by April 15, 2019. The responses to the UI Benefits Operations Self-Assessment questionnaire will be used for two purposes: (1) supporting state UI agencies in making improvements to their UI benefits operations; and (2) assisting ETA in monitoring state UI benefits program operations and in providing technical assistance to states. Please refer to UI Program Letter No. 18-17 for guidance to states on the use of the self-assessment questionnaire and reporting of results to ETA: https://wdr.doleta.gov/directives/attach/UIPL/UIPL_18-17.pdf

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. As they modernize their systems, states are able to achieve efficiencies that support program performance improvement.

Employment and Training Administration - Unemployment Insurance					
Measure	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Total Unemployment Rate	5.5%	4.8%	4.5%	4.2%	4.0%
First Payment Timeliness (Unemployment Insurance)	79.7%[r] [6]	83.3%	84.1%	84.5%	84.0%[e] [7]

[6] [r] Indicates revised result from the FY 2017 AFR.

[5] [e] The FY 2018 reported result is for the year to date as of June 30, 2018 (current data available).

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 2018 and FY 2017, 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 $46.8 billion for FY 2018 and $49.7 billion for FY 2017.

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 2018 and FY 2017

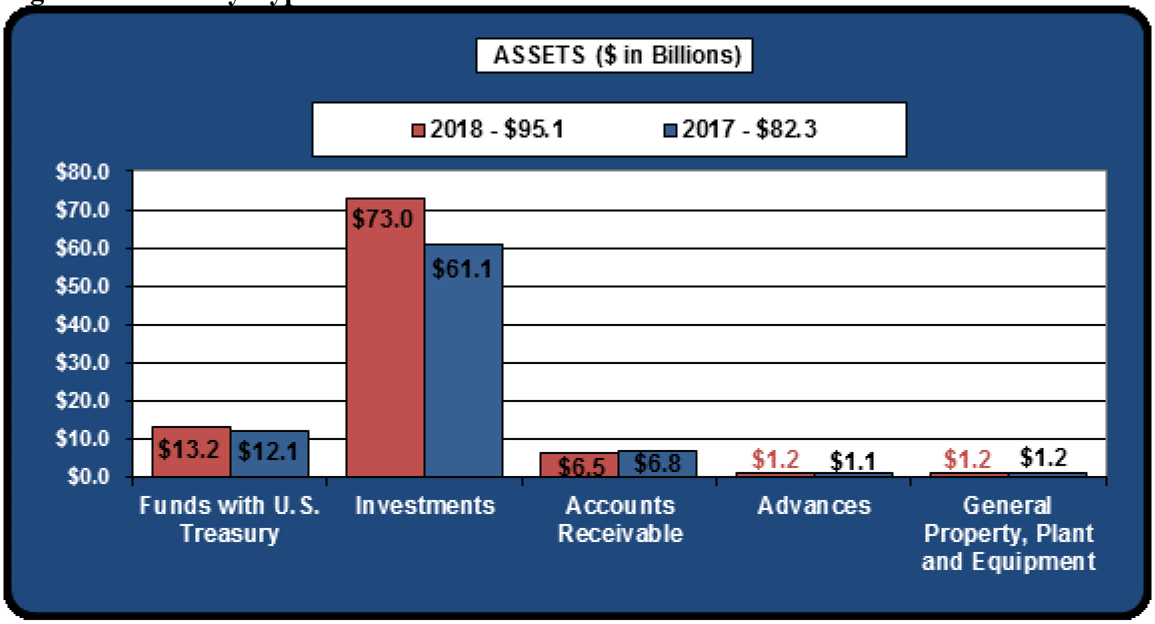
Summary of Selected Financial Data

(Dollars in billions)	2018	2017	Change: Amount	Change: Percent
Financial position				
Total assets	$ 95.1	$ 82.3	$ 12.8	15.6%
Funds with U.S. Treasury	13.2	12.1	1.1	9.1%
Investments	73.0	61.1	11.9	19.5%
Total liabilities	$ 35.2	$ 33.4	$ 1.8	5.4%
Debt	6.0	8.4	(2.4)	(28.6)%
Future workers' Compensation benefits	2.5	2.6	(0.1)	(3.8)%
Energy employees occupational illness compensation benefits	24.0	19.7	4.3	21.8%
Net cost of operations				
Net cost of operations	$ 46.8	$ 49.7	$ (2.9)	(5.8)%
Income maintenance	38.2	41.0	(2.8)	(6.8)%
Employment and training	6.2	6.1	0.1	1.6%
Budgetary resources				
Total budgetary resources	$ 54.7	$ 56.7	$ (2.0)	(3.5)%
Appropriations (discretionary and mandatory)	43.5	45.3	(1.8)	(4.0)%
Agency outlays, net (discretionary and mandatory)	42.3	44.8	(2.5)	(5.6)%

Financial Position

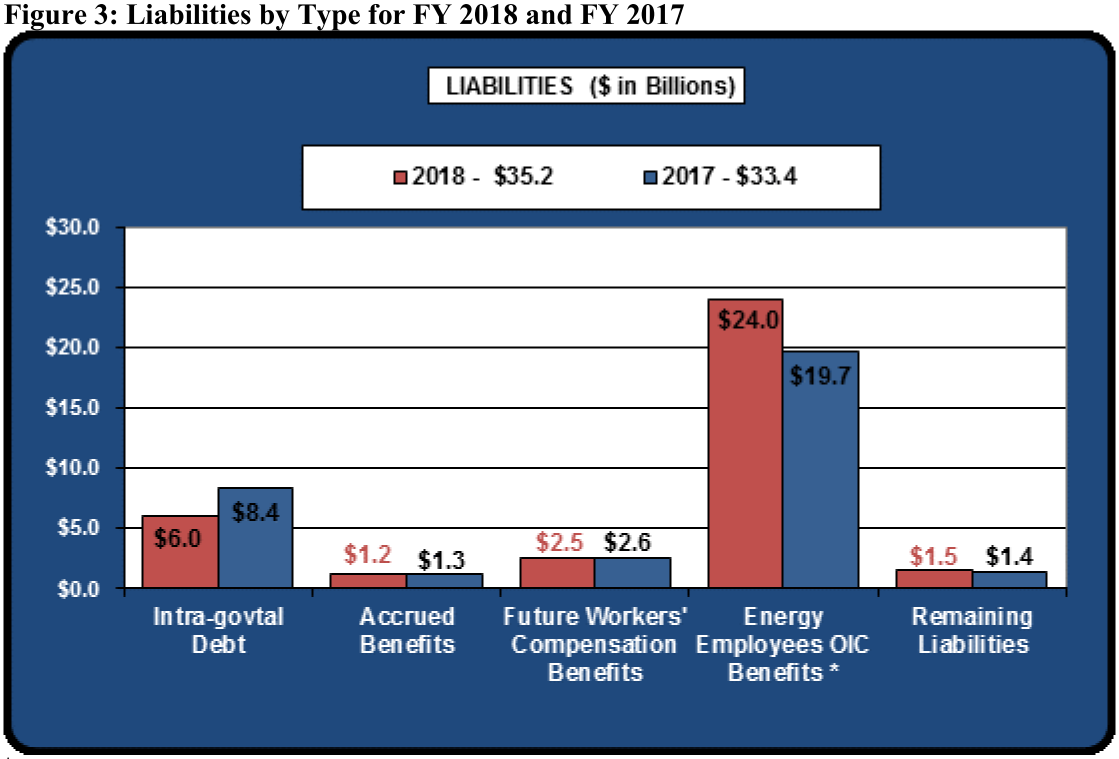
The Department's Balance Sheet presents DOL's financial position through the identification of agency assets, liabilities, and net position, as shown below. The Department's total assets increased from $82.3 billion at the end of FY 2017 to $95.1 billion at the end of FY 2018, an increase of 15.6%, primarily 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 2018 and FY 2017.)

Figure 2: Assets by Type for FY 2018 and FY 2017



Liabilities increased from $33.4 billion at the end of FY 2017 to $35.2 billion at the end of FY 2018, an increase of $1.8 billion [5.4%]. This increase was due to a combination of factors, including an increase in Energy employees occupational illness compensation benefits of $4.3 billion [21.8%], primarily due to the net effect of the assumptions for increases in cases approved, higher costs per claimant, and lower medical inflation rates; offset by a decrease in intra-governmental debt of $2.4 billion [(28.6)%], due to UTF repayments of borrowings from the General Fund of the Treasury as tax collections by the states exceeded the benefits payments.

Figure 3: Liabilities by Type for FY 2018 and FY 2017

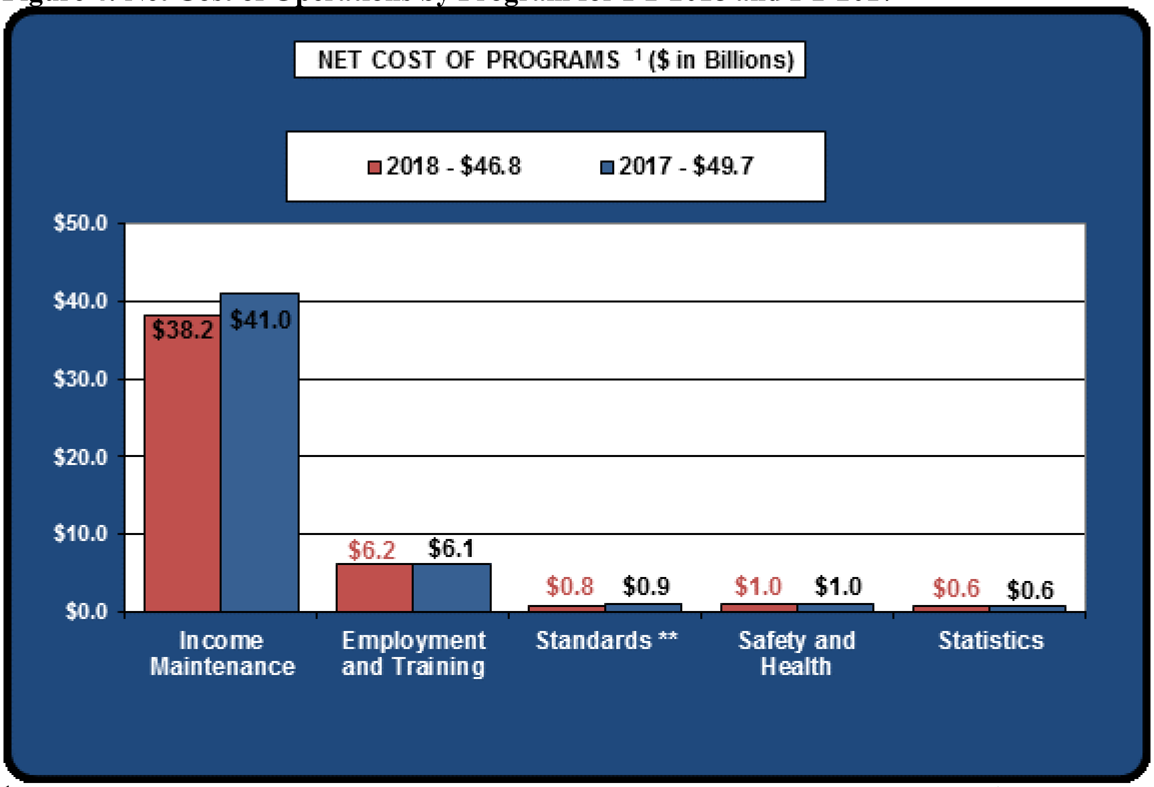


* OIC = Occupational Illness Compensation.

Net Cost of Operations

The Department's net cost of operations for the year ended September 30, 2018, was $46.8 billion, a decrease of $2.9 billion [(5.8)%] from FY 2017. This decrease was attributable to decreases in program costs discussed below:

Figure 4: Net Cost of Operations by Program for FY 2018 and FY 2017



[1] The Department's Net Cost of Programs include costs not assigned to specific programs, which were $18.7 million and $15.2 million for FY 2018 and FY 2017, respectively.
**Represents Labor, Employment, and Pension Standards.

Income Maintenance programs continue to comprise the major portion of departmental costs. These programs include unemployment benefits paid to covered individuals who are out of work and seeking employment, as well as payments to individuals who qualify for disability benefits due to injury or illness suffered on the job, and the costs to administer these programs. Income maintenance net costs were $38.2 billion in FY 2018, a decrease of 6.8% from FY 2017. This decrease is primarily due to a significant reduction in unemployment insurance benefits costs and associated lower debt interest costs, offset by increases in Energy employees occupational illness compensation benefits primarily due to the net effect of the assumptions for increases in cases approved, higher costs per claimant, and lower medical inflation rates.

Employment and Training programs comprise DOL's second largest cost. These programs are designed to help individuals deal with the loss of a job, identify new occupational opportunities, find training to acquire different skills, start a new job, and make long-term career plans, as well as connect employers to workers with the skills they need. Employment and training costs were $6.2 billion in FY 2018, an increase of 1.6% from FY 2017.

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 2018 and FY 2017, as well as the status of these resources at the end of each fiscal year. During FY 2018, total budgetary resources decreased $2.0 billion or (3.5)% from $56.7 billion to $54.7 billion, primarily due to the decrease in appropriations of $1.8 billion or (4.0)%. Agency outlays, net decreased by $2.5 billion or (5.6)% primarily due to lower outlays, gross as a result of lower outlays for unemployment benefits.

Social Insurance and the Black Lung Disability Benefit Program

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

The SOSI reports for the projection period (which begins on the September 30 valuation date of the reporting year) for current and new participants (the open group), the open group measure, which is the present value of estimated future coal excise tax income, less the present value of estimated future administrative costs and the actuarial present value of future benefit payments. The SOSI also reports the closed group measure, which is measured in a similar manner, for the current participants only (the closed group). The difference between the open group measure and the closed group measure is the inclusion of new participants that will be added to the rolls after the valuation date; new participants include participants for whom the BLDTF has an adjudicated liability as of September 30 (due to, among other things, bankruptcy of the responsible mine operator), but had not yet been added to the rolls. For the SOSI as of September 30, 2014, 2015, and 2016, the projection period had a fixed terminus of September 30, 2040. In FY 2017, DOL revised the projection period from the fixed terminus to a rolling 25-year projection period that begins on the September 30 valuation date; the revised projection period became effective for the September 30, 2017 valuation date with a rolling 25-year projection period through September 30, 2042. For the September 30, 2018 valuation date, the rolling 25-year projection period ends September 30, 2043.

For the five years presented in the SOSI, the open group measure has decreased significantly from $4.5 billion as of September 30, 2014 to $(1,028.7) million as of September 30, 2018. The decrease in the open group measure is primarily due to the decrease in the present value of estimated future coal excise tax income, which depends on, among other things, the business and regulatory environment of the coal industry. Assumptions that, among other things, lead to favorable conditions for energy sources that compete with coal will reduce coal's market share; lower demand for coal will lead to lower collections of excise taxes.

Figure 5: Black Lung Disability Benefit Program - Table of Key Measures for FY 2018 and FY 2017

Black Lung Disability Benefit Prorgam - Table of Key Measures

			Change	
(Dollars in millions)	**2018**	**2017**	**Amount**	**Percent**
Financial position				
Total assets	$ 359.7	$ 144.7	$ 215.0	148.6%
Less: total liabilities	(6,001.6)	(5,755.4)	(246.2)	4.3%
Net position (assets net of liabilities)	$ (5,641.9)	$ (5,610.7)	$ (31.2)	(0.6)%
Costs and changes in net position				
Net cost of operations	$ (351.1)	$ (370.6)	$ 19.5	5.3%
Total financing sources	319.9	364.4	(44.5)	(12.2)%
Net change of cumulative results of operations	$ (31.2)	$ (6.2)	$ (25.0)	(403.2)%
Social insurance				
Open group measure, beginning of year	$ 31.0	$ 890.0	$ (859.0)	(96.5)%
Open group measure, end of year	$ (1,028.7)	$ 31.0	$ (1,059.7)	(3,418.4)%

The increase in the total assets of $215.0 million [148.6%] was due to a higher Funds with Treasury balance as of September 30, 2018. The improvement in the net cost of operations for the year ended September 30, 2018 of $19.5 million [5.3%] from FY 2017 was primarily due to a decrease in benefit payments to claimants. FY 2018 total financing sources decreased $(44.5) million [(12.2)%] from FY 2017 mainly due to a decrease in tax collections. The resulting net change of cumulative results of operations for FY 2018 was $(31.2) million, a decrease of $(25.0) million [(403.2)%] from FY 2017.

Liabilities increased $246.2 million [4.3%] at the end of FY 2018 due to an increase in debt. The increase in debt is important because it demonstrates that although the BLDTF repaid debt of $1.7 billion, the debt balance increased due to additional borrowing of $1.9 billion and accrued interest of $17.5 million as of September 30, 2018. In FY 2018, the open group measure decreased by $(1,059.7) million primarily due to projected lower coal excise tax revenues. In FY 2017, the open group measure decreased by $(859.0) million primarily due to projected lower coal excise tax revenues and projected higher costs of beneficiaries as a result of, among other things, projected higher costs for new participants.

The total of open group measure plus fund assets as of September 30 represents a projected net positive cash flow that may be used to liquidate the liabilities of the BLDTF. As of September 30, 2017, the open group measure plus fund assets was $175.7 million; for the BLDTF debt, the principal and interest maturing on September 30, 2018 was $1.86 billion and the carrying value as of September 30, 2017 was $5.74 billion; and the fund deficit was $(5.61) billion. As of September 30, 2018, the open group measure plus fund assets is $(669.0) million, a decline in the condition of the fund of $(844.6) million; for the BLDTF debt, the principal and interest that will mature on September 30, 2019 will be $2.13 billion, which will contribute to increasing debt and the decline in the financial condition of the fund; the carrying value of the debt as of September 30, 2018 is $6.0 billion, an increase in debt of $246.6 million which contributed to the decline in the financial condition of the fund; and the fund deficit was $(5.64) billion, a decline in the financial condition of the fund of $31.2 million. Together, the excess of BLDTF debt over the open group measure plus fund assets, the fund deficit, and the trends in the declining financial condition of the fund represent risks and conditions with unfavorable effects on the long-term sustainability of the BLDTF.

Refer to Notes 1-W, 1-Y, and 21, and Required Supplementary Information (RSI) for additional information on the SOSI, including the summary section; SCSIA; the Black Lung Disability Benefit Program; its reported activity and balances; and projections and sensitivity analysis in constant dollars through 2043.

Limitations on the Principal Financial Statements

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

Financial Management Systems and Strategy

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

In FY 2018, the Department upgraded NCFMS to a current software release, and made other necessary changes to maintain support for the application. As a result of this work, NCFMS now operates in an upgraded version of Oracle Federal Financials. Additional activities are being undertaken to define the FY 2019 and out year maintenance activities to ensure NCFMS continues to provide vendor-supported functionality in compliance with Treasury guidance.

In FY 2019, NCFMS will be used to support DOL's finance and accounting activities. The Department will continue working with the Department of Treasury and Office of Management and Budget on implementing a government-wide Software as a Service (SaaS) solution for financial management.

Management Assurances

Federal Managers' Financial Integrity Act of 1982 (FMFIA)

FMFIA requires that agencies establish internal controls and financial systems that provide reasonable assurance that the integrity of Federal programs and operations is protected. It requires that the head of the agency provide an annual assurance statement whether the agency has met this requirement.

OMB Circular A-123 provides specific requirements for conducting management's assessment of internal control over reporting, and requires the agency head to provide an assurance statement on the effectiveness of internal controls over reporting.

Federal Financial Management Improvement Act of 1996 (FFMIA)

FFMIA requires that agencies implement and maintain financial management systems that comply substantially with the Federal financial management system requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. The agency head is to make an annual determination whether the financial systems substantially comply with FFMIA.

Federal Managers' Financial Integrity Act of 1982

The Department of Labor's (DOL) 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. 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, 2018. No material weaknesses were found in the design or operation of the internal controls.

In addition, DOL conducted an assessment of the effectiveness of internal control over 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, *Management of Reporting and Data Integrity Risk*. Based on the results of this evaluation, DOL can provide reasonable assurance that its internal controls over reporting were operating effectively. No material weaknesses were found in the design or operation of the internal control over financial reporting. DOL is also in conformance with Section 4 of FMFIA.

Federal Financial Management Improvement Act of 1996

The *Federal Financial Management Improvement Act* 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, 2018.

R. Alexander Acosta
Secretary of Labor

Patrick Pizzella
Deputy Secretary of Labor

James Williams
Chief Financial Officer

Bryan Slater
Assistant Secretary of Administration and Management

November 15, 2018

UNITED STATES DEPARTMENT OF LABOR

FINANCIAL SECTION

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, 2018 and 2017, 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 2018 sustainability financial statements, which comprise the statements of social insurance as of September 30, 2018, 2017, 2015, and 2014; the statement of changes in social insurance amounts for the year ended September 30, 2018; and the related notes to the 2018 sustainability financial statements.

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits of the consolidated financial statements and the 2018 sustainability financial statements in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-01 require that we plan and perform the audits

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to obtain reasonable assurance about whether the consolidated financial statements and the 2018 sustainability financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the 2018 sustainability financial statements.

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

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

As described in Note 1.W.2, DOL refined its methodology for estimating future excise tax income in fiscal year 2016. DOL was unable to provide sufficient analyses or other documentation to evidence that its methodology and certain underlying assumptions used in the determination of the present value of estimated future excise tax income for the current and new participants in the statement of social insurance as of September 30, 2016 were prepared and fairly presented in accordance with U.S. generally accepted accounting principles. Therefore, we have not been able to obtain sufficient appropriate audit evidence for the present value of estimated future excise tax income for the current and new participants.

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

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

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

Opinions on the Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Labor as of September 30, 2018 and 2017, 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 2018 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, 2018, 2017, 2015, and 2014; and its changes in social insurance amounts for the year ended September 30, 2018; in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Notes 1-W and 1-Y to the financial statements, the sustainability financial statements are based on management's assumptions. These sustainability financial statements present the actuarial present value of DOL's future expenditures to be paid to or on behalf of participants, the present value of estimated future income to be received from excise taxes, and the present value of estimated future expenditures for administrative costs during a projection period sufficient to illustrate long-term sustainability. The sustainability financial statements are intended to aid users in assessing whether future resources will likely be sufficient to sustain public services and to meet 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 opinion on the 2018 sustainability financial statements 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 U.S. Secretary of Labor and Other Information sections is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements as of and for the year ended September 30, 2018, we considered 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 opinions 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*.

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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in Exhibit I, that we consider to be a significant deficiency.

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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-01.

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

DOL's Response to the Finding

DOL's response to the finding identified in our audit is described in Exhibit II. DOL's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 results 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

November 15, 2018

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

In fiscal year (FY) 2018, the U.S. Department of Labor (DOL) continued to make progress in developing and implementing corrective action to address certain control deficiencies that were previously identified, and continued to ensure the performance of information technology (IT) controls that functioned previously did not deteriorate. During our testing of DOL's general IT controls, we noted that DOL agencies developed and implemented appropriate corrective action that resulted in the remediation of 18 previously-reported deficiencies.

While DOL continued to make improvements, we still noted certain control deficiencies in DOL's IT control environment during our FY 2018 testing. Specifically, we identified 4 new control deficiencies and 21 previously-reported control deficiencies that were not corrected or not corrected timely across key DOL financial and support systems in four DOL agencies.

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

Account Management

Control deficiencies related to account management and system access settings increase the risk that current employees, separated employees, and/or contractors may conduct unauthorized activities and/or obtain 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 2018 deficiencies identified in this category were as follows:

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

Configuration Management

Controls related to configuration management are designed to provide reasonable assurance that changes to information system resources are authorized and systems are configured and operated securely and as intended. Although DOL had designed controls to establish accountability and responsibility for configuration management, including monitoring and tracking of changes, we identified that account management controls were not consistently performed over change migrators and developers with access to perform configuration management controls, during our testing. Failure to perform access re-certifications for change migrators and developers may allow for unauthorized or inappropriate changes to be applied and remain undetected by management, resulting in lower assurance that the information system will operate as intended and that the financial 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 determined through our audit procedures that certain audit logs were not monitored, reviewed timely, or independently reviewed. Additionally, evidence of audit log reviews were not consistently maintained or was insufficient. The lack of effective and timely system audit log configuration and reviews may allow for unauthorized or inappropriate activities to remain undetected by management for lengthy periods of time.

Patch Management

Controls related to patch management are designed to prevent weaknesses in IT systems from being exploited. Such controls include proactively and timely patching of related security issues, and configuring IT systems in compliance with baseline security requirements. During our FY 2018 audit procedures, we noted that certain database and operating system infrastructures were configured on unsupported or outdated versions instead of the latest supported versions from the vendors.

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

Collectively, the aforementioned IT control deficiencies pose a risk to the integrity of DOL's data, which could ultimately impact DOL's ability to accurately and timely perform its financial reporting duties. The specific nature of these deficiencies, their specific causes, and the system impacted by them, have been communicated separately to management. These deficiencies were the result of issues in the monitoring or operation of departmental procedures and controls. DOL has not yet completed all of its current corrective actions and continues to invest the necessary level of effort and resources to address issues previously reported.

The National Institute of Standards and Technology Special Publication 800-53, Revision 4, Security and Privacy Controls for Federal Information Systems and Organizations, the Government Accountability Office's Standards for Internal Control in the Federal Government (GAO-14-704G), and the DOL Computer Security Handbook (CSH) define the criteria for the controls in which the deficiencies were identified.

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

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

We will conduct follow-up procedures in FY 2019 to determine whether corrective actions have been developed and implemented

U.S. Department of Labor

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

NOV 1 4 2018

MEMORANDUM FOR ELLIOT P. LEWIS
Assistant Inspector General for Audit

FROM: JAMES WILLIAMS
Chief Financial Officer

SUBJECT: FY 2018 Independent Auditors' Report on DOL's Financial Statements
Draft Report Number: 22-19-004-13-001

Please find the attached management's response to Draft Report No. 22-19-004-13-001, FY 2018 Independent Auditors' Report on DOL' Financial Statements.

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

Please contact me if you have any questions.

Attachment

cc: Karen Tekleberhan, Deputy Chief Financial Officer
Bryan Slater, Assistant Secretary for Administration and Management
Gundeep Ahluwalia, Chief Information Officer

Management's Response

Fiscal Year 2018 Independent Auditors' Report

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

The Office of the Assistant Secretary for Administration and Management (OASAM) concurs in general with the aggregated findings and recommendations reported in the FY 2018 Independent Auditors' Report on DOL's Financial Statements as a *Lack of Sufficient Information Technology General Controls over Key Financial Feeder Systems.*

The Department recognizes and prioritizes the importance of implementing adequate safeguards to protect information and information systems. In the year that has passed since the completion of the FY 2017 Independent Auditor's Report on DOL's Consolidated Financial Statements, significant changes in the Office of the Chief Information Officer (OCIO)'s Information Technology (IT) environment have taken place to enhance DOL's security posture.

DOL Senior IT Leadership appreciates the independent auditor's acknowledgement of the significant steps taken by the Department to identify and mitigate or remediate the root causes of deficiencies identified. Through risk management and strategic planning, Senior IT Leadership applied risk-based decision making in the approach and implementation of corrective actions. This resulted in considerable progress by OCIO in FY 2018. DOL identified, acquired, and started implementing additional cybersecurity tools to address priority risks, with full implementation anticipated by the end of FY 2019.

OCIO has prioritized remediating the risk as a result of the identified deficiencies within its cybersecurity program relating to account management, configuration management, audit log reviews, and patch management. The Department has committed additional resources to close gaps by implementing solutions that will help further remediate the findings. Because the implementation of these solutions is still in process, however, OCIO has instituted compensating controls to reduce the risk while full implementation is being completed. OCIO is also in the process of revising its compliance and oversight process to ensure that associated DOL agencies comply with Departmental polices and procedure set forth in the Computer Security Handbook (CSH).

For FY 2019, OCIO will continue to strengthen its oversight capabilities and process of enterprise-wide remediation activities by implementing additional continuous monitoring tools and activities to identify, support, and track corrective actions to address the identified gaps.

Management responses to the specific control area deficiencies noted in the report are detailed below:

Account Management

Management concurs with the finding regarding account management.

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

In the fall of 2015, DOL implemented the Personal Identity Verification (PIV)-enforced Identification and Authentication (I&A) process. Because of the timing of the implementation, it was not assessed as part of the FY 2016 audit. However, as shown in both the FY 2017 and FY 2018 Consolidated Financial Statement Audits, there has been significant improvements resulting from the implementation of the PIV enforcement. For instance, the implementation of the PIV-enforced I&A has significantly reduced the risk associated with the untimely disablement of network accounts and unauthorized access to DOL applications.

In FY 2017, DOL acquired a leading suite of tools to give DOL the ability to implement an enterprise Identity and Access Management (IAM) solution. The solution increased security capabilities while further reducing operational risk for managing accounts. As of Q4 FY 2018, DOL has completed the implementation of the solution into the production environment. The solution will permit the centralization of access control functions such as provisioning and de-provisioning of accounts, simplified sign-on, and privileged account management. In FY 2019, DOL will continue integrating DOL applications into the solution to increase these capabilities across the DOL enterprise, thereby reducing risk, mitigating vulnerabilities, and further addressing the audit findings.

Throughout FY 2018, DOL enhanced the use of auto-generated lists of separated employees sent to Agency Information Security Officers (ISOs) for review. This process ensures accounts are disabled in a timely manner for separated users. Additionally, OCIO, HR, and the badging office revised the off-boarding and transfer process. While the process continues to be refined, it has already increased awareness and interaction with all stakeholders to ensure all personnel accounts (both federal and contractor) are managed in a timely process. Additionally, as of Q4 FY 2018, OCIO delivered the automated ability to de-provision user domain accounts. During Q1 FY 2019, OCIO expects this capability to be expanded to include all OCIO managed federal and contractor domain accounts.

System Audit Log Configuration and Reviews

Management concurs with the finding regarding system audit log configuration and reviews.

Deficiencies in system audit log configuration and reviews are a result of resource constraints needed to support a robust enterprise audit log aggregation and review process. To mitigate issues, in Q4 FY 2018, DOL completed the implementation of a Security Information and Event Management (SIEM). This facilitates log reviews by providing a central collection and reporting point for system log data. The modernization of DOL's IT infrastructure provides increased storage and processing power needed to support the enterprise SIEM solution.

Additionally, by Q2 FY 2019, DOL plans to expand its IT workforce to include Information Systems Security Officer (ISSO) support. ISSO support staff will increase the overall IT security support for information systems by including the review of audit logs.

Patch Management and Configuration Management

Management concurs with the findings regarding configuration management and patch management.

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

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

The Department's patch management processes includes risk analysis /mitigation strategies, implementation of automated tools, and a repeatable process to maintain the patch level of all enterprise computing platforms. OCIO performs weekly vulnerability scans and reports of the network. These results are analyzed in order to prioritize the patch management plan. As part of the risk mitigation strategy, OCIO reviews all risk exemption requests prior to approval by the CISO. Through the enterprise risk management process, the Department applies risk mitigating best practices consistently across all agencies to ensure all mandatory regulations and policies specific to DOL risk management are addressed. While there is still work to be done, these efforts have significantly reduced the number of vulnerabilities.

In FY 2017, OCIO started sending weekly patch and vulnerability scan reports to agencies. These results help support patch and vulnerability management and supplement the existing process. In FY 2018, DOL ensured that appropriate personnel are trained and understand the OCIO patch management process (approval, testing, implementation, and documentation).

For FY 2019, IT modernization efforts are underway to refresh outdated infrastructure. DOL has also received funding and Congressional approval to modernize an outdated legacy application. Further, OCIO is working with agencies to prioritize modernization funding opportunities of additional applications.

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 2018 and FY 2017 consist of the following:

- The **Consolidated Balance Sheets**, which present as of September 30, 2018 and 2017, 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, 2018 and 2017. 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, 2018 and 2017.

- The **Combined Statements of Budgetary Resources**, which present the budgetary resources available to DOL and net outlays of budgetary resources for FYs 2018 and 2017; and the status of these resources as of September 30, 2018 and 2017, respectively.

- The **Statements of Social Insurance**, which present the net present values of projected cash inflows and outflows for the current participants (closed group), new participants, and current participants and new participants (open group) of the Black Lung Disability Trust Fund (BLDTF) as of September 30, 2018, 2017, 2016, 2015, and 2014.

- The **Statements of Changes in Social Insurance Amounts**, which present the net change in the open group measure of the Black Lung Disability Trust Fund (BLDTF) for the years ended September 30, 2018 and 2017, and provide information about the change.

CONSOLIDATED BALANCE SHEETS
As of September 30, 2018 and 2017
(Dollars in Thousands)

	2018	2017
ASSETS		
Intra-governmental		
Funds with U.S. Treasury (Note 1-C and 2)	$ 13,192,180	$ 12,121,697
Investments (Note 1-D and 3)	73,011,101	61,067,309
Accounts receivable (Note 1-E and 4)	5,150,125	5,396,238
Advances (Note 1-G and 6)	4,922	6,389
Total intra-governmental	91,358,328	78,591,633
Accounts receivable, net of allowance (Note 1-E and 4)	1,329,058	1,352,217
General property, plant and equipment, net (Note 1-F and 5)	1,175,572	1,210,868
Advances (Note 1-G and 6)	1,223,134	1,130,773
Total assets	$ 95,086,092	$ 82,285,491
LIABILITIES AND NET POSITION		
Liabilities (Note 1-I and 12)		
Intra-governmental		
Accounts payable	$ 12,398	$ 21,022
Debt (Note 1-J and 8)	5,993,214	8,368,258
Other liabilities (Note 9)	277,607	276,653
Total intra-governmental	6,283,219	8,665,933
Accounts payable	234,200	246,691
Accrued benefits (Note 1-K and 10)	1,161,613	1,302,857
Future workers' compensation benefits (Note 1-L and 11)	2,537,871	2,622,296
Energy employees occupational illness compensation benefits (Note 1-M)	24,024,463	19,722,715
Accrued leave (Note 1-N)	125,656	126,959
Other liabilities (Note 9)	818,042	747,294
Total liabilities	35,185,064	33,434,745
Contingencies (Note 13)		
Net position (Note 1-R)		
Funds from dedicated collections		
Cumulative results of operations (Note 21)	68,820,773	53,763,672
All other funds		
Unexpended appropriations	8,423,410	7,911,467
Cumulative results of operations	(17,343,155)	(12,824,393)
Total net position - all other funds	(8,919,745)	(4,912,926)
Total net position	59,901,028	48,850,746
Total liabilities and net position	$ 95,086,092	$ 82,285,491

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF NET COST
For the Years Ended September 30, 2018 and 2017
(Dollars in Thousands)

	2018	2017
NET COST OF OPERATIONS (Note 1-S and 15)		
CROSSCUTTING PROGRAMS		
Income maintenance		
Gross cost	$ 41,477,518	$ 44,305,656
Less earned revenue	(3,312,979)	(3,261,780)
Net program cost	38,164,539	41,043,876
Employment and training		
Gross cost	6,156,677	6,126,985
Less earned revenue	(1,050)	(3,320)
Net program cost	6,155,627	6,123,665
Labor, employment and pension standards		
Gross cost	844,003	883,981
Less earned revenue	(8,613)	(11,547)
Net program cost	835,390	872,434
Worker safety and health		
Gross cost	998,266	1,039,028
Less earned revenue	(3,112)	(3,331)
Net program cost	995,154	1,035,697
OTHER PROGRAMS		
Statistics		
Gross cost	662,059	659,662
Less earned revenue	(28,803)	(29,127)
Net program cost	633,256	630,535
COSTS NOT ASSIGNED TO PROGRAMS		
Gross cost	23,717	48,285
Less earned revenue not attributed to programs	(4,986)	(33,069)
Net cost not assigned to programs	18,731	15,216
Net cost of operations	$ 46,802,697	$ 49,721,423

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2018 and 2017
(Dollars in Thousands)

	2018 Consolidated			2017 Consolidated		
	Funds from Dedicated Collections	All Other Funds	Total	Funds from Dedicated Collections	All Other Funds	Total
Unexpended Appropriations:						
Beginning Balance	$ -	$ 7,911,467	$ 7,911,467	$ -	$ 7,919,543	$ 7,919,543
Budgetary financing sources (Note 1-T)						
Appropriations received (Note 18-F)	-	11,307,139	11,307,139	-	10,869,138	10,869,138
Appropriations transferred	-	(175)	(175)	-	6,478	6,478
Other adjustments	-	(639,652)	(639,652)	-	(583,193)	(583,193)
Appropriations used	-	(10,155,369)	(10,155,369)	-	(10,300,499)	(10,300,499)
Total budgetary financing sources	-	511,943	511,943	-	(8,076)	(8,076)
Total Unexpended Appropriations	-	8,423,410	8,423,410	-	7,911,467	7,911,467
Cumulative Results from Operations:						
Beginning Balance	$ 53,763,672	$ (12,824,393)	$ 40,939,279	$ 40,442,362	$ (7,769,509)	$ 32,672,853
Budgetary financing sources (Note 1-T)						
Other adjustments	-	922	922	-	-	-
Appropriations used	-	10,155,369	10,155,369	-	10,300,499	10,300,499
Non-exchange revenue (Note 16)						
Employer taxes	43,613,046	-	43,613,046	44,484,373	-	44,484,373
Interest	1,509,634	4	1,509,638	1,307,018	3	1,307,021
Reimbursement of unemployment benefits and other	1,701,900	-	1,701,900	1,605,373	3,581	1,608,954
Total non-exchange revenue	46,824,580	4	46,824,584	47,396,764	3,584	47,400,348
Transfers without reimbursement (Note 17)	(3,493,444)	3,757,891	264,447	(3,647,697)	3,841,568	193,871
Other Financing Sources (Nonexchange) (Note 1-U):						
Transfers without reimbursement (Note 17)	-	706	706	-	1,595	1,595
Imputed financing from costs absorbed by others	2,181	106,232	108,413	2,152	90,788	92,940
Other	1	(13,406)	(13,405)	-	(1,404)	(1,404)
Total financing sources	43,333,318	14,007,718	57,341,036	43,751,219	14,236,630	57,987,849
Net cost of operations	(28,276,217)	(18,526,480)	(46,802,697)	(30,429,909)	(19,291,514)	(49,721,423)
Net change	15,057,101	(4,518,762)	10,538,339	13,321,310	(5,054,884)	8,266,426
Cumulative results of operations	68,820,773	(17,343,155)	51,477,618	53,763,672	(12,824,393)	40,939,279
Net position	$ 68,820,773	$ (8,919,745)	$ 59,901,028	$ 53,763,672	$ (4,912,926)	$ 48,850,746

The accompanying notes are an integral part of these statements.

COMBINED STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2018 and 2017
(Dollars in Thousands)

	2018	2017
BUDGETARY RESOURCES (Note 18)		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 3,905,776	$ 3,998,729
Appropriations (discretionary and mandatory)	43,520,833	45,286,228
Borrowing authority (discretionary and mandatory)	29,942	-
Spending authority from offsetting collections (discretionary and mandatory)	7,217,028	7,378,389
Total budgetary resources	$ 54,673,579	$ 56,663,346
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (total)	$ 50,290,907	$ 52,732,162
Unobligated balance, end of year		
Apportioned, unexpired accounts	3,696,831	3,140,440
Exempt from apportionment, unexpired accounts	29,354	33,211
Unapportioned, unexpired accounts	90,122	87,891
Unexpired unobligated balance, end of year	3,816,307	3,261,542
Expired unobligated balance, end of year	566,365	669,642
Unobligated balance, end of year (total)	4,382,672	3,931,184
Total budgetary resources	$ 54,673,579	$ 56,663,346
OUTLAYS, NET		
Outlays, net (total) (discretionary and mandatory)	42,767,502	45,331,981
Distributed offsetting receipts	(459,791)	(559,128)
Agency outlays, net (discretionary and mandatory)	$ 42,307,711	$ 44,772,853

The accompanying notes are an integral part of these statements.

STATEMENTS OF SOCIAL INSURANCE

As of September 30, 2018, 2017, 2016, 2015, and 2014
(Dollars in Thousands)

	As of September 30,				
	2018	2017	Unaudited 2016	2015	2014
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	$ 1,385,560	$ 2,011,565	$ 2,906,046	$ 4,738,572	$ 7,301,416
Less the present value of estimated future administrative costs during the projection period	675,099	713,472	953,474	1,242,920	942,107
Less the actuarial present value of future benefit payments to disabled coal miners and dependent survivors during the projection period	1,270,504	1,280,920	1,359,109	1,898,939	1,876,522
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)	(560,043)	17,173	593,463	1,596,713	4,482,787
New participants					
Present value of estimated future excise tax income during the projection period	1,133,640	1,616,686	1,452,086	-	-
Less the present value of estimated future administrative costs during the projection period	552,354	573,414	476,429	-	-
Less the actuarial present value of future benefit payments to disabled coal miners and dependent survivors during the projection period	1,049,906	1,029,469	679,116	-	-
Excess of present value of estimated future excise tax income over present value of estimated future administrative costs and actuarial present value of future benefit payments during the projection period	(468,620)	13,803	296,541	-	-
Current and new participants (open group)					
Present value of estimated future excise tax income during the projection period	2,519,200	3,628,251	4,358,132	4,738,572	7,301,416
Less the present value of estimated future administrative costs during the projection period	1,227,453	1,286,886	1,429,903	1,242,920	942,107
Less the actuarial present value of future benefit payments to disabled coal miners and dependent survivors during the projection period	2,320,410	2,310,389	2,038,225	1,898,939	1,876,522
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)	$ (1,028,663)	$ 30,976	$ 890,004	$ 1,596,713	$ 4,482,787
Trust fund net position deficit at start of projection period (Note 1-W and 21)	$ (5,641,907)	$ (5,610,709)	$ (5,604,460)	$ (5,644,208)	$ (5,755,352)
Summary Section					
Closed group measure	$ (560,043)	$ 17,173	$ 593,463	$ 1,596,713	$ 4,482,787
Add: Funds with U.S. Treasury and receivables from benefit overpayments (Note 21)	359,710	144,697	113,856	54,859	129,376
Total of closed group measure plus fund assets (Note 1-W)	$ (200,333)	$ 161,870	$ 707,319	$ 1,651,572	$ 4,612,163
Open group measure	$ (1,028,663)	$ 30,976	$ 890,004	$ 1,596,713	$ 4,482,787
Add: Funds with U.S. Treasury and receivables from benefit overpayments (Note 21)	359,710	144,697	113,856	54,859	129,376
Total of open group measure plus fund assets (Note 1-W)	$ (668,953)	$ 175,673	$ 1,003,860	$ 1,651,572	$ 4,612,163

The accompanying notes are an integral part of these statements.

STATEMENTS OF CHANGES IN SOCIAL INSURANCE AMOUNTS
For the Years Ended September 30, 2018 and 2017
(Dollars in Thousands)

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

Open Group Measure

(Dollars in Thousands)

	2018	Unaudited 2017
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	$ 30,976	$ 890,004
Changes in the assumptions about beneficiaries, including costs, number, type, age and life expectancy	(182,365)	(387,457)
Changes in assumptions about coal excise tax revenues	(904,522)	(481,019)
Changes in assumptions about Federal civilian pay raises for income benefits	(7,844)	12,764
Changes in assumptions about medical cost inflation for medical benefits	(6,390)	(26,784)
Changes in assumptions about administrative costs	(22,516)	54,230
Changes in assumptions about interest rates	63,998	(30,762)
Net change in open group measure	(1,059,639)	(859,028)
Open group measure, end of year	$ (1,028,663)	$ 30,976

The accompanying notes are an integral part of these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

The Pension Benefit Guaranty Corporation (PBGC), wholly owned by the Federal government and whose Board of Directors is chaired by the Secretary of Labor, has been designated as a separate reporting entity for financial statement purposes in compliance with Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 47, "Reporting Entity," and related Treasury and OMB implementation guidance and has been excluded from these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

2. The major programs are

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

3. Fund accounting structure

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

Funds from dedicated collections

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

Funds from dedicated collections - continued

H-1B Funds provide demonstration grants to regional and local entities to provide technical skills training to unemployed and incumbent workers. As authorized by the American Competitiveness and Workforce Improvement Act of 1998, the funds are supported by fees paid by employers petitioning the U.S Department of Homeland Security for visas for foreign workers under the H-1B program.

Fiduciary funds

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

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

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

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

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued
A. Reporting Entity - Continued

3. Fund accounting structure - continued

All other funds - continued

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

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

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

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

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

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

Federal Employees’ Compensation Act Special Benefit Fund provides wage replacement benefits and payment for medical services to covered Federal civilian employees injured on the job, Federal employees and certain other workers who have incurred a work-related illness or injury, and survivors of employees whose death is attributable to a job-related injury. The Fund also provides for vocational rehabilitation of injured employees to facilitate their return to work. Under extensions of FECA, benefits are also paid to certain groups related to War Hazards, non-Federal law enforcement officers, Job Corps enrollees, and certain Federally-supported volunteers. Section 10(h) of the amended Longshore and Harbor Workers’ Compensation Act and the District of Columbia Worker’s Compensation Act authorized payments from the Special Benefit fund for 50% of the annual increase in benefits for compensation and certain related benefits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

All other funds - continued

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

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

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

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

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

4. Inter-departmental relationships

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Accounting and Presentation

In FY 2018, DOL implemented FASAB SFFAS 47, "Reporting Entity," with related guidance from the Treasury Financial Manual (TFM), Volume I, Part 2, Chapter 4700, "Agency Reporting Requirements for the Financial Report of the United States Government," and OMB Circular No. A-136.

SFFAS 47 and the related guidance required, among other things, that the Department of Labor
(1) be defined as a component reporting entity within the larger governmentwide reporting entity of the U.S. Federal Government;
(2) consolidate into its financial statements (as consolidation entities) those entities defined according to (a) SFFAS 47 requirements for administrative assignment based on budgetary and accountability criteria and (b) Treasury determinations;
(3) report as disclosure entities in its financial statements those entities defined according to (a) SFFAS 47 requirements for entities with greater autonomy (than consolidated entities) and (b) Treasury determinations; and
(4) report as related parties in its financial statements those entities defined according to (a) SFFAS 47 requirements for entities with whom DOL has a relationship with significant influence and (b) Treasury determinations.

Based on the requirements of SFFAS 47 and related guidance, DOL determined that there were no additional entities to include in or entities to exclude from the FY 2018 presentations of the consolidated Balance Sheet, Statement of Changes in Net Costs, and Statement of Changes in Net Position; combined Statement of Budgetary Resources; and related notes.

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 of the DOL reporting entity. All inter-fund balances and transactions were eliminated, except in the Statements of Budgetary Resources, which are presented on a combined basis, as required by OMB Circular No. A-136.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Accounting and Presentation - Continued

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

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

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

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).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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. In compliance with Treasury policy, no allowance for loss on intragovernmental receivables is recognized in DOL's accounting records or financial statements.

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	$500,000	2 - 15
Software in development	$500,000	-
Construction-in-progress	$500,000	-
Land	$500,000	-

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. General Property, Plant and Equipment, Net - Continued

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.

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)

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 by budgetary resources, not covered by budgetary resources, or not requiring 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. Liabilities are classified as not requiring budgetary resources if the liabilities have not in the past required and will not in the future require the use of budgetary resources. (See Note 12)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2018 and 2017, represent borrowing authority used from the General Fund of the U.S. Treasury pursuant to the authority of Sections 905(d) and 1203 of the Social Security Act (42 U.S.C. 1323). All advances were repaid in FY 2018. Although no draws were made on borrowing authority during FY 2018 and FY 2017, these advances were appropriated in FY 2018 through five continuing resolutions, the last one being P.L. 115-123, which was amended by P.L. 115-124, and an appropriations act P.L. 115-141 and in FY 2017 through three continuing resolutions with P.L. 114-223, P.L. 114-254, and P.L. 115-30 and an appropriations act P.L. 115-31. These repayable advances bear interest rates of 2.375% and 2.500%, which are equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of such advance, borne by all interest bearing obligations of the United States then forming part of the public debt; except that in cases in which such average rate is not a multiple of one-eighth of 1 percent, the rate of interest shall be the multiple of one-eighth of 1 percent next lower than such average rate in accordance with Section 905(d) and Section 1203 of the Social Security Act. Interest on the repayable advances is due on September 30th of each year or upon the repayment of an advance and is subject to sequestration. Advances are repaid by transfers from the UTF to the General Fund of the U.S. Treasury when the Secretary of the Treasury, in consultation with the Secretary of Labor, has determined that the balances in the UTF allow repayment. (See Note 8)

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, 2017 (due September 30, 2018) bearing an interest rate of 1.311% and on September 30, 2018 (due September 30, 2019) bearing an interest rate of 2.604%. (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)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. Accrued Benefits - Continued

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.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. Accrued Benefits - Continued

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.

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

The COLAs and CPIMs used in the projections for FY 2018 and FY 2017 were as follows:

	COLA		CPIM	
FY	2018	2017	2018	2017
2018	N/A	1.22 %	N/A	3.20 %
2019	1.31 %	1.35 %	3.21 %	3.52 %
2020	1.51 %	1.59 %	3.48 %	3.80 %
2021	1.89 %	1.99 %	3.68 %	3.99 %
2022	2.16 %	2.26 %	3.71 %	3.91 %
2023+	2.21 %	2.26 %	4.09 %	3.91 %

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Future Workers' Compensation Benefits – Continued

DOL selected the interest rate assumptions whereby projected annual payments were discounted to present value based on interest rate assumptions on the U.S. Department of the Treasury's Yield Curve for Treasury Nominal Coupon Issues (the TNC Yield Curve) to reflect the average duration of income payments and medical payments. The average durations for income payments and medical payments were 14.7 and 9.6 years in FY 2018 and 14.7 and 9.5 years in FY 2017, 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 2.716% and 2.379% in FY 2018 and 2.683% and 2.218% in FY 2017, respectively.

The actuarial liability consists of a portion for the projected benefits of Federal agencies (including DOL and the Panama Canal Compensation Fund) that reimburse the fund for their employees' costs as billable costs; the other portion is for projected benefits for non-billable and unreimbursed costs, which are primarily for projected benefits under the War Hazards Compensation Act (WHCA), as amended (42 U.S.C. 1701 et seq.). (See Note 11)

In FY 2018, refinements to the methodology for non-billable projected benefits were: (1) moving projected benefits for cases of a classified nature from the billable portion and (2) using, among other things, the U.S. Department of Defense Overseas Contingency Operations (OCO) budget as a relative measure of hazard exposure to project future benefits under the WHCA; in prior years, the WHCA claims log was used, among other things, to project future benefits. DOL applied a loss development triangle approach that accommodates the recurring and lump-sum nature of the WHCA claims. In FY 2018, for WHCA income payments and medical payments, the interest rate assumptions were 2.716 % and 2.379%, respectively. In FY 2017, for both WHCA income payments and medical payments, the interest rate assumption was 2.683%.

M. Energy Employees Occupational Illness Compensation Benefits

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Energy Employees Occupational Illness Compensation Benefits - Continued

The table below presents assumptions and liabilities as of September 30, 2018 and 2017.

Assumptions and Liabilities	2018	2017
Compensation Liabilities as of September 30		
Average duration	11.5 years	11.1 years
Interest rate used in discounting	2.531%	2.395%
Undiscounted liability	\$8.2 billion	\$7.4 billion
Discounted liability	\$6.4 billion	\$5.8 billion
Medical Liabilities as of September 30		
Average duration	18.4 years	19.6 years
Interest rate used in discounting	2.875%	2.933%
Medical inflation in future years 1 and 2	4.3%	6.0%
Medical inflation in future years 3 and 4	2.6%	6.0%
Medical inflation in future year 5	2.5%	6.0%
Medical inflation in future years 6+	3.9%	5.0%
Society of Actuaries Retirement Plans (RP) Mortality Table	RP-2014	RP-2014
Undiscounted liability	\$27.7 billion	\$23.2 billion
Discounted liability	\$17.6 billion	\$13.9 billion
Compensation and Medical Total Liabilities‡ as of September 30		
Undiscounted	\$35.9 billion	\$30.5 billion
Discounted	\$24.0 billion	\$19.7 billion
Period used in discounting	60 years	59 years

‡Totals may differ slightly due to rounding.

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

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

The increases in undiscounted and discounted total liabilities as of September 30, 2018 were primarily due to the net effect of the assumptions for increases in cases approved, higher costs per claimant, and lower medical inflation rates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

N. Accrued Leave

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

O. Employee Health and Life Insurance Benefits

DOL employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGLIP). DOL matches the employee contributions to each program to pay for current benefits. During FY 2018, DOL's contributions to the FEHBP and FEGLIP were $121.0 million and $2.5 million, respectively. During FY 2017, DOL's contributions to the FEHBP and FEGLIP were $123.2 million and $2.5 million, respectively. These contributions are recognized as current operating expenses.

P. Other Retirement Benefits

DOL employees eligible to participate in the FEHBP and the FEGLIP may continue to participate in these programs after their retirement. DOL recognizes a current operating expense for the future cost of these other retirement benefits (ORB) at the time the employee's services are rendered. This ORB expense must be financed by the U.S. Office of Personnel Management (OPM). Using cost factors supplied by OPM, DOL recorded ORB imputed costs and imputed financing sources of $86.6 million in FY 2018 and $69.4 million in FY 2017.

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 2018 and FY 2017 are presented in the table below.

	Percentage of Gross Earnings		
FY 2018	FERS	FERS RAE	FERS FRAE
Employee contribution/withholding	0.8%	3.1%	4.4%
DOL contribution	13.7 %	11.9%	11.9%
FY 2017	FERS	FERS RAE	FERS FRAE
Employee contribution/withholding	0.8%	3.1%	4.4%
DOL contribution	13.7%	11.9%	11.9%

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Q. Employee Pension Benefits - Continued

These totals are transferred to the Federal Employees' Retirement Fund. The CSRS and FERS retirement funds are administered by OPM. DOL contributions to the CSRS and FERS are recognized as current operating expenses. FERS participants are also covered under the Federal Insurance Contribution Act (FICA) and are subject to withholdings. DOL makes matching FICA contributions, recognized as current operating expenses. DOL's matching contributions were $127.1 million during FY 2018 and $127.4 million during FY 2017.

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 $18,500 and $18,000 per year of their gross pay to the TSP during calendar years 2018 and 2017, respectively, but there is no departmental matching contribution. FERS participants may contribute up to $18,500 and $18,000 per year of their gross pay to the TSP during calendar years 2018 and 2017, 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 2018 and 2017, but there is no departmental matching on "catch-up" contributions. For employees covered under FERS, DOL contributes 1% of the employees' gross pay to the TSP. DOL also matches employees' contributions dollar-for-dollar on the first 3% of pay contributed each pay period and 50 cents on the dollar for the next 2% of pay contributed. DOL contributions to the TSP are recognized as current operating expenses. Employee and employer contributions to the TSP are transferred to the Federal Retirement Thrift Investment Board. (See Note 14)

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

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

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

R. Net Position

DOL's net position consists of the following:

1. **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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

R. Net Position - Continued

2. 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.

S. Net Cost of Operations

1. Operating costs

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

2. Earned revenues

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

T. Budgetary Financing Sources

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

T. Budgetary Financing Sources - Continued

2. Non-exchange revenues

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

Employer taxes

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

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

Black Lung Disability Trust Fund excise tax

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

Interest

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

Reimbursement of unemployment benefits and other

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

T. Budgetary Financing Sources - Continued

3. Transfers without reimbursement

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

U. Other Financing Sources

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

1. Imputed financing from costs absorbed by others

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

2. Transfers without reimbursement

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

V. Custodial Activity

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

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

1. Program Background

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

1. Program Background - continued

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

2. Significant Assumptions

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

<u>**Estimated future excise tax income**</u>

The black lung coal excise tax rates were $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 December 31, 2018. At that time, the tax rates will revert to $0.50 per ton of underground-mined coal and $0.25 per ton of surface-mined coal sold, with a limit of 2.0% of sales price.

FYs 2014 through 2016

For FYs 2014 through 2016, DOL estimated future excise tax income using two approaches: one approach was used for the first ten years in the projection period and another approach was used for the remaining years in the projection period. For FYs 2014 and 2015, DOL's projections were based on the estimates provided by Treasury's Office of Tax Analysis (OTA) which provided estimates of future excise tax income of the black lung excise tax for the first ten years in the projection period. OTA's estimates are based on projections of future coal production prepared by the Energy Information Administration (EIA) of the U.S. Department of Energy and coal sale prices prepared by OMB. In FYs 2015 and 2016, OTA used EIA projections of future coal production that reflected, among other things, regulation pursuant to the Clean Power Plan (CPP). In FY 2016, DOL refined the approach to enhance alignment with recent experience; projections were based on estimates provided by OTA (by averaging estimates provided in FYs 2015 and 2016 to reflect regulation pursuant to the CPP), DOL's actual excise tax collections, and actual coal production as reported by EIA.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

2. Significant Assumptions - continued

Estimated future excise tax income - continued

FYs 2014 through 2016 - continued

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

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

FYs 2017 and 2018

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

In order to be consistent with Executive Branch policy on regulations pursuant to the CPP, DOL's estimates of future excise tax income were based on, among other things, EIA projections that do not reflect CPP regulation. On August 8, 2017, the USCA ordered that the CPP litigation be held in abeyance for 60 days and subsequent orders continued the abeyance. As of September 30, 2018, the USCA June 26, 2018 abeyance had expired and the February 2016 SCOTUS stay of CPP regulation remained in effect.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

2. Significant Assumptions - continued

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 2014 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 2014 through 2015, the difference between the closed group population and the open group population due to new participants was immaterial and the SOSI presents the same values for the closed group and open group, including the closed group measure and open group measure.

During FY 2016, the number of participants who joined the rolls increased due to, among other things, adjudicated liability as a result of RMO bankruptcy; projections for the number of new participants increased for similar reasons and the BLDTF management determined that the difference between the size of the closed group population and the open group population merited separate reporting for new participants. Effective for FY 2016 reporting and subsequent years, the SOSI presents values for the closed group, new participants, and open group. For FYs 2017 and 2018, projections for the number of new participants also increased.

In FYs 2014 through 2015, U.S. Social Security Administration (SSA) life tables were used to project the life expectancies of the beneficiary population, whereas in FYs 2016 through 2018, 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.

In FY 2018, refinements to the model for actuarial future benefit payments included creating a separate beneficiary group for dependent children, increasing the assumed age difference between miner and spouse from three years to eight years, and determining separately the average age assumptions for new entrants.

During the current projection period, the future benefit rate (annualized for the fiscal year) increases 1.8% in 2019 and 2.1% per year for 2020 and each year thereafter and medical cost increases 4.3% in 2019, 3.6% in 2020, between 6.9% and 7.9% in years 2021 through 2024, and 6.2% in 2025 and each year thereafter.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

2. Significant Assumptions - continued

Other significant assumptions

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

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

In FY 2017, DOL revised the projection period from a fixed terminus of September 30, 2040 to a rolling 25-year projection period that begins on the September 30 valuation date each year; using a 25-year projection period enhanced comparability of social insurance information and continues to illustrate the fund's long-term condition and sustainability. The revised projection period became effective for the September 30, 2017 valuation date and continued for FY 2018.

In FYs 2014 through 2018, 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 through 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

2. Significant Assumptions - continued

Other significant assumptions - continued

Projected Annual Cash Flows	Used for the Closed Group, New Participant, and Open Group Populations	
FY 2018	Average Duration	Discount Rate
Coal excise tax income	11.5 years	3.00%
Administrative costs	11.2 years	2.88%
Income benefit payments	10.6 years	2.88%
Medical benefit payments	12.3 years	3.00%
FY 2017	Average Duration	Discount Rate
Coal excise tax income	11.4 years	2.25%
Administrative costs	11.2 years	2.25%
Income benefit payments	9.8 years	2.13%
Medical benefit payments	11.4 years	2.25%
FY 2016	Average Duration	Discount Rate
Coal excise tax income	10.6 years	1.63%
Administrative costs	11.0 years	1.63%
Income benefit payments	9.8 years	1.63%
Medical benefit payments	10.8 years	1.63%
FY 2015	Average Duration	Discount Rate
Coal excise tax income	10.6 years	2.25%
Administrative costs	11.2 years	2.25%
Income benefit payments	10.3 years	2.25%
Medical benefit payments	11.2 years	2.25%
FY 2014	Average Duration	Discount Rate
Coal excise tax income	12.2 years	2.63%
Administrative costs	11.2 years	2.63%
Income benefit payments	10.4 years	2.50%
Medical benefit payments	11.3 years	2.63%

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 $(5.64) billion, the amount of the trust fund net position deficit at the start of the projection period, September 30, 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

3. Disclosures for the social insurance financial statements - continued

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

(a) present value of estimated future administrative costs and

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

from the closed group inflows for the:

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

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

- In FY 2018, the open group measure decreased by $(1.0) billion primarily due to projected lower coal excise tax revenues; and

- In FY 2017, the open group measure decreased by $(859.0) million primarily due to projected lower coal excise tax revenues and projected higher costs of beneficiaries as a result of, among other things, projected higher costs for new participants

The SOSI as of September 30, 2015 and 2014 were reclassified to conform to the presentation of the SOSI as of September 30, 2018, 2017 and 2016. There were no changes in the values reported for the

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

as of September 30, 2015 and 2014.

The projection period illustrates the future long-term condition and sustainability of the fund because it presents the value for open group measure plus fund assets (Funds with U.S. Treasury plus receivables from benefit overpayments) available to service the fund's debt and interest. As of September 30, 2018, the open group measure plus fund assets is $(669.0) million whereas the BLDTF debt and interest maturing on September 30, 2019 is $2.13 billion and the carrying value of all BDLTF debt as of September 30, 2018 is $6.0 billion.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

3. Disclosures for the social insurance financial statements - continued

Subsequent Events. As of November 15, 2018, the

- USCA has not issued another abeyance order and
- February 2016 SCOTUS stay of CPP regulation remained in effect.

For FY 2018 reporting, DOL's assumptions did not include regulation pursuant to the CPP. As of November 15, 2018, these assumptions remained consistent with Executive Branch policy on regulation pursuant to the CPP.

X. Tax Exempt Status

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

Y. Application of Critical Accounting Estimates

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

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

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

Z. Reclassifications

The FY 2017 financial statements and notes were reclassified to conform to the FY 2018 financial statement presentation requirements of OMB Circular No. A-136 and include, among other things, changes in the presentations of the Combined Statements of Budgetary Resources and disclosures for the Consolidating Statements of Net Cost by Program Agency. The reclassifications had no effect on combined total budgetary resources and consolidating net cost of operations by program agency as previously reported.

The FY 2017 Combining Statements of Budgetary Resources in the required supplementary information were reclassified to conform to the FY 2018 presentation requirements for the Combined Statements of Budgetary Resources. The reclassifications had no effect on the combining total budgetary resources as previously reported.

NOTE 2 - FUNDS WITH U.S. TREASURY

Funds with U.S. Treasury as of September 30, 2018, consisted of the following:

(Dollars in thousands)	Revolving Funds	Trust Funds	Special Funds	General Funds	Other	Total
Unobligated Balance Available	$ 21,793	$ 145	$ 279,104	$ 3,396,396	$ -	$ 3,697,438
Unobligated Balance Unavailable	7,181	-	75,347	573,959	-	656,487
Obligated Balance Not Yet Disbursed	167,204	11,086	424,620	7,408,047	-	8,010,957
Non-Budgetary Fund Balance with Treasury	-	822,042	76	-	4,532	826,650
Total Entity Assets	196,178	833,273	779,147	11,378,402	4,532	13,191,532
Non-entity Assets	-	(50)	-	-	698	648
Fund Balance with Treasury	$ 196,178	$ 833,223	$ 779,147	$ 11,378,402	$ 5,230	$13,192,180

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

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

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, 2018 and 2017, 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, 2018 and 2017, includes $490.0 million and $464.5 million, respectively, of funds apportioned for use in the subsequent period.

NOTE 3 - INVESTMENTS

Investments as of September 30, 2018, 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					
2.375% maturing June 30, 2020	$ 41,362,985	$ -	$ 245,593	$ 41,608,578	$ 41,362,985
2.250% maturing June 30, 2019	23,022,085	-	129,499	23,151,584	23,022,085
Special Issue Certificate of Indebtedness					
2.375% maturing June 30, 2019	8,190,630	-	31,158	8,221,788	8,190,630
	$ 72,575,700	$ -	$ 406,250	$ 72,981,950	$ 72,575,700
Panama Canal Commission Compensation Fund					
Marketable					
U.S. Treasury Notes					
3.750% maturing November 15, 2018	28,672	76	403	29,151	28,672
	$ 72,604,372	$ 76	$ 406,653	$ 73,011,101	$ 72,604,372
Entity investments	$ 72,517,579	$ 76	$ 406,167	$ 72,923,822	$ 72,517,579
Non-entity investments	86,793	-	486	87,279	86,793
	$ 72,604,372	$ 76	$ 406,653	$ 73,011,101	$ 72,604,372

NOTE 3 - INVESTMENTS - Continued

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

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

NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Accounts receivable, net as of September 30, 2018, consisted of the following:

(Dollars in thousands)	Gross Receivables	Allowance	Net Receivables
Entity intra-governmental assets			
Due for UCFE and UCX benefits	$ 148,457	$ -	$ 148,457
Due for workers' compensation benefits	5,001,574	-	5,001,574
Other	94	-	94
	5,150,125	-	5,150,125
Entity assets			
State unemployment taxes	998,415	(702,373)	296,042
Due from reimbursable employers	508,562	(41,211)	467,351
Benefit overpayments	2,094,813	(1,700,711)	394,102
Other	5,783	(1,681)	4,102
	3,607,573	(2,445,976)	1,161,597
Non-entity assets			
Fines and penalties	210,191	(42,730)	167,461
Total accounts receivable with public	3,817,764	(2,488,706)	1,329,058
	$ 8,967,889	$ (2,488,706)	$ 6,479,183

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

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

As of September 30, 2018, accounts receivable includes $3.0 million related to criminal restitution orders monitored by the Department, of which $2.0 million is the estimate of net realizable value determined to be collectible.

As of September 30, 2018 and 2017 intra-governmental balances due for workers' compensation benefits includes $1.38 billion and $1.51 billion in receivables, respectively, from the U.S. Postal Service (USPS). Subsequently, USPS paid all outstanding balances that were billed; the 2018 balance billed in August 2018 was fully paid in October 2018. In general, OWCP considers all intragovernmental receivables to be fully collectible. Specific statutory provisions require agencies to reimburse the FECA Special Benefit Fund.

NOTE 5 - GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

General property, plant and equipment, net as of September 30, 2018, consisted of the following:

	2018		
(Dollars in thousands)	Cost	Accumulated Depreciation/ Amortization	Net Book Value
Structures, facilities and improvements			
Structures and facilities	$ 1,606,502	$ (806,130)	$ 800,372
Improvements to leased facilities	396,239	(323,747)	72,492
	2,002,741	(1,129,877)	872,864
Furniture and equipment			
Equipment held by contractors	94,862	(94,862)	-
Furniture and equipment	64,747	(46,317)	18,430
	159,609	(141,179)	18,430
Internal use software and software in development	292,776	(182,835)	109,941
Construction-in-progress	74,821	-	74,821
Land	99,516	-	99,516
	$ 2,629,463	$ (1,453,891)	$ 1,175,572

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

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

NOTE 6 - ADVANCES

Advances as of September 30, 2018 and 2017, consisted of the following:

(Dollars in thousands)	2018	2017
Intra-governmental		
Advances	$ 4,922	$ 6,389
Advances to states for UI benefit payments	1,206,115	1,119,362
Other	17,019	11,411
	1,223,134	1,130,773
	$ 1,228,056	$ 1,137,162

NOTE 7 - NON-ENTITY ASSETS

Non-entity assets as of September 30, 2018 and 2017, consisted of the following:

(Dollars in thousands)	2018	2017
Intra-governmental		
Funds with U.S. Treasury	$ 648	$ 540
Investments	87,279	76,350
	87,927	76,890
Accounts receivable, net of allowance	167,461	176,946
Total non-entity assets	255,388	253,836
Total entity assets	94,830,704	82,031,655
	$ 95,086,092	$ 82,285,491

NOTE 8 - DEBT

Debt during FY 2018 consisted of the following:

(Dollars in thousands)	Balance at September 30, 2017	Additional Borrowing	Repayment of Debt	Interest Change	Balance at September 30, 2018
Intra-governmental debt to Treasury					
Unemployment Trust Fund					
Advances from U.S. Treasury	$ 2,624,281	$ -	$ (2,614,452)	$ (7,147)	$ 2,682
Black Lung Disability Trust Fund					
Borrowing from U.S. Treasury	5,743,977	1,900,000	(1,670,968)	17,523	5,990,532
	$ 8,368,258	$ 1,900,000	$ (4,285,420)	$ 10,376	$ 5,993,214

Debt during FY 2017 consisted of the following:

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

NOTE 8 - DEBT - Continued

For the year ended September 30, 2018, interest expense for the UTF was $40.7 million, of which $38.0 million was paid, along with an additional interest payment of $9.8 million for interest accrued through September 30, 2017. For the year ended September 30, 2017, interest expense for the UTF was $142.5 million, of which $132.6 million was paid, along with an additional interest payment of $21.4 million for interest accrued through September 30, 2016.

For the year ended September 30, 2018, interest expense for the BLDTF was $209.1 million, of which $17.5 million was capitalized interest and $191.6 million was paid. For the year ended September 30, 2017, interest expense for the BLDTF was $208.4 million, of which $55.6 million was capitalized interest and $152.8 million was paid.

NOTE 9 - OTHER LIABILITIES

Other liabilities as of September 30, 2018 and 2017, consisted of the following:

(Dollars in thousands)	2018	2017
Intra-governmental		
Non-entity receivables due to U.S. Treasury	$ 167,461	$ 176,946
Amounts held for the Railroad Retirement Board	87,229	76,177
Accrued payroll and other liabilities	22,917	23,530
Total intra-governmental	277,607	276,653
Grant accruals	659,015	581,198
Capital lease liability	33,929	35,708
Environmental and disposal liability	34,537	34,972
Accrued payroll and other liabilities	90,561	95,416
Total other liabilities with the public	818,042	747,294
	$ 1,095,649	$ 1,023,947

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, 2018 and 2017, consisted of the following:

(Dollars in thousands)	2018	2017
State regular and extended unemployment benefits payable	$ 540,434	$ 689,184
Federal extended unemployment benefits payable	83,172	82,722
Federal emergency unemployment benefits payable	163,627	173,579
Federal employees' unemployment benefits payable	96,512	106,379
Federal additional unemployment benefits payable	24,879	24,756
Total unemployment benefits payable	908,624	1,076,620
Black lung disability benefits payable	16,980	18,094
Federal employees' disability and 10(h) benefits payable	206,122	182,347
Energy employees occupational illness compensation benefits payable	29,887	25,796
	$ 1,161,613	$ 1,302,857

NOTE 11 - FUTURE WORKERS' COMPENSATION BENEFITS

DOL's liability for future workers' compensation benefits as of September 30, 2018 and 2017, consisted of the following:

(Dollars in thousands)	2018	2017
Projected gross liability of the Federal government for future FECA benefits	$ 37,575,800	$ 37,730,695
Less liabilities attributed to other agencies:		
U.S. Postal Service	(16,548,700)	(16,556,554)
Department of Homeland Security	(2,963,318)	(2,881,906)
Department of Veterans Affairs	(2,399,242)	(2,396,057)
Department of the Navy	(2,108,691)	(2,144,430)
Department of the Army	(1,750,309)	(1,774,529)
Department of Justice	(1,835,943)	(1,785,920)
Department of the Air Force	(1,220,779)	(1,230,531)
Department of Agriculture	(891,519)	(900,586)
Department of Transportation	(874,091)	(886,192)
Department of Defense, Other	(778,241)	(786,479)
Department of the Interior	(759,629)	(756,731)
Department of the Treasury	(583,212)	(593,169)
Tennessee Valley Authority	(331,756)	(356,583)
Social Security Administration	(314,463)	(319,429)
Department of Health and Human Services	(275,574)	(278,422)
Department of Commerce	(187,092)	(200,336)
General Services Administration	(111,735)	(113,261)
Department of Energy	(95,132)	(95,746)
Department of State	(93,081)	(94,687)
Department of Housing and Urban Development	(62,585)	(64,880)
Environmental Protection Agency	(43,679)	(45,244)
National Aeronautics and Space Administration	(38,289)	(37,856)
Small Business Administration	(34,854)	(34,889)
Office of Personnel Management	(24,939)	(25,000)
Agency for International Development	(23,405)	(26,938)
Department of Education	(13,015)	(13,763)
Nuclear Regulatory Commission	(5,259)	(5,370)
National Science Foundation	(1,265)	(1,249)
Other	(668,132)	(701,662)
	(35,037,929)	(35,108,399)
	$ 2,537,871	$ 2,622,296
Projected liability of the Department of Labor for future FECA benefits		
FECA benefits not chargeable to other Federal agencies payable by DOL's Federal Employees' Compensation Act Special Benefit Fund	$ 2,287,949	$ 2,369,528
FECA benefits due to eligible workers of DOL and Job Corps enrollees	219,825	220,323
FECA benefits due to eligible workers of the Panama Canal Commission	30,097	32,445
	$ 2,537,871	$ 2,622,296

NOTE 12 - LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources as of September 30, 2018 and 2017, consisted of the following:

(Dollars in thousands)	2018	2017
Intra-governmental		
Debt	$ 5,993,214	$ 8,368,258
Future workers' compensation benefits	1,010,185	1,060,654
Accrued annual leave	118,395	119,899
Other liabilities	60,149	64,051
	1,188,729	1,244,604
Total liabilities not covered by budgetary resources	7,181,943	9,612,862
Total liabilities not requiring budgetary resources	173,132	182,800
Total liabilities covered by budgetary resources	27,829,989	23,639,083
	$ 35,185,064	$ 33,434,745

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 2018 consisted of the following:

(Dollars in thousands)	Employer Contributions	Costs Imputed by OPM	Total Pension Expense
Civil Service Retirement System	$ 5,125	$ 14,333	$ 19,458
Federal Employees' Retirement System	185,320	6,434	191,754
Thrift Savings Plan	60,788	-	60,788
	$ 251,233	$ 20,767	$ 272,000

Pension expense in FY 2017 consisted of the following:

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

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, 2018 and 2017, 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, 2018, 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				
Gross cost	$ 31,993,122	$ 9,487,342	$ -	$ -
Less earned revenue	(448,012)	(2,868,995)	-	-
Net program cost	31,545,110	6,618,347	-	-
Employment and training				
Gross cost	4,301,249	-	1,574,868	-
Less earned revenue	(1,050)	-	-	-
Net program cost	4,300,199	-	1,574,868	-
Labor, employment and pension standards				
Gross cost	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	-	-	-
Worker safety and health				
Gross cost	-	-	-	584,317
Less earned revenue	-	-	-	(1,685)
Net program cost	-	-	-	582,632
OTHER PROGRAMS				
Statistics				
Gross cost	-	-	-	-
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	$ 35,845,309	$ 6,618,347	$ 1,574,868	$ 582,632

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
$ -	$ -	$ -	$ -	$ -	$ (2,946)	$ 41,477,518
-	-	-	-	-	4,028	(3,312,979)
-	-	-	-	-	1,082	38,164,539
-	-	-	278,621	-	1,939	6,156,677
-	-	-	-	-	-	(1,050)
-	-	-	278,621	-	1,939	6,155,627
-	301	204,114	11,519	315,649	312,420	844,003
-	-	(5,826)	-	(2,787)	-	(8,613)
-	301	198,288	11,519	312,862	312,420	835,390
-	413,363	-	-	-	586	998,266
-	(1,427)	-	-	-	-	(3,112)
-	411,936	-	-	-	586	995,154
661,918	-	-	-	-	141	662,059
(28,803)	-	-	-	-	-	(28,803)
633,115	-	-	-	-	141	633,256
-	-	-	-	-	23,717	23,717
-	-	-	-	-	(4,986)	(4,986)
-	-	-	-	-	18,731	18,731
$ 633,115	$ 412,237	$ 198,288	$ 290,140	$ 312,862	$ 334,899	$ 46,802,697

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, 2017, consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Office of Workers' Compensation Programs	Office of Job Corps	Occupational Safety and Health Administration
CROSSCUTTING PROGRAMS				
Income maintenance				
Gross cost	$ 34,242,496	$ 10,061,288	$ -	$ -
Less earned revenue	(474,443)	(2,787,337)	-	-
Net program cost	33,768,053	7,273,951	-	-
Employment and training				
Gross cost	4,337,428	-	1,594,722	-
Less earned revenue	(1,662)	-	-	-
Net program cost	4,335,766	-	1,594,722	-
Labor, employment and pension standards				
Gross cost	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	-	-	-
Worker safety and health				
Gross cost	-	-	-	614,895
Less earned revenue	-	-	-	(1,979)
Net program cost	-	-	-	612,916
OTHER PROGRAMS				
Statistics				
Gross cost	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	-	-	-
COSTS NOT ASSIGNED TO PROGRAMS				
Gross cost	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	$ 38,103,819	$ 7,273,951	$ 1,594,722	$ 612,916

Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Wage and Hour Division	Other Program Agencies	Total
$ -	$ -	$ 640	$ -	$ -	$ 1,232	$ 44,305,656
-	-	-	-	-	-	(3,261,780)
-	-	640	-	-	1,232	41,043,876
-	-	-	189,410	3,871	1,554	6,126,985
-	-	-	(1,658)	-	-	(3,320)
-	-	-	187,752	3,871	1,554	6,123,665
-	300	228,730	7,835	330,999	316,117	883,981
-	-	(7,468)	(69)	(4,006)	(4)	(11,547)
-	300	221,262	7,766	326,993	316,113	872,434
-	422,861	-	-	-	1,272	1,039,028
-	(1,352)	-	-	-	-	(3,331)
-	421,509	-	-	-	1,272	1,035,697
658,301	-	-	-	-	1,361	659,662
(29,127)	-	-	-	-	-	(29,127)
629,174	-	-	-	-	1,361	630,535
-	-	-	-	-	48,285	48,285
-	-	-	-	-	(33,069)	(33,069)
-	-	-	-	-	15,216	15,216
$ 629,174	$ 421,809	$ 221,902	$ 195,518	$ 330,864	$ 336,748	$ 49,721,423

NOTE 15 - NET COST OF OPERATIONS – Continued

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, 2018, consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Office of Workers' Compensation Programs
CROSSCUTTING PROGRAMS		
Income maintenance		
Benefits	$ 27,429,930	$ 8,862,951
Grants	3,771,455	-
Interest	44,698	209,049
Administrative and other	747,039	415,342
Gross cost	31,993,122	9,487,342
Less earned revenue	(448,012)	(2,868,995)
Net program cost	31,545,110	6,618,347
Employment and training		
Grants	3,919,562	-
Administrative and other	381,687	-
Gross cost	4,301,249	-
Less earned revenue	(1,050)	-
Net program cost	4,300,199	-
Net cost of operations	$ 35,845,309	$ 6,618,347

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

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

NOTE 16 - NON-EXCHANGE REVENUE

Non-exchange revenues reported on the Consolidated Statements of Changes in Net Position in FY 2018 and in FY 2017 consisted of the following:

(Dollars in thousands)	2018	2017
Employer taxes		
Unemployment Trust Fund		
State unemployment taxes	$ 34,546,864	$ 35,931,506
Federal unemployment taxes	8,681,807	8,124,155
	43,228,671	44,055,661
Black Lung Disability Trust Fund excise taxes	384,375	428,712
	43,613,046	44,484,373
Interest		
Unemployment Trust Fund	1,507,788	1,305,370
Other	1,850	1,651
	1,509,638	1,307,021
Reimbursement of unemployment benefits and other	1,701,900	1,608,954
	$ 46,824,584	$ 47,400,348

NOTE 17 - TRANSFERS WITHOUT REIMBURSEMENT

Transfers from other Federal agencies in FY 2018 and in FY 2017 consisted of the following:

(Dollars in thousands)	2018	2017
Budgetary financing sources		
From H-1B Nonimmigrant Petitioner Account, Department of Homeland Security and other	$ 264,447	$ 193,871
Other financing sources		
From General Services Administration	706	1,595
	$ 265,153	$ 195,466

The balances of $264.4 million and $193.9 million in budgetary financing sources for FY 2018 and FY 2017 reflect the elimination of intra-DOL transfers of $(3.5) billion and $(3.6) billion, respectively.

NOTE 18 - STATUS OF BUDGETARY RESOURCES

A. Apportionment Categories of New Obligations and Upward Adjustments

New obligations and upward adjustments reported on the Combined Statements of Budgetary Resources in FY 2018 and FY 2017 consisted of the following:

(Dollars in thousands)	2018	2017
Direct obligations		
Category A	$ 4,217,198	$ 4,437,596
Category B	9,035,058	9,324,971
Exempt from apportionment	33,551,697	35,671,429
Total direct obligations	46,803,953	49,433,996
Reimbursable obligations		
Category A	259,179	257,139
Category B	3,227,775	3,041,027
Total reimbursable obligations	3,486,954	3,298,166
	$ 50,290,907	$ 52,732,162

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

B. Permanent Indefinite Appropriations

DOL's permanent indefinite appropriations include trust funds, the FAUC Fund, the Panama Canal Commission Compensation Fund, the Energy Employees Occupational Illness Compensation Fund, ETA and WHD H-1B funds, ETA's Advances and Payments to the UTF, Special Benefits for Disabled Coal Miners, Short-Time Compensation, and portions of State Unemployment Insurance and Employment Service Operations and Federal Unemployment Benefits and Allowances. These funds are described in Note 1-A.3. As of September 30, 2018 and 2017, the Department returned unobligated, indefinite authority to Treasury in the amount of $128.3 million and $51 million, respectively.

C. Legal Arrangements Affecting Use of Unobligated Balances

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

The cumulative amount of excess UTF receipts are denoted as unavailable collections in the Budget of the United States Government. The cumulative amount of these excess receipts is of September 30, 2018 and 2017, 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)	2018	2017
Unemployment Trust Fund unavailable collections, beginning	$ 58,011	$ 50,424
Budget authority from current year appropriations	44,146	41,529
Less: obligations	(31,780)	(33,942)
Excess of budget authority over obligations	12,366	7,587
Unemployment Trust Fund unavailable collections, ending	$ 70,377	$ 58,011

D. Explanation of Differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government for FY 2017

The Budget of the United States Government with actual amounts for the year ended September 30, 2018, has not been published as of the issue date of these financial statements. This document will be available in February 2019 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 2017, to amounts included in the Budget of the United States Government for the year ended September 30, 2017, is shown below.

(Dollars in millions)	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 56,663	$ 52,732	$ 559	$ 45,332
Pension Benefit Guaranty Corporation reported separately	34,278	6,361	-	(4,766)
Fiduciary activity	176	114	-	114
Expired accounts	(688)	(31)	-	-
Other	(7)	9	-	3
Budget of the United States Government	$ 90,422	$ 59,185	$ 559	$ 40,683

E. Undelivered Orders

Undelivered orders as of September 30, 2018:

(Dollars in thousands)	2018
Intra-governmental	
Undelivered orders (paid)	$ 192,493
Undelivered orders (unpaid)	141,590
Total Intra-governmental	334,083
With the Public	
Undelivered orders (paid)	1,223,308
Undelivered orders (unpaid)	8,359,729
Total with public	9,583,037
Total undelivered orders	$ 9,917,120

NOTE 18 - STATUS OF BUDGETARY RESOURCES – Continued

E. Undelivered Orders - Continued

Undelivered orders as of September 30, 2017:

(Dollars in thousands)	2017
Total undelivered orders	$ 10,018,833

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)	2018	2017
Appropriations Received, Consolidated Statements of Changes in Net Position	$ 11,307	$ 10,869
Receipts recognized as revenue in current and prior years		
Unemployment Trust Fund	34,395	39,951
Black Lung Disability Trust Fund	371	401
Other funds from dedicated collections	265	194
Repayment of debt from appropriated receipts		
Unemployment Trust Fund	(2,614)	(5,923)
Black Lung Disability Trust Fund	-	(18)
Return of permanent indefinite authority	(125)	(41)
Reduction for sequestration, across the board reductions, and other	(78)	(147)
	32,214	34,417
Appropriations, Combined Statements of Budgetary Resources	$ 43,521	$ 45,286

G. Borrowing Authority

As of September 30, 2018 and 2017, P.L. 115-31 and P.L. 114-113, respectively, granted borrowing authority for repayable advances and other debt in the amount of “such sums as may be necessary” to (1) the UTF for advances as authorized by sections 905(d) and 1203 of the Social Security Act and (2) the BLDTF for advances as authorized by section 9501(c)(1) of the Internal Revenue Code. Although section 9501 of the Internal Revenue Code and P.L. 113-76 use the terminology “advance," the Treasury has interpreted this to mean any debt owed by the BLDTF to the Bureau of the Fiscal Service.

There was no borrowing authority exercised for the UTF for FY 2018 and FY 2017.

Borrowing authority for the BLDTF was $1,900 million and $1,285 million for FY 2018 and FY 2017, respectively. In 2018, most of the borrowing authority was used to repay debt of $1,671 million. In 2017, the entire borrowing authority plus current year receipts were applied to repay debt of $1,303.1 million.

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

(Dollars in thousands)	2018	2017
Resources used to finance activities		
Budgetary resources obligated		
New obligations and upward adjustments (Total)	$ 50,290,907	$ 52,732,162
Recoveries of prior year unpaid obligations	(404,029)	(416,033)
Recoveries of prior year paid obligations	(7,086)	(15,220)
Less: spending authority from offsetting collections	(7,217,028)	(7,378,389)
Obligations, net of offsetting collections and recoveries	42,662,764	44,922,520
Other resources		
Imputed financing from costs absorbed by others	108,413	92,940
Transfers without reimbursement	706	1,595
Exchange revenue not in budget	(323,284)	(163,170)
Total resources used to finance activities	42,448,599	44,853,885
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	94,361	(256,293)
Resources that finance the acquisition of assets	(41,793)	(31,060)
Transfers that do not affect the net cost of operations	(1,579)	(2,776)
Total resources used to finance items not part of the net cost of operations	50,989	(290,129)
Total resources used to finance the net cost of operations	42,499,588	44,563,756
Components of the net cost of operations that will not require or generate resources in the current period		
Components requiring or generating resources in other periods		
Increase (decrease) in annual leave liability	(1,303)	(1,086)
Increase (decrease) in actuarial benefit liabilities	4,194,598	5,013,310
Increase in capitalized interest	10,375	44,126
Other	(16,392)	(25,707)
Total	4,187,278	5,030,643
Components not requiring or generating resources		
Depreciation and amortization	76,525	83,172
Revaluation of assets and liabilities	478,027	673,548
Benefit overpayments	(438,721)	(629,696)
Total	115,831	127,024
Total components of the net cost of operations that will not require or generate resources in the current period	4,303,109	5,157,667
Net cost of operations	$ 46,802,697	$ 49,721,423

NOTE 20 - CUSTODIAL REVENUE

Custodial revenues in FY 2018 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	$ 122,453	$ 6,529	$ 128,982
Mine Safety and Health Administration	44,971	(16,025)	28,946
Employee Benefits Security Administration	18,823	(464)	18,359
Wage and Hour Division	34,733	(331)	34,402
	220,980	(10,291)	210,689
Other custodial activity			
Employment and Training Administration and other agencies	3,793	286	4,079
	$ 224,773	$ (10,005)	$ 214,768

Custodial revenues in FY 2017 consisted of the following:

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

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, 2018, is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Assets				
Intra-governmental				
Funds with U.S. Treasury	$ 497,683	$ 335,394	$ 779,292	$ 1,612,369
Investments	72,981,950	-	29,151	73,011,101
Accounts receivable				
Due from other Federal agencies for UCFE and UCX benefits	148,457	-	-	148,457
Other	-	-	14,083	14,083
Total intra-governmental	73,628,090	335,394	822,526	74,786,010
Accounts receivable, net of allowance				
State unemployment tax	296,042	-	-	296,042
Due from reimbursable employers	467,351	-	-	467,351
Benefit overpayments	332,874	24,316	-	357,190
Other	1,721	-	3	1,724
Advances	1,189,372	-	237	1,189,609
Other	-	-	182	182
Total assets	$ 75,915,450	$ 359,710	$ 822,948	$ 77,098,108
Liabilities				
Intra departmental and intra-governmental				
Accounts payable to DOL agencies	$ 1,224,268	$ -	$ 1	$ 1,224,269
Debt	2,682	5,990,532	-	5,993,214
Amounts held for the Railroad Retirement Board	87,229	-	-	87,229
Other	-	-	5,601	5,601
Total inter/intra-governmental	1,314,179	5,990,532	5,602	7,310,313
Accounts payable	-	-	3,898	3,898
Future workers' compensation benefits	-	-	30,097	30,097
Accrued benefits	883,745	11,085	-	894,830
Other liabilities	-	-	38,197	38,197
Total liabilities	2,197,924	6,001,617	77,794	8,277,335
Net position				
Cumulative results of operations	73,717,526	(5,641,907)	745,154	68,820,773
Total liabilities and net position	$ 75,915,450	$ 359,710	$ 822,948	$ 77,098,108

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, 2018, are shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Cost, net of earned revenues				
Benefits	$ (27,433,039)	$ (140,435)	$ -	$ (27,573,474)
Grants	-	-	(191,582)	(191,582)
Interest	(44,698)	(209,050)	-	(253,748)
Administrative and other	(566,574)	(1,570)	(83,537)	(651,681)
	(28,044,311)	(351,055)	(275,119)	(28,670,485)
Earned revenue	394,268	-	-	394,268
Net cost of operations	(27,650,043)	(351,055)	(275,119)	(28,276,217)
Net financing sources				
Taxes	43,228,671	384,375	-	43,613,046
Interest	1,507,788	1,394	452	1,509,634
Reimbursement of unemployment benefits and other	1,701,900	-	-	1,701,900
Imputed financing	-	-	2,181	2,181
Transfers-in				
Department of Homeland Security	-	-	282,138	282,138
DOL entities	1,505	-	-	1,505
Transfers-out				
Department of Homeland Security	-	-	(17,618)	(17,618)
DOL entities	(3,693,556)	(65,913)	-	(3,759,469)
Other	-	1	-	1
	42,746,308	319,857	267,153	43,333,318
Change in net position	15,096,265	(31,198)	(7,966)	15,057,101
Net position, beginning of year	58,621,261	(5,610,709)	753,120	53,763,672
Net position, end of year	$ 73,717,526	$ (5,641,907)	$ 745,154	$ 68,820,773

NOTE 21 - FUNDS FROM DEDICATED COLLECTIONS - Continued

The financial position of the funds from dedicated collections as of September 30, 2017, is shown below.

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

NOTE 21 - FUNDS FROM DEDICATED COLLECTIONS - Continued

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

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

NOTE 22 - FIDUCIARY ACTIVITY

The schedule of fiduciary activity and net assets for the fiduciary funds for the year ended and as of September 30, 2018, 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	$ 96,461	$ 110,560	$ 6,913	$ -	$ 213,934
Investment earnings	-	621	55	-	676
Administrative and other	-	(2,203)	3	97	(2,103)
Transfer of funds	(29,162)	-	-	-	(29,162)
Disbursements to beneficiaries	(58,847)	(101,480)	(6,991)	(97)	(167,415)
Increase (decrease) in fiduciary net assets	8,452	7,498	(20)	-	15,930
Fiduciary net assets, beginning of year	176,825	24,242	3,681	-	204,748
Fiduciary net assets, end of year	$ 185,277	$ 31,740	$ 3,661	$ -	$ 220,678
Fiduciary assets					
Cash	$ 181,576	$ 6	$ 1	$ 5,194	$ 186,777
Investments	202	63,933	5,621	-	69,756
Other assets	3,499	1,734	131	-	5,364
Less: liabilities	-	(33,933)	(2,092)	(5,194)	(41,219)
Total fiduciary net assets	$ 185,277	$ 31,740	$ 3,661	$ -	$ 220,678

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

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

Note 22 - FIDUCIARY ACTIVITY - Continued

The FY 2017 audits were performed on the Longshore and Harbor Workers' Compensation Act Trust Fund and the District of Columbia Worker's Compensation Act Trust Fund and are available on DOL's website.

NOTE 23 - SUBSEQUENT EVENTS

Except for the disclosures for the social insurance financial statements in Note 1.W and the USPS October 2018 reimbursement to the FECA Special Benefit Fund as disclosed in Note 4, management has determined that there are no subsequent events requiring accrual or disclosure through November 15, 2018.

Required Supplementary Stewardship Information
(Unaudited)

STEWARDSHIP INVESTMENTS IN HUMAN CAPITAL

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

Employment and Training Administration

ETA, including the Office of Job Corps, incurred total net costs of $37.4 billion in FY 2018. The majority of these costs consisted of unemployment benefits, which totaled $27.4 billion in FY 2018, a decrease of $2 billion (7%) over the previous fiscal year. Also included in ETA's total net costs were investments in human capital of $4.2 billion, which provided services to over 892.5 thousand participants in FY 2018. These investments were made through job training programs authorized by the Workforce Innovation and Opportunity Act (WIOA) of 2014, previously authorized by the Workforce Investment Act of 1998 (WIA), Title V of the Older Americans Act, as amended, the Trade Act of 1974, as amended, the Health Care and Education Reconciliation Act of 2010, the National Apprenticeship Act of 1937, and other legislation.

Within ETA the Office of Job Corps (OJC) also invests in human capital through WIOA's Job Corps training program. OJC's investment in human capital in FY 2018 was $1.6 billion, providing services to 101.4 thousand participants in primarily residential settings at 123 Job Corps centers. The job training programs authorized by WIOA and other legislation are discussed below.

Adult, Dislocated Worker, Youth, and Job Corps Programs
Authorized by the Workforce Innovation and Opportunity Act (WIOA) of 2014

- **Apprenticeship grants program –** ETA awards grants to the states to be used to support innovative, job-driven approaches that result in the growth of Apprenticeship programs to train workers with 21st Century skills that meet employer and industry workforce needs. ETA's FY 2018 investment in apprenticeship programs was $54 million.
- **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 2018 investment in human capital through the WIOA Adult programs was $883 million.
- **Dislocated worker employment and training programs** – ETA awards grants to states to provide reemployment services and retraining assistance to individuals laid-off from their employment. ETA's FY 2018 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 2018 investment in human capital through the WIOA Youth programs was $954 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 98 Job Corps centers under these contractual arrangements. The remaining 25 centers are operated through interagency agreements between DOL and the U.S. Department of Agriculture, Forest Service. In addition, 29 operators are contracted to provide outreach and admissions and career transition services. OJC's FY 2018 investment in human capital through the Job Corps program was $1.6 billion.

- **Reentry Employment Opportunities programs** – ETA supports programs to help individuals exiting prison make a successful transition to community life and long-term employment through the provision of mentoring and job training programs to promote the successful return of formerly incarcerated adults and adjudicated youth into mainstream society. ETA's FY 2018 investment in human capital through the Reentry Employment Opportunities programs was $86 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 2018 human capital investment in WIOA National Programs was $135 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 2018 investment in human capital through the CSEOA's SCSEP was $413 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 and Title IV of the Trade Preferences Extension Act of 2015 (Public Law 114-27), 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 (IRS); 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 WIOA and the Wagner-Peyser Act. Only TAA training costs are considered investments in human capital; these costs were $224 million for FY 2018.

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

Implemented in cooperation with the 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 2018 human capital investment in the TAACCCT Grant Fund was $98 million

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

National Apprenticeship Program

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 23,000 Registered Apprenticeship programs across the nation consisting of over 150,000 employers. Modern apprenticeships are now on the cutting edge of innovation in preparing a skilled workforce for today's industries, including expanding industries like health care, information technology, transportation, telecommunications, and advanced manufacturing, as well as in industries like construction, where apprenticeships have a long and successful history. The National Apprenticeship Act of 1937 established the foundation for development of the nation's skilled workforce through Apprenticeship programs, which combine on-the-job learning with related technical instruction to teach workers the theoretical aspects of skilled occupations. ETA's FY 2018 investment in Apprenticeship programs was $38 million.

Program Costs and Outputs

The cost of ETA investments in human capital and the participants served are shown in the chart below, for the five year period FY 2014 through FY 2018.

ETA Investments in Human Capital
Program Costs (in Millions) and Participants Served (1) (in Thousands)
For The Five Year Period FY 2014 through FY 2018

	2018		2017		2016		2015		2014	
Program	**Costs**	***Part. Served***	**Costs**	***Part. Served***	**Costs**	***Part. Served***	**Costs**	***Part. Served***	**Costs**	***Part. Served***
WIOA										
Apprenticeship Programs	$54	*23.2*	$34	*11.3*	—	—	—	—	—	—
Adult(7)	883	*0.0*	856	*1,108.2*	$868	*6,124.1*	$852	*6,520.8*	$846	*6,105.3*
Dislocated Worker(2) (7)	1,175	*0.0*	1,241	*489.4*	1,172	*561.7*	1,165	*655.3*	1,189	*853.8*
Youth(3) (7)	954	*7.2*	923	*157.2*	912	*163.6*	878	*200.3*	905	*204.1*
Job Corps	1,575	*101.4*	1,595	*104.7*	1,638	*110.8*	1,605	*109.5*	1,537	*109.6*
Reentry Employment Opportunities programs	86	*15.8*	83	*11.4*	77	*14.9*	69	*11.2*	85	*11.8*
National Programs(4)	135	*55.7*	137	*51.7*	140	*83.0*	140	*49.2*	149	*52.2*
CSEOA										
SCSEP	413	*56.4*	424	*60.0*	431	*65.2*	436	*67.4*	428	*67.7*
TAA for Workers(7)	224	*0.0*	211	*45.9*	208	*44.0*	232	*51.1*	277	*67.9*
TAACCCT(5)	98	*136.5*	206	*175.7*	382	*181.4*	413	*140.9*	416	*66.5*
Apprenticeship	38	*577.1*	37	*539.5*	36	*504.8*	34	*430.4*	32	*392.1*
Other(6)	208	*20.6*	158	*115.5*	140	*105.9*	130	*87.3*	113	*28.8*
TOTAL	$5,843	993.9	$5,905	*2,870.5*	$6,004	*7,959.4*	$5,954	*8,323.4*	$5,977	*7,959.8*

(1) Participant numbers are from grantee reports submitted for the Program Year (PY) ending on June 30 of the corresponding fiscal year, unless otherwise noted.
(2) Dislocated Worker programs include the National Dislocated Worker Grants program.
(3) Youth programs include the YouthBuild program.
(4) National Programs include the Native American and Migrant and Seasonal Farmworker programs.
(5) 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.
(6) Other includes training programs for highly skilled occupations funded through H1-B fees.
(7) Final data will not be available until mid-December 2018 for Adult, Dislocated Worker, Youth programs, and TAA for Workers.

Program Outcomes

Outcomes for training programs comprising ETA's investment in human capital are presented in the Department's Annual Performance Report for FY 2018, available on the DOL website at https://www.dol.gov/general/aboutdol#budget in February 2019.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

Veterans' Employment and Training Service (VETS)

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

Program Activities

Jobs for Veterans State Grants (JVSG)

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

Transition Assistance Program (TAP)

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

Homeless Veterans' Reintegration Program (HVRP)

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

- The **Homeless Female Veterans and Veterans with Families Program** specifically targets the subpopulation of female veterans experiencing homelessness and veterans with families experiencing homelessness.
- The **Incarcerated Veterans' Transition Program** provides employment services to incarcerated veterans at risk of becoming homeless.
- **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.

The Honoring Investments in Recruiting and Employing (HIRE) American Military Veterans Act of 2017 required DOL to establish a program to recognize employer efforts to recruit, employ, and retain veterans.

On November 13, 2017, VETS published the Final Rule Establishing the HIRE Vets Medallion Program. Since that time, VETS has established the systems and processes via a program demonstration where 300 applications were accepted in 2018. Award winners for the program demonstration are expected to be announced by Veteran's Day 2018. This program will launch in 2019.

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

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

Program Costs and Outputs

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

VETS Investments in Human Capital
Program Costs and Participants Served (in Thousands)
For FY 2014 through FY 2018

	2018		2017		2016		2015		2014	
Program	Cost	Part. Served	Cost	Part. Served	Cost	Part. Served	Cost	Part. Served	Cost	Part. Served
JVSG[1]	$ 192,810	99.2	$ 172,000	113.1	$ 174,996	154.0	$ 173,453	185.6	$ 170,764	332.1
TAP[2], [3]	20,521	156.4	16,600	155.8	14,100	140.2	13,917	180.8	14,103	207.0
USERRA[4]	12,304	7.0	13,538	9.0	12,734	7.6	12,782	7.6	12,487	10.9
HVRP [5]	52,897	18.0	45,000	16.2	38,056	16.6	38,146	17.0	36,885	16.1
TOTAL	**$ 278,532**	**280.6**	**$ 247,138**	**294.1**	**$ 239,886**	**318.4**	**$ 238,298**	**391.0**	**$ 234,239**	**566.1**

(1) JVSG began using a new reporting system (Workforce Integrated Performance System) in FY 2017 to align with WIOA reporting. As such, direct services provided by LVER staff were not captured in FY 2018 and instead reflect the number of veterans served by DVOP staff only.

(2) Source: Veterans' Employment and Training Operations and Programs Activity Report (VOPAR) for FY 2017, fourth quarter, and FY 2018, first through third quarters.

(3) The funding for the Career Technical Training Track (CTTT) program is included in TAP for 2017 and 2018.

(4) USERRA Participants (USERRA Outreach Measure) reflects the number of people VETS connects with each year (service members, spouses, and employers) to inform them of their rights and responsibilities under the law. The participant served count is an estimate until results for FY 2017 are finalized at the end of the first quarter of the FY 2018. The estimate was calculated using data from the USERRA Technical Assistance Logs

(5) Source: PY 2017 4th quarter grantee reports.

(6) Employment and Pension Standards costs not reported as human capital investments.

(7) FY 2018 costs reflect administrative costs, per FASAB SFFAS 8, Supplementary Stewardship Reporting.

Program Outcomes

Outcomes for the programs comprising VETS' investment in human capital will be presented in the Department's Annual Performance Report for FY 2018, available in February 2019 on the DOL website at: https://www.dol.gov/general/aboutdol#budget

Required Supplementary Information
(Unaudited)

DEFERRED MAINTENANCE AND REPAIRS (DM&R)

DOL reports as general-purpose property, plant and equipment (PP&E), Structures, facilities and improvements on which maintenance and repair activities may be deferred. Over 99.3% of these buildings and other structures (based on net book value) are owned by DOL's ETA, and located at one hundred twenty-three (123) Job Corps centers throughout the United States. The remaining 0.7% is owned by the Department's MSHA. Periodic maintenance is performed to keep these properties in acceptable condition, as determined by DOL management. It is DOL policy to evaluate PP&E regardless of recorded values and the asset management system does not make any distinction between capitalized and non-capitalized PP&E when it comes to maintenance and repairs. Therefore, DM&R estimates reported relate to PP&E, whether capitalized or not or fully depreciated. Management has not noted any PP&E which is not included in the DM&R estimates reported below.

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

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

Ranking and Prioritizing M&R Activities

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

Factors Considered in Setting Acceptable Condition

Condition assessment surveys are used to estimate the current plant replacement value and DM&R backlog for each constructed asset. Plant replacement value and repair backlog are used to calculate an FCI score for each building and structure. These FCI scores determine the asset condition and contribute to the overall FCI score for the portfolio. Job Corps and MSHA have set the goal of achieving and maintaining an FCI score of 90% or greater for its portfolio of constructed assets (the standard used by the National Association of College and University Business Offices) as a level of acceptable condition for the periods reported. In 2017, the portfolio's aggregate FCI score for 4,551 constructed assets was 91%, and deferred maintenance and repair costs to return the portfolio to an acceptable condition were estimated at $286.7 million, as adjusted for SFFAS 42, Deferred Maintenance and Repairs: *Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*. In FY 2018, the portfolio's aggregate FCI score for 4,703 constructed assets was 91%, and DM&R costs to return the portfolio to an acceptable condition are estimated at $347.3 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.

Deferred Maintenance and Repairs Costs
(Dollars in Thousands)

Asset Category	FY 2018 Ending Balance	FY 2018 Beginning Balance
Funded:		
Structures, facilities and improvements		
Active	$50,179	$61,587
Inactive	293	287
Subtotal, funded	50,472	61,874
Unfunded:		
Structures, facilities and improvements		
Active	295,520	224,537
Inactive	1,348	288
Subtotal, unfunded	296,868	224,825
Total	**$347,340**	**$286,699**

Significant Changes from Prior Year

For reporting purposes, DOL has determined that changes of 10% and $25 million between fiscal year beginning and ending balances are significant. The significant increase of $71.0 million in unfunded deficiencies for active structures, facilities and improvements; this is the net result of: new deficiencies identified during the facility survey process, deficiencies which may have had cost estimates revised or updated, deficiencies that have been funded, and deficiencies that have been completed.

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.

<u>Federal Unemployment Taxes</u>

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

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

Unemployment Trust Fund

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

Federal Accounts

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

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

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

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

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

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

UI Program Benefits

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

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

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

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

Emergency UI Benefits
During prolonged periods of high unemployment, Congress may authorize the payment of emergency unemployment benefits to supplement extended UI benefit payments. Emergency benefits began in July 2008, authorized under the Supplemental Appropriations Act, 2008 (previously authorized in 1991 and 2002). This emergency program was temporarily extended and additionally funded by the ARRA and has

been subsequently modified several times, most recently by P.L. 112-240, the American Taxpayer Relief Act of 2012, which extended the emergency unemployment insurance program to January 1, 2014.

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

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

The Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1974, as amended, authorizes the President to provide benefit assistance to individuals unemployed as a direct result of a major disaster. The Disaster Unemployment Assistance (DUA) program provides financial assistance to individuals whose employment or self-employment has been lost or interrupted as a direct result of a major disaster declared by the President of the United States and who are not eligible for regular UI benefits. DOL oversees the DUA program and coordinates with the Federal Emergency Management Agency (FEMA) to provide the funds to the state UI agencies for payment of DUA benefits and payment of state administration costs under agreements with the Secretary of Labor. DUA program activity increased in FYs 2017 and 2018 as a result of Hurricanes Harvey, Irma, Maria, and Florence. DUA program activity as a result of Hurricane Florence will continue after FY 2018 and include activity as a result of Hurricane Michael.

Program Finances and Sustainability
As of September 30, 2018, total assets within the UTF exceeded total liabilities by $73.7 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, 2018 was $73.0 billion. This interest is distributed to eligible state and Federal accounts within the UTF. Interest income from these investments and income from Title XII advances to states during FY 2018 was $1.5 billion. Federal and state UI tax and reimbursable revenues of $44.9 billion and regular, extended, emergency, and disaster unemployment benefit payment expense of $27.4 billion were recognized for the year ended September 30, 2018.

As discussed in Note 1-K.1 to the consolidated financial statements, DOL recognized a liability for regular, extended, emergency, and disaster unemployment benefits to the extent of unpaid benefits applicable to the current period and for benefits paid by states that have not been reimbursed by the UTF. Accrued unemployment benefits payable as of September 30, 2018 were $908.6 million.

During FY 2018, 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 all its outstanding repayable advances as of September 30, 2018.

Subsequent Events

Management has determined that there are no UI or UTF subsequent events requiring accrual or disclosure through November 15, 2018.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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 2018 as the base year. The valuation date for the projections is September 30, 2018. Cash projections depend on the assumptions used and actual experience may differ materially from the projections.

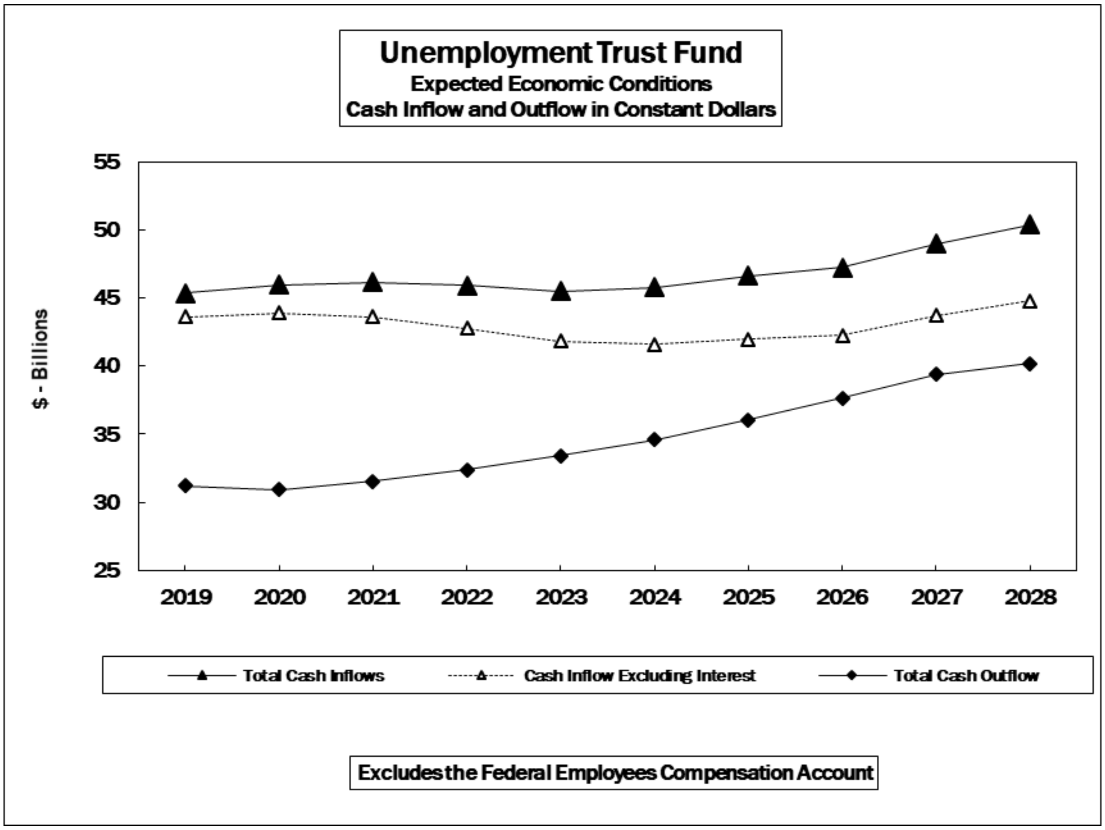
Presented on the following pages is the effect of projected economic conditions on the net assets of the UTF, in constant dollars, excluding the Federal Employees Compensation Account. Amount totals for the expected economic conditions analysis and the two sensitivity analyses may differ due to rounding.

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 between 3.77% and 3.85% during FYs 2019, 2020, and 2021 and remains between 4.00% and 4.80% in FYs 2022 through 2028. Total cash inflows exceed total cash outflows in FY 2019 and through the end of the projected period. As presented in table (1) Expected Economic Conditions, the net inflow (excluding interest) increases from $12.4 billion in FY 2019 to $13.0 billion in FY 2020 before decreasing $8.4 billion in FY 2028, with the largest decrease of $2.0 billion between 2022 and 2023. The decrease in net inflow is primarily due to higher State benefits payments, offset by increases in interest received on Federal securities.

Chart I



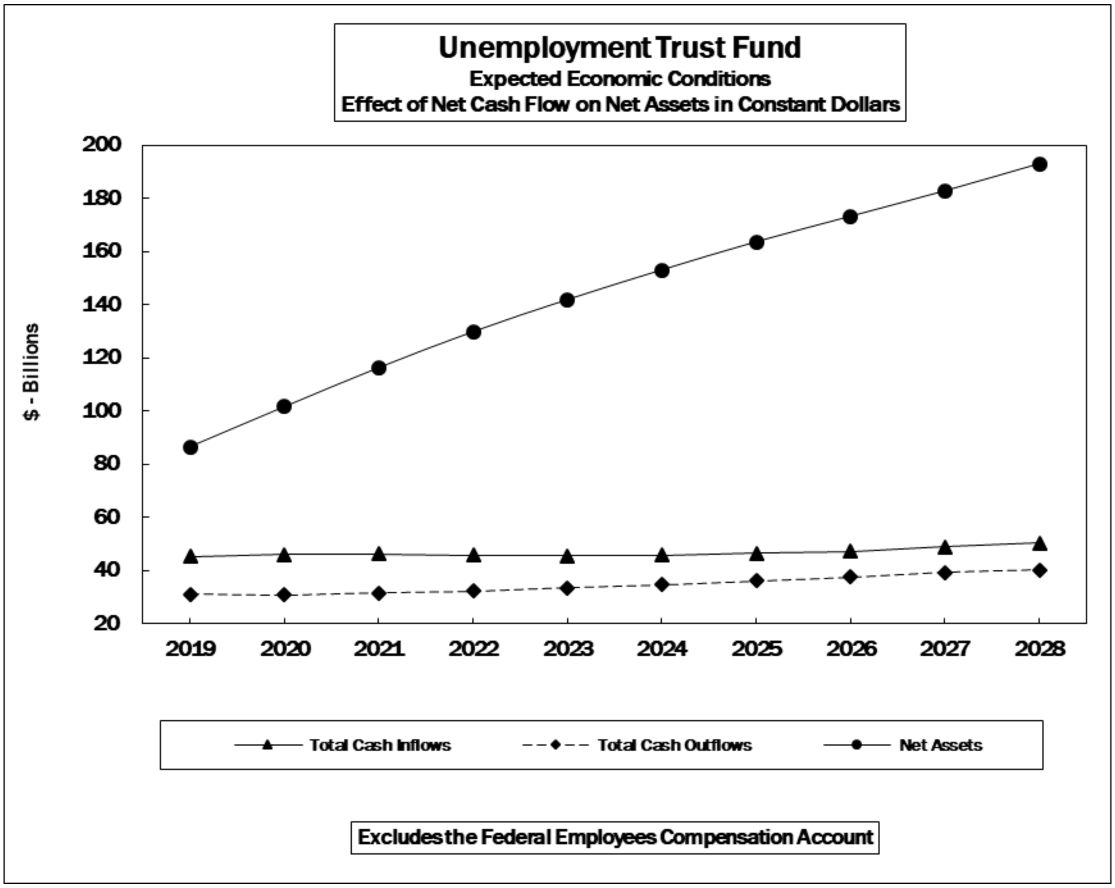
Effect of Expected Cash Flows on UTF Assets in Constant Dollars

Chart II demonstrates the effect of these expected cash inflows and outflows on the net assets of the UTF, in constant dollars, over the ten-year period ending September 30, 2018. 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 2019 and all other years in the projected period. The excess of total cash inflows over total cash outflows is highest in FY 2020. As presented in table (1) Expected Economic Conditions, starting at a nearly $72.5 billion fund balance at the beginning of FY 2019, net UTF assets increase nearly $120.5 billion over the next ten years to $193.0 billion fund net assets balance by the end of FY 2028. 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, 2028, 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.

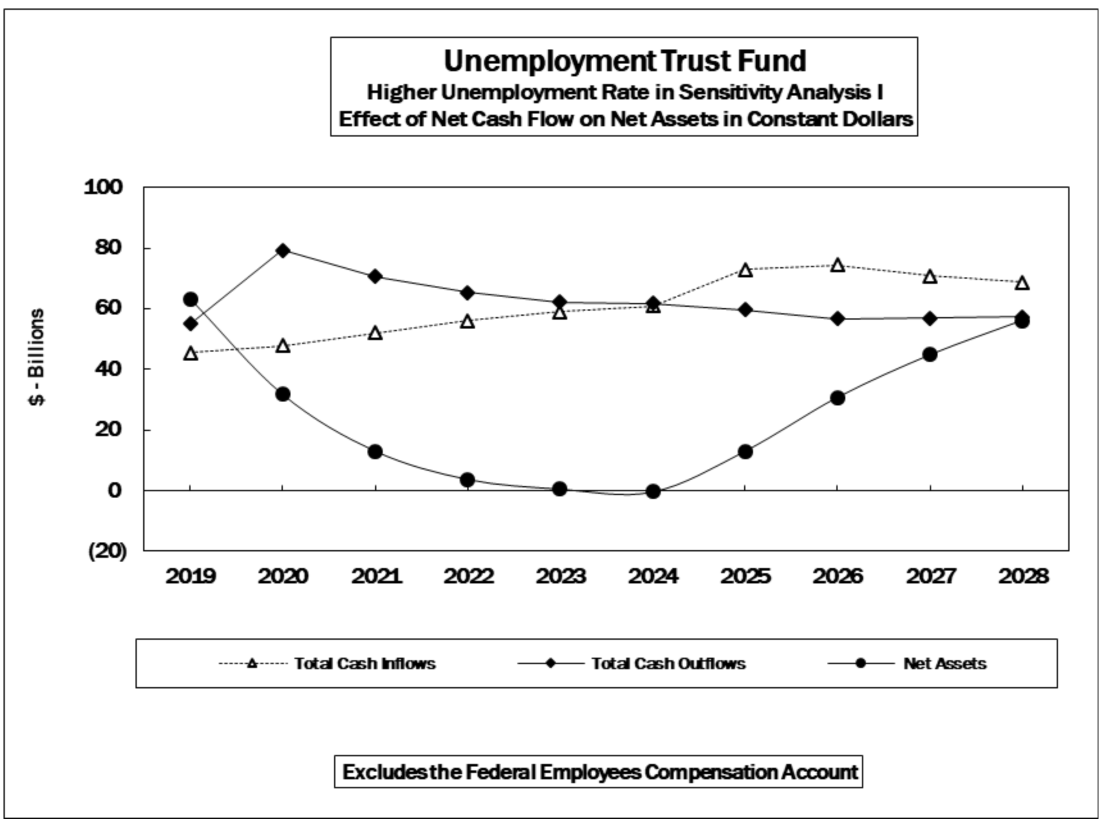
Table I

Total Unemployment Rate for the Ten-Year Period Ending September 30, 2028										
Conditions	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Expected	3.77%	3.75%	3.85%	4.00%	4.15%	4.30%	4.45%	4.62%	4.80%	4.80%
Sensitivity Analysis I	5.45%	7.43%	7.11%	6.38%	5.70%	5.56%	5.20%	4.74%	4.80%	4.80%
Sensitivity Analysis II	5.18%	8.51%	9.72%	9.16%	8.28%	7.59%	6.47%	5.44%	4.88%	4.80%

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

In this sensitivity analysis, which utilizes a higher unemployment rate of 5.45% beginning in FY 2019, as presented in table (2) Sensitivity Analysis I Higher Unemployment Rate, net cash inflows are negative in FYs 2019 through 2024, but become positive in FY 2025 and continue to be positive through 2028. Chart III depicts the cross-over point where cash outflows exceed cash inflows until 2024 and cash inflows exceed cash outflows afterward. Starting at a nearly $72.5 billion fund balance at the beginning of FY 2019, net UTF assets first decrease by about $72.8 billion until 2024; then net UTF assets increase by $56.5 billion over the next four years to about a $56.2 billion fund net assets balance by the end of FY 2028. Chart III depicts the decrease in net assets until 2024 and then the increase in net assets thereafter.

Chart III

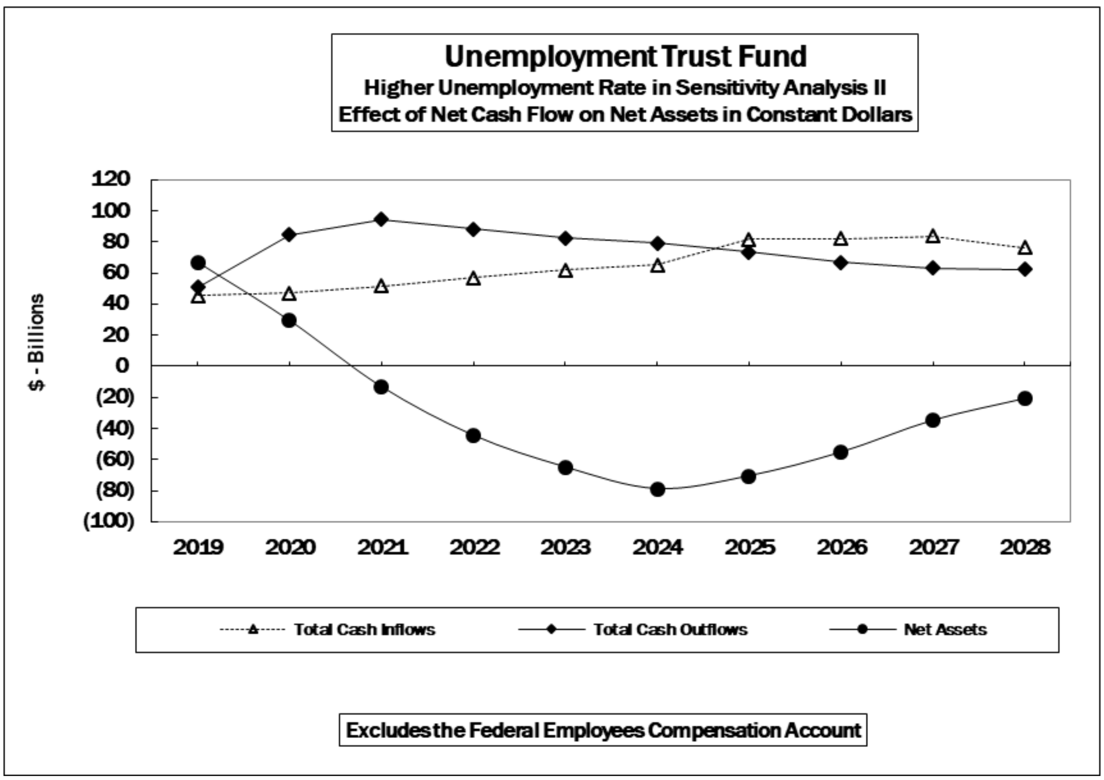


REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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

In this sensitivity analysis, as presented in the table (3) Sensitivity Analysis II Higher Unemployment Rate, net cash outflows including interest earnings and expenses are projected in FYs 2019 through 2024 by amounts between $5.5 billion and $42.6 billion, but inflows exceed outflows in FYs 2025 through 2028 by amounts between $8.2 billion and $20.5 billion. Net cash inflows are reestablished in FY 2025 and peak in FY 2027 with a drop in the unemployment rate to 8.28% in FY 2023 and then steadily downward for FYs 2024 through 2028. Chart IV depicts the cross-over points where outflows exceed inflows until FY 2025 and inflows exceed outflows until FY 2028. The fund net assets decrease $93.4 billion from a $72.5 billion fund balance at the beginning of FY 2019 to a nearly $(20.9) billion fund deficit in FY 2028. Chart IV depicts the low point in the fund's financial position at a fund deficit of $(78.3) billion in FY 2024 and then the steadily decreasing fund deficit through 2028. At the end of the projection period of Sensitivity Analysis II, net assets are about $213.9 billion less than under expected economic conditions.

Chart IV



The example of expected economic conditions and two sensitivity analyses, in constant dollars, demonstrate the counter cyclical nature of the UI program, which experiences net cash inflows during periods of low unemployment that are depleted by net cash outflows during periods of increased unemployment. During the expected conditions and two sensitivity analyses, state accounts without sufficient reserve balances to absorb negative cash flows are forced to obtain advances from the FUA in order 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, 2028
(1) EXPECTED ECONOMIC CONDITIONS

(Dollars in millions)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balance, start of year	$ 72,537	$ 86,676	$ 101,745	$ 116,397	$ 129,915	$ 141,989	$ 153,148	$ 163,697	$ 173,292	$ 182,865
Cash inflow										
State unemployment taxes	37,216	37,501	37,257	36,469	35,500	35,259	35,685	35,973	37,437	38,525
Federal unemployment taxes	6,264	6,241	6,224	6,208	6,196	6,186	6,175	6,157	6,157	6,151
Interest on loans	-	1	1	1	-	-	-	-	-	-
Deposits by the Railroad Retirement Board	138	140	129	110	114	129	129	117	113	126
Total cash inflow excluding interest	43,618	43,883	43,611	42,788	41,810	41,574	41,989	42,247	43,707	44,802
Interest on Federal securities	1,720	2,093	2,570	3,125	3,695	4,191	4,628	4,974	5,275	5,574
Total cash inflow	45,338	45,976	46,181	45,913	45,505	45,765	46,617	47,221	48,982	50,376
Cash outflow										
State unemployment benefits	27,553	27,492	28,144	29,026	30,073	31,262	32,734	34,308	36,098	36,906
State administrative costs	3,386	3,153	3,127	3,115	3,107	3,095	3,086	3,071	3,065	3,050
Federal administrative costs	166	164	163	161	159	158	156	155	153	151
Interest on tax refunds	1	1	1	1	1	1	2	2	2	2
Interest on advances	-	-	-	-	-	-	-	-	-	-
Railroad Retirement Board withdrawals	93	97	94	92	91	90	90	90	91	91
Total cash outflow	31,199	30,907	31,529	32,395	33,431	34,606	36,068	37,626	39,409	40,200
Excess of total cash inflow excluding interest over total cash outflow	12,419	12,976	12,082	10,393	8,379	6,968	5,921	4,621	4,298	4,602
Excess of total cash inflow over total cash outflow	14,139	15,069	14,652	13,518	12,074	11,159	10,549	9,595	9,573	10,176
Balance, end of year	$ 86,676	$ 101,745	$ 116,397	$ 129,915	$ 141,989	$ 153,148	$ 163,697	$ 173,292	$ 182,865	$ 193,041
Total unemployment rate	3.77%	3.75%	3.85%	4.00%	4.15%	4.30%	4.45%	4.62%	4.80%	4.80%

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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, 2028
(2) SENSITIVITY ANALYSIS I HIGHER UNEMPLOYMENT RATE

(Dollars in millions)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balance, start of year	$ 72,537	$ 63,187	$ 31,770	$ 13,097	$ 3,810	$ 616	$ (325)	$ 13,114	$ 30,835	$ 44,793
Cash inflow										
State unemployment taxes	37,790	40,288	44,274	47,355	48,808	48,983	49,261	49,420	49,125	48,475
Federal unemployment taxes	6,070	5,874	5,825	6,465	7,463	8,653	20,489	21,634	18,320	16,778
Interest on loans	7	238	639	991	1,282	1,490	1,397	1,151	931	743
Deposits by the Railroad Retirement Board	138	140	129	110	114	129	129	117	113	126
Total cash inflow excluding interest	44,005	46,540	50,867	54,921	57,667	59,255	71,276	72,322	68,489	66,122
Interest on Federal securities	1,548	1,274	1,170	1,243	1,397	1,565	1,736	2,009	2,321	2,566
Total cash inflow	45,553	47,814	52,037	56,164	59,064	60,820	73,012	74,331	70,810	68,688
Cash outflow										
State unemployment benefits	50,915	74,941	66,190	60,771	57,497	56,925	54,813	52,250	52,792	53,531
State administrative costs	3,728	3,856	3,766	3,640	3,543	3,485	3,415	3,332	3,296	3,272
Federal administrative costs	166	164	163	161	159	158	156	155	153	151
Interest on tax refunds	1	1	1	1	2	2	5	6	5	4
Interest on advances	-	172	496	786	966	1,101	1,094	777	515	279
Railroad Retirement Board withdrawals	93	97	94	92	91	90	90	90	91	91
Total cash outflow	54,903	79,231	70,710	65,451	62,258	61,761	59,573	56,610	56,852	57,328
Excess (deficiency) of total cash inflow excluding interest over (under) total cash outflow	(10,898)	(32,691)	(19,843)	(10,530)	(4,591)	(2,506)	11,703	15,712	11,637	8,794
Excess (deficiency) of total cash inflow over (under) total cash outflow	(9,350)	(31,417)	(18,673)	(9,287)	(3,194)	(941)	13,439	17,721	13,958	11,360
Balance, end of year	$ 63,187	$ 31,770	$ 13,097	$ 3,810	$ 616	$ (325)	$ 13,114	$ 30,835	$ 44,793	$ 56,153
Total unemployment rate	5.45%	7.43%	7.11%	6.38%	5.70%	5.56%	5.20%	4.74%	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, 2028
(3) SENSITIVITY ANALYSIS II HIGHER UNEMPLOYMENT RATE

(Dollars in millions)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Balance, start of year	$ 72,537	$ 67,042	$ 29,526	$ (13,076)	$ (44,392)	$ (64,801)	$ (78,833)	$ (70,605)	$ (55,403)	$ (34,873)
Cash inflow										
State unemployment taxes	37,671	39,598	43,991	48,300	51,188	51,934	52,447	52,536	52,550	51,333
Federal unemployment taxes	6,090	5,781	5,641	6,121	7,412	8,982	24,521	25,061	26,469	20,578
Interest on loans	3	227	857	1,603	2,341	2,965	3,166	2,954	2,628	2,328
Deposits by the Railroad Retirement Board	138	140	129	110	114	129	129	117	113	126
Total cash inflow excluding interest	43,902	45,746	50,618	56,134	61,055	64,010	80,263	80,668	81,760	74,365
Interest on Federal securities	1,572	1,301	1,078	1,031	1,085	1,182	1,346	1,549	1,850	2,165
Total cash inflow	45,474	47,047	51,696	57,165	62,140	65,192	81,609	82,217	83,610	76,530
Cash outflow										
State unemployment benefits	47,037	80,195	89,238	82,666	76,126	72,333	66,434	60,477	57,066	56,955
State administrative costs	3,672	3,915	4,026	3,952	3,829	3,722	3,591	3,456	3,361	3,318
Federal administrative costs	166	164	163	161	159	158	156	155	153	151
Interest on tax refunds	1	1	1	1	2	2	6	6	7	5
Interest on advances	-	191	776	1,609	2,342	2,919	3,104	2,831	2,402	2,003
Railroad Retirement Board withdrawals	93	97	94	92	91	90	90	90	91	91
Total cash outflow	50,969	84,563	94,298	88,481	82,549	79,224	73,381	67,015	63,080	62,523
Excess (deficiency) of total cash inflow excluding interest over (under) total cash outflow	(7,067)	(38,817)	(43,680)	(32,347)	(21,494)	(15,214)	6,882	13,653	18,680	11,842
Excess (deficiency) of total cash inflow over (under) total cash outflow	(5,495)	(37,516)	(42,602)	(31,316)	(20,409)	(14,032)	8,228	15,202	20,530	14,007
Balance, end of year	$ 67,042	$ 29,526	$ (13,076)	$ (44,392)	$ (64,801)	$ (78,833)	$ (70,605)	$ (55,403)	$ (34,873)	$ (20,866)
Total unemployment rate	5.18%	8.51%	9.72%	9.16%	8.28%	7.59%	6.47%	5.44%	4.88%	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 2018.

Chart V presents the state by state results of this analysis at September 30, 2018 in descending order by ratio. As the chart below illustrates, 24 state UTF accounts were below the minimal solvency ratio of 1.00 at September 30, 2018. Some states borrow from the FUA and then issue bonds to repay their FUA borrowings; the ratios do not reflect a state's debt to bondholders.

Chart V

Minimally Solvent	
State	Ratio
Vermont	2.33
Oregon	2.30
Wyoming	2.22
Mississippi	1.92
South Dakota	1.76
Nebraska	1.75
Utah	1.74
Oklahoma	1.73
Alaska	1.66
Idaho	1.46
Montana	1.46
Iowa	1.42
Puerto Rico	1.37
Kansas	1.31
Louisiana	1.30
North Carolina	1.29
Maine	1.25
Washington	1.24
Hawaii	1.23
Arkansas	1.20
New Mexico	1.19
Nevada	1.19
District of Columbia	1.16
Georgia	1.13
Florida	1.09
Michigan	1.05
New Hampshire	1.05
Virginia	1.04
North Dakota	1.03

Not Minimally Solvent	
State	Ratio
Alabama	0.98
South Carolina	0.95
Tennessee	0.95
Minnesota	0.94
Wisconsin	0.88
Maryland	0.87
Missouri	0.79
Arizona	0.78
Rhode Island	0.76
Colorado	0.71
Delaware	0.70
New Jersey	0.66
Pennsylvania	0.55
Kentucky	0.53
West Virginia	0.47
Illinois	0.45
Connecticut	0.43
Indiana	0.38
New York	0.35
Ohio	0.34
Texas	0.34
Massachusetts	0.33
California	0.19
Virgin Islands	0.00

*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 or when the liability is adjudicated to the BLDTF, which may occur as a result of, among other things, bankruptcy of the RMO. 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, 2018, total liabilities of the BLDTF exceeded assets by $5.64 billion This net position deficit 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, 2018 was $6.0 billion, bearing interest rates ranging from 2.604% to 4.556%. Excise tax revenues of $384.4 million, benefit payment expense of $140.4 million, and interest expense of $209.1 million were recognized for the year ended September 30, 2018. 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, 2018, the BLDTF issued debt in the amount of $1.9 billion, bearing interest at 2.604% and maturing on September 30, 2019. At September 30, 2018, there were 23 debt instruments with staggered maturities of September 30 for years 2019 through 2040, with a total carrying value of nearly $6.0 billion and a total face value at maturity of nearly $8.8 billion. Of these 23 debt instruments, 22 are from the October 2008 refinancing and one debt instrument was issued on September 30, 2018.

Subsequent Events

Management disclosed that as of September 30, 2018, the U.S. Court of Appeals (USCA) June 26, 2018 abeyance on Clean Power Plan (CPP) litigation had expired and the February 2016 U.S. Supreme Court (SCOTUS) stay of CPP regulation remained in effect. As of November 15, 2018, the

- USCA has not issued another abeyance order on CPP regulation and
- SCOTUS stay of CPP regulation remained in effect.

For FY 2018 reporting, DOL's assumptions did not include regulation pursuant to the CPP. As of November 15, 2018, these assumptions remained consistent with Executive Branch policy on regulation pursuant to the CPP.

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

In FYs 2014 and 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 2014 and 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 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 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, since FY 2016 the SOSI presents values for the closed group, new participants, and open group.

The significant assumptions used in the projections, in constant dollars, are the coal excise tax revenue estimates, tax rate structure, number of beneficiaries, life expectancy, Federal civilian pay raises, medical cost inflation, interest rate on new debt issued by the BLDTF, and the CPI-U for goods and services. The use of CPI-U factors allows the projections to be presented in constant dollars with FY 2018 as the base year. The valuation date for the projections is September 30, 2018. Effective for FY 2017 reporting DOL revised its projection period from a fixed terminus of FY 2040 to a rolling 25-year period beginning on the valuation date. The FY 2018 25-year projection period ends on September 30, 2043. Cash projections depend on the assumptions used and actual experience may differ materially from the projections.

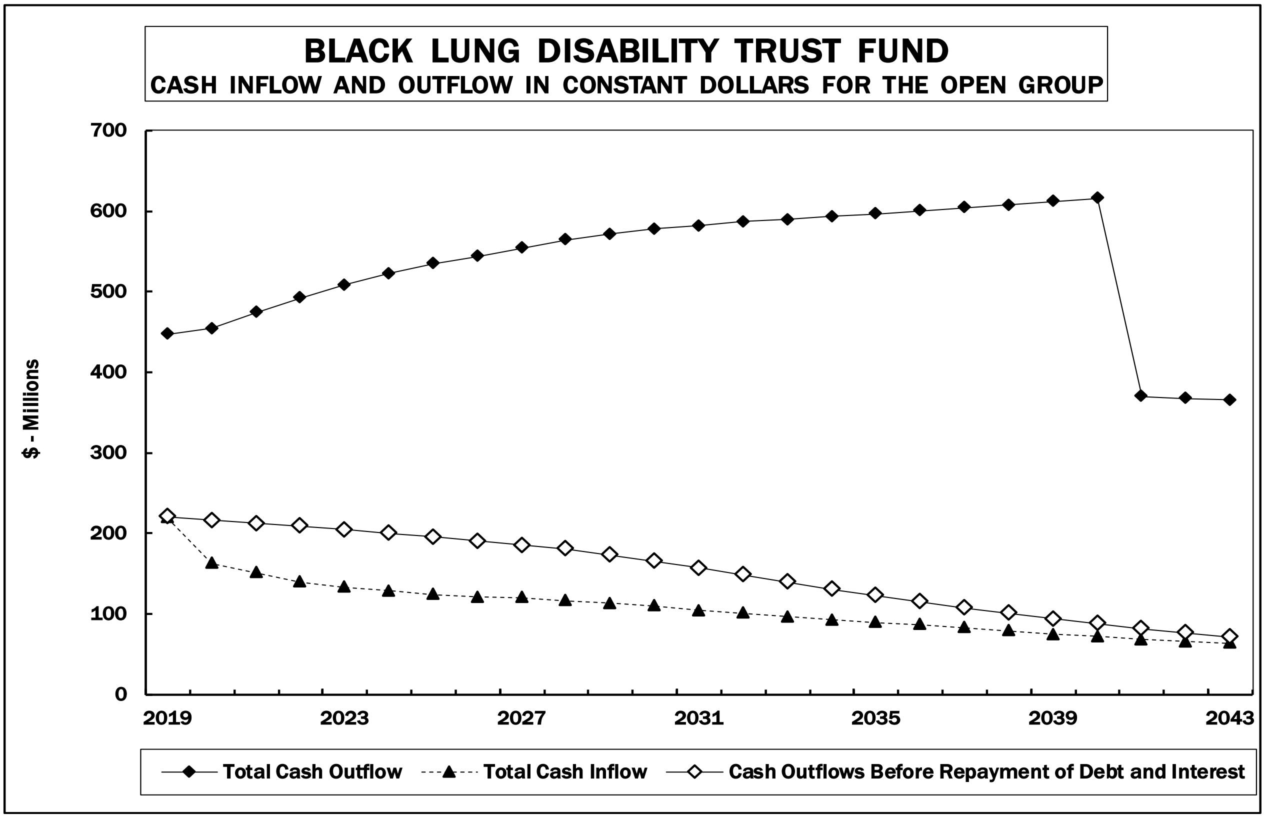
In order to be consistent with Executive Branch policy on regulations pursuant to the Clean Power Plan (CPP), DOL's estimates of future excise tax income were based on, among other things, Energy Information Administration (EIA) projections that do not reflect CPP regulation. The EIA projections reflect the continuing trend of lower coal production which would lead to lower future excise tax income. The effects of the significant decrease in projected cash inflows from excise taxes are also reflected in the Statement of Social Insurance as of September 30, 2018 and are the largest change reported in the Statement of Changes in Social Insurance Amounts for the year ended September 30, 2018.

In February 2016 the SCOTUS stayed implementation of regulation pursuant to the CPP due to litigation pending in the USCA. On June 26, 2018, the USCA ordered that the CPP litigation be held in abeyance for 60 days. As of September 30, 2018, the USCA abeyance had expired and the February 2016 SCOTUS stay of CPP regulation remained in effect.

The projections, in constant dollars for the open group, made over the 25-year period ending September 30, 2043, indicate that cash outflows for benefit payments and administrative expenses will exceed cash inflows from excise taxes for all years in the projection period. Cumulative net cash outflows are projected as $1.07 billion by FY 2043. When payments from the BLDTF's maturing debt are added to the net cash outflows, the BLDTF's net cash outflows after payments on maturing debt are projected to reach $10.6 billion by the end of FY 2043, resulting in a projected deficit of nearly $14.2 billion at September 30, 2043. 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, 2018, 2017, 2016, 2015, and 2014 are presented in the SOSI.

Chart I



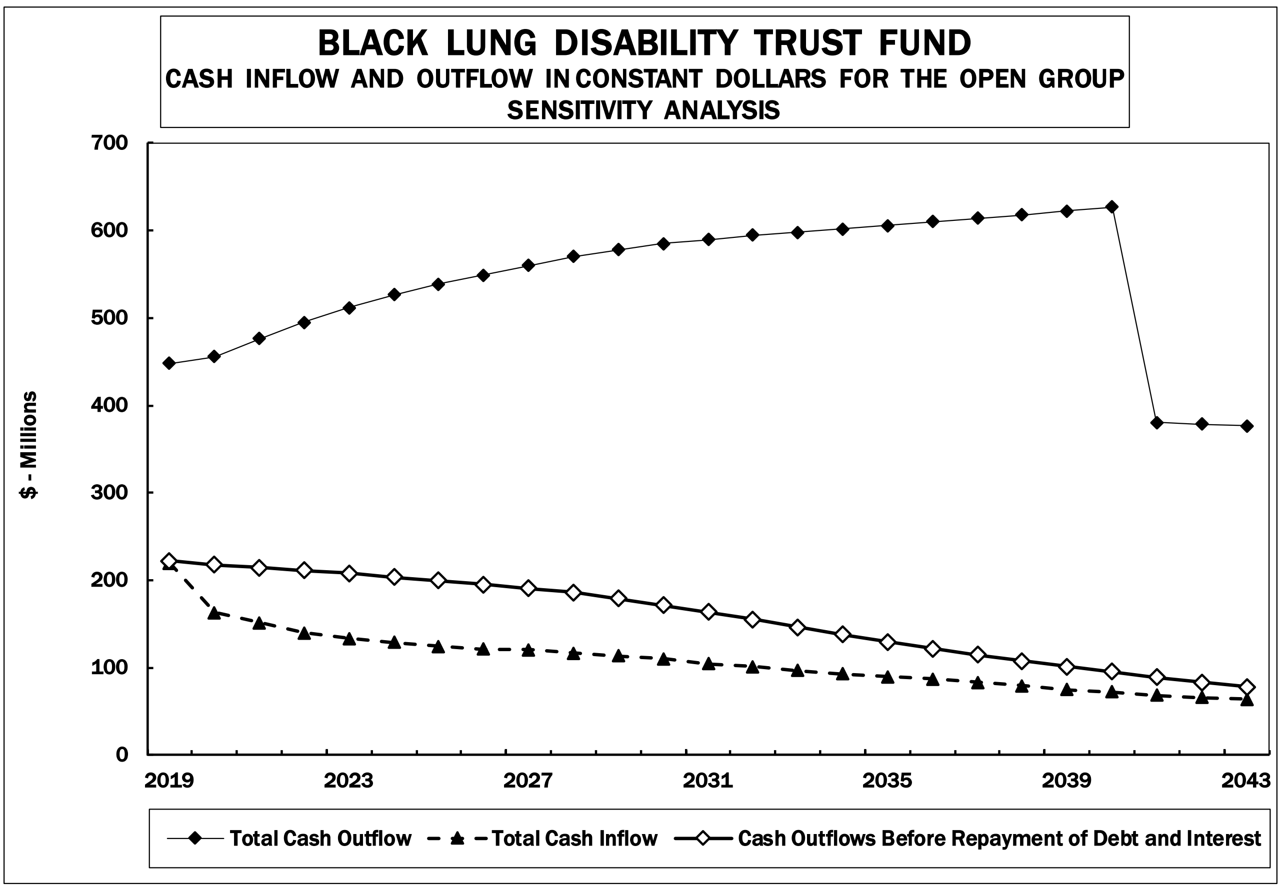
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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

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

These projections with sensitivity analysis, in constant dollars for the open group, made over the 25-year period ending September 30, 2043, indicate that cash outflows for benefit payments and administrative expenses will exceed cash inflows from excise taxes for all years in the projection period. Cumulative net cash outflows would be projected to reach $1.2 billion by the year 2043. When payments from the BLDTF's maturing debt are added to the net cash outflows, the BLDTF's net cash outflows after payments on maturing debt would be projected to reach $10.8 billion by the end of the year 2043, and would result in a projected deficit of more than $14.3 billion at September 30, 2043 (See Chart II and Table II). Amount totals in tables may differ slightly due to rounding.

Chart II



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

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

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

(a) In the SOSI, for the closed group:
- (1) the present value of estimated future excise tax income during the projection period would decrease $50,384 from $1,385,560 to $1,335,176;
- (2) the present value of estimated future administrative costs during the projection period would decrease $24,549 from $675,099 to $650,550;
- (3) the actuarial present value of future benefit payments to disabled coal miners and dependent survivors during the projection period would increase $29,623 from $1,270,504 to $1,300,127; and
- (4) the closed group measure would decrease $55,458 from $(560,043) to $(615,501).

(b) In the SOSI, for the new participants:
- (1) the present value of estimated future excise tax income during the projection period would increase $50,384 from $1,133,640 to $1,184,024;
- (2) the present value of estimated future administrative costs during the projection period would increase $24,549 from $552,354 to $576,903;
- (3) the actuarial present value of future benefit payments to disabled coal miners and dependent survivors during the projection period would increase $86,942 from $1,049,906 to $1,136,848; and
- (4) the excess of present value of estimated future excise tax income over present value of estimated future administrative costs and actuarial present value of future benefit payments during the projection period would decrease $61,107 from $(468,620) to $(529,727).

(c) In the SOSI, for the open group:
- (1) the present value of estimated future excise tax income during the projection period of $2,519,200 would remain unchanged;
- (2) the present value of estimated future administrative costs during the projection period of $1,227,453 would remain unchanged;
- (3) the actuarial present value of future benefit payments to disabled coal miners and dependent survivors during the projection period would increase $116,565 from $2,320,410 to $2,436,975; and
- (4) the open group measure would decrease $116,565 from $(1,028,663) to $(1,145,228).

(d) In the SOSI, the trust fund net position deficit at start of the projection period of $(5,641,907) would remain unchanged.

(e) In the SOSI Summary Section, for the closed group:
- (1) the closed group measure would decrease $55,458 from $(560,043) to $(615,501);
- (2) the Funds with U.S. Treasury and receivables from benefit overpayments of $359,710 would remain unchanged; and
- (3) the total of closed group measure plus fund assets would decrease $55,458 from $(200,333) to $(255,791).

(f) In the SOSI Summary Section, for the open group:
- (1) the open group measure would decrease $116,565 from $(1,028,663) to $(1,145,228);
- (2) the Funds with U.S. Treasury and receivables from benefit overpayments of $359,710 would remain unchanged; and
- (3) the total of open group measure plus fund assets would decrease $116,565 from $(668,953) to $(785,518).

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

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Table I

U.S. DEPARTMENT OF LABOR

SUPPLEMENTARY SOCIAL INSURANCE INFORMATION

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

FOR THE 25-YEAR PERIOD ENDING SEPTEMBER 30, 2043

OPEN GROUP

(Dollars in thousands)	2019	2020	2021	2022	2023	2024 - 2043	Total
Balance, start of year	$ (5,641,907)	$ (5,754,542)	$ (5,932,436)	$ (6,142,984)	$ (6,384,083)	$ (6,648,778)	$ (5,641,907)
Cash inflow							
Excise taxes	219,296	162,690	151,632	139,995	133,355	1,911,773	2,718,741
Total cash inflow	219,296	162,690	151,632	139,995	133,355	1,911,773	2,718,741
Cash outflow							
Disabled coal miners benefits	151,511	147,023	143,606	140,035	136,075	1,765,317	2,483,568
Administrative costs	69,437	69,236	69,102	68,933	68,806	961,678	1,307,192
Cash outflows before repayment of debt and interest	220,947	216,259	212,708	208,969	204,881	2,726,995	3,790,760
Cash inflow over cash outflow (cash outflow over cash inflow) before repayment of debt and interest	(1,651)	(53,569)	(61,076)	(68,974)	(71,526)	(815,222)	(1,072,019)
Maturity of obligations refinanced October 2008	177,683	187,258	196,732	205,881	214,899	4,192,466	5,174,920
Interest on annual borrowings	48,437	50,850	65,073	77,678	88,948	4,040,526	4,371,512
Total cash outflow	447,067	454,367	474,514	492,528	508,729	10,959,986	13,337,191
Total cash outflow over total cash inflow	(227,771)	(291,677)	(322,882)	(352,533)	(375,374)	(9,048,213)	(10,618,450)
Reduction of debt refinanced October 2008	115,136	113,783	112,334	111,434	110,678	1,522,912	2,086,278
Balance, end of year	$ (5,754,542)	$ (5,932,436)	$ (6,142,984)	$ (6,384,083)	$ (6,648,778)	$ (14,174,079)	$ (14,174,079)

Table II

U.S. DEPARTMENT OF LABOR

SUPPLEMENTARY SOCIAL INSURANCE INFORMATION SENSITIVITY ANALYSIS

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

FOR THE 25-YEAR PERIOD ENDING SEPTEMBER 30, 2043

OPEN GROUP

(Dollars in thousands)	2019	2020	2021	2022	2023	2024 - 2043	Total
Balance, start of year	$ (5,641,907)	$ (5,755,443)	$ (5,934,735)	$ (6,147,225)	$ (6,390,852)	$ (6,658,680)	$ (5,641,907)
Cash inflow							
Excise taxes	219,296	162,690	151,632	139,995	133,355	1,911,773	2,718,741
Total cash inflow	219,296	162,690	151,632	139,995	133,355	1,911,773	2,718,741
Cash outflow							
Disabled coal miners benefits	152,412	148,384	145,465	142,415	138,976	1,885,842	2,613,495
Administrative costs	69,437	69,236	69,102	68,933	68,806	961,678	1,307,192
Cash outflows before repayment of debt and interest	221,849	217,620	214,567	211,348	207,782	2,847,520	3,920,686
Cash inflow over cash outflow (cash outflow over cash inflow) before repayment of debt and interest	(2,553)	(54,930)	(62,935)	(71,353)	(74,427)	(935,747)	(1,201,945)
Maturity of obligations refinanced October 2008	177,683	187,258	196,732	205,881	214,899	4,192,466	5,174,920
Interest on annual borrowings	48,437	50,886	65,156	77,827	89,180	4,082,798	4,414,284
Total cash outflow	447,968	455,765	476,456	495,057	511,862	11,122,784	13,509,891
Total cash outflow over total cash inflow	(228,672)	(293,075)	(324,824)	(355,062)	(378,507)	(9,211,011)	(10,791,150)
Reduction of debt refinanced October 2008	115,136	113,783	112,334	111,434	110,678	1,522,912	2,086,278
Balance, end of year	$ (5,755,443)	$ (5,934,735)	$ (6,147,225)	$ (6,390,852)	$ (6,658,680)	$ (14,346,779)	$ (14,346,779)

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 2018 and FY 2017. 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, 2018

	Employment and Training Administration	Office of Workers' Compensation Programs	Office of Job Corps	Occupational Safety and Health Administration
BUDGETARY RESOURCES				
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 1,025,656	$ 1,664,413	$ 1,046,837	$ 13,109
Appropriations (discretionary and mandatory)	36,872,257	2,264,848	1,762,818	552,787
Borrowing Authority (discretionary and mandatory)	-	29,942	-	-
Spending authority from offsetting collections (discretionary and mandatory)	3,441,327	2,972,896	-	1,701
Total budgetary resources	$ 41,339,240	$ 6,932,099	$ 2,809,655	$ 567,597
STATUS OF BUDGETARY RESOURCES				
New obligations and upward adjustments (total)	$ 40,001,360	$ 5,315,090	$ 1,527,073	$ 555,450
Unobligated balance, end of year				
Apportioned, unexpired account	829,202	1,583,090	1,202,946	220
Exempt from apportionment, unexpired accounts	-	29,354	-	-
Unapportioned, unexpired accounts	73,396	2,620	2,004	-
Unexpired unobligated balance, end of year	902,598	1,615,064	1,204,950	220
Expired unobligated balance, end of year	435,282	1,945	77,632	11,927
Unobligated balance, end of year (total)	1,337,880	1,617,009	1,282,582	12,147
Total budgetary resources	$ 41,339,240	$ 6,932,099	$ 2,809,655	$ 567,597
OUTLAYS, NET				
Outlays, net (total) (discretionary and mandatory)	$ 36,474,829	$ 2,157,710	$ 1,543,120	$ 539,732
Distributed Offsetting receipts	(437,644)	(2,662)	-	-
Agency outlays, net (discretionary and mandatory)	$ 36,037,185	$ 2,155,048	$ 1,543,120	$ 539,732

Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training Service	Wage and Hour Division	Other Departmental Programs	TOTAL
$ 7,635	$ 5,031	$ 4,590	$ 10,540	$ 13,388	$ 114,577	$ 3,905,776
547,000	373,882	181,000	50,000	279,894	636,347	43,520,833
-	-	-	-	-	-	29,942
94,703	1,436	5,965	245,041	2,800	451,159	7,217,028
$ 649,338	$ 380,349	$ 191,555	$ 305,581	$ 296,082	$ 1,202,083	$ 54,673,579
$ 643,576	$ 375,481	$ 185,024	$ 295,140	$ 284,796	$ 1,107,917	$ 50,290,907
614	761	2,358	186	2,702	74,752	3,696,831
-	-	-	-	-	-	29,354
-	5	-	-	4,424	7,673	90,122
614	766	2,358	186	7,126	82,425	3,816,307
5,148	4,102	4,173	10,255	4,160	11,741	566,365
5,762	4,868	6,531	10,441	11,286	94,166	4,382,672
$ 649,338	$ 380,349	$ 191,555	$ 305,581	$ 296,082	$ 1,202,083	$ 54,673,579
$ 545,547	$ 368,798	$ 176,974	$ 29,466	$ 280,577	$ 650,749	$ 42,767,502
-	-	-	-	-	(19,485)	(459,791)
$ 545,547	$ 368,798	$ 176,974	$ 29,466	$ 280,577	$ 631,264	$ 42,307,711

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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

(Dollars in thousands)	Employment and Training Administration	Office of Workers' Compensation Programs	Office of Job Corps	Occupational Safety and Health Administration
BUDGETARY RESOURCES				
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 1,312,671	$ 1,389,950	$ 1,101,305	$ 14,945
Appropriations (discretionary and mandatory)	38,807,728	2,164,703	1,718,173	552,787
Borrowing Authority (discretionary and mandatory)	-	-	-	-
Spending authority from offsetting collections (discretionary and mandatory)	3,447,722	3,120,629	-	1,976
Total budgetary resources	$ 43,568,121	$ 6,675,282	$ 2,819,478	$ 569,708
STATUS OF BUDGETARY RESOURCES				
New obligations and upward adjustments (total)	$ 42,465,992	$ 5,014,082	$ 1,793,774	$ 555,786
Unobligated balance, end of year				
Apportioned, unexpired accounts	517,656	1,621,366	931,944	71
Exempt from apportionment, unexpired accounts	-	33,211	-	-
Unapportioned, unexpired accounts	61,845	5,370	7,500	-
Unexpired unobligated balance, end of year	579,501	1,659,947	939,444	71
Expired unobligated balance, end of year	522,628	1,253	86,260	13,851
Unobligated balance, end of year (total)	1,102,129	1,661,200	1,025,704	13,922
Total budgetary resources	$ 43,568,121	$ 6,675,282	$ 2,819,478	$ 569,708
OUTLAYS, NET				
Outlays, net (total) (discretionary and mandatory)	39,099,763	2,026,401	1,612,705	555,402
Distributed offsetting receipts	(550,080)	(2,166)	-	-
Agency outlays, net (discretionary and mandatory)	$ 38,549,683	$ 2,024,235	$ 1,612,705	$ 555,402

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
$ 7,220	$ 7,025	$ 3,989	$ 15,463	$ 26,874	$ 119,287	$ 3,998,729
544,000	373,816	183,000	45,000	273,782	623,239	45,286,228
-	-	-	-	-	-	-
93,813	1,352	5,670	235,768	4,001	467,458	7,378,389
$ 645,033	$ 382,193	$ 192,659	$ 296,231	$ 304,657	$ 1,209,984	$ 56,663,346
$ 639,258	$ 376,602	$ 189,191	$ 280,686	$ 290,742	$ 1,126,049	$ 52,732,162
671	570	4	272	3,133	64,753	3,140,440
-	-	-	-	-	-	33,211
-	5	-	-	5,547	7,624	87,891
671	575	4	272	8,680	72,377	3,261,542
5,104	5,016	3,464	15,273	5,235	11,558	669,642
5,775	5,591	3,468	15,545	13,915	83,935	3,931,184
$ 645,033	$ 382,193	$ 192,659	$ 296,231	$ 304,657	$ 1,209,984	$ 56,663,346
541,813	371,308	186,012	37,052	288,883	612,642	45,331,981
-	-	-	-	-	(6,882)	(559,128)
$ 541,813	$ 371,308	$ 186,012	$ 37,052	$ 288,883	$ 605,760	$ 44,772,853

UNITED STATES DEPARTMENT OF LABOR

OTHER INFORMATION

Inspector General's Top Management and Performance Challenges

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210

October 15, 2018

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 2018. 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:

- Protecting the Safety and Health of Workers
- Providing a Safe Learning Environment at Job Corps Centers Helping Adults and Youth Succeed in the Labor Market
- Protecting Retirement, Health, and Other Benefit Plans for Workers, Retirees, and Their Families
- Reducing Improper Payments
- Monitoring and Managing Pharmaceuticals in the FECA Program
- Maintaining the Integrity of Foreign Labor Certification Programs
- Securing and Managing Information Systems

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

Attachment

cc: Nicholas C. Geale, Chief of Staff
James E. Williams, Chief Financial Officer

Working for America's Workforce

TOP MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE U.S. DEPARTMENT OF LABOR
NOVEMBER 2018

CHALLENGE: Protecting the Safety and Health of Workers

BACKGROUND
The Department's Occupational Safety and Health Administration (OSHA) is responsible for the safety and health of 136 million workers employed at more than 9 million establishments, while the Department's Mine Safety and Health Administration (MSHA) is responsible for the safety and health of approximately 320,000 miners who work at more than 13,000 mines.

CHALLENGE FOR THE DEPARTMENT
OSHA and MSHA face challenges in determining how to best use their resources to help protect the workers' safety and health, particularly in high-risk industries such as construction, forestry, fishing, agriculture, and mining. These challenges are exacerbated by underreporting of injuries by employers. Without reliable data regarding workplace injuries, OSHA and MSHA lack the information needed to effectively focus inspection and compliance efforts on the most hazardous workplaces.

Verifying the abatement of construction hazards remains a challenge for OSHA. The agency closed many citations for safety violations because the construction project ended, not because employers corrected the cited hazards. As a result, OSHA received no assurances employers would use improved safety and health practices at subsequent construction sites.

A recent study published in the American Journal of Public Health concluded that black lung cases are at a 25-year high in Appalachian coal mining states. MSHA is challenged to determine the reasons for this increase and develop strategies for addressing it. The Agency is currently soliciting comments, data, and information to develop a study to assess the impact of the August 2014 coal dust rule on the health of miners. However, because of the latency period between exposure to coal dust and development of black lung disease, it will likely take a decade or more to complete the study. An emerging challenge facing MSHA is reducing the number of powered haulage accidents,[8] which accounted for 8 percent of all injuries and 50 percent of all fatalities in 2017.

DEPARTMENT'S PROGRESS
OSHA states that it encourages employers to comply with illness and injury reporting requirements through a variety of enforcement, outreach, and compliance assistance efforts. OSHA also established a program to develop, implement, and assess the effectiveness of agency internal controls.

MSHA reports it has increased its sampling of mines for silica, quartz, and diesel particulate emissions, and has ordered additional sampling devices for its inspectors and testing equipment for its lab in order to enhance sampling and enforcement for these airborne contaminants. The agency is also working with the mining industry to develop and install proximity detection/collision warning systems on equipment in surface and underground mines that can stop machine motion and/or send a warning signal to the machine operator when it detects a person or object in the machine's path.

[8] Per MHSA's Accident/Illness Investigation Handbook, a powered haulage accident is an accident caused by the motion of the haulage unit, including accidents that are caused by an energized or moving unit or failure of component parts. Haulage includes motors and rail cars, conveyors, belt feeders, longwall conveyors, bucket elevators, vertical manlifts, self-loading scrapers or pans, shuttle cars, haulage trucks, front-end loaders, load-haul- dumps, forklifts, cherry pickers, mobile cranes if traveling with a load, etc.

WHAT REMAINS TO BE DONE

OSHA needs to complete its initiatives to improve employer reporting of severe injuries and illnesses, and enhance staff training on abatement verification, especially of smaller and transient construction employers. OSHA also needs to complete the development of its evaluation and analysis program.

MSHA needs to identify methods for improving mine operators' reporting of accidents, injuries, and illnesses. To ensure mine operators comply with the Respirable Coal Dust rule, MSHA needs to:
1) review the quality of coal mine dust controls in mine ventilation and dust control plans; 2) analyze sampling data quarterly; 3) monitor operator sampling equipment; 4) re-evaluate the rule in light of new information; and 5) increase testing and enforcement for other airborne contaminants. MSHA also needs to continue its efforts to address the number of powered haulage accidents by conducting compliance and technical assistance visits, enhancing training, and increasing and sharing its knowledge of available technology.

CHALLENGE: Providing a Safe Learning Environment at Job Corps Centers

BACKGROUND

The Job Corps program provides education, training, and support services to approximately 50,000 disadvantaged, at-risk youth, ages 16–24, at 123 Job Corps centers nationwide, both residential and nonresidential. The goal of the nearly $1.7 billion program is to offer an intensive intervention to members of this targeted population as a means to help them learn vocational skills, earn a high school diploma or GED, 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, which could hinder Job Corps' ability to attract students, teach them the skills they need, place them in meaningful jobs, or help them to obtain further education.

OIG audits over the past three years found a wide range of security and safety issues at Job Corps centers, from failure to report and investigate serious misconduct, to security staff shortages. Follow-up work we completed in December 2017 showed the Department had taken steps to establish, clarify, and enforce Job Corps safety and security policies. However, the Department's corrective action plan has not yet been fully implemented. Job Corps needs a fully implemented and documented oversight process to ensure future center compliance and safe and secure environments for Job Corps students and staff.

DEPARTMENT'S PROGRESS

Job Corps established the Division of Regional Operations and Program Integrity to improve oversight of center safety, and initiated a technology pilot to enhance security at selected centers. Phase I of the pilot, involving 13 centers, has been completed. According to Job Corps, most of the enhancements planned for Phase II, involving 18 centers, have been completed. Job Corps anticipates completing the remaining enhancements in FY 2019. Finally, Job Corps' Physical Security Specialist performed Physical Security System Utilization Reviews at four Phase I centers.

WHAT REMAINS TO BE DONE

Job Corps needs to implement staffing plans for continuous oversight, issue its standard operating procedures for oversight activities, and maintain documentation showing the deficiencies it identifies and the corrective actions taken to remediate the deficiencies. Further, Job Corps needs to expeditiously complete the various safety initiatives already in progress, and vigilantly ensure center operators and regional office personnel fully enforce Job Corps' safety and security policies and improve campus security system-wide.

CHALLENGE: Helping Adults and Youth Succeed in the Labor Market

BACKGROUND

In fiscal year (FY) 2018, the Department's Employment and Training Administration (ETA) received $3.3 billion to operate a system of education, skills training, and employment services authorized by the Workforce Innovation and Opportunity Act (WIOA). Congress intends for these services to increase 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. In addition, Job Corps received $1.7 billion to provide residential and nonresidential education, training, and support to approximately 50,000 disadvantaged, at-risk youth, ages 16-24, at 123 Job Corps centers nationwide.

CHALLENGE FOR THE DEPARTMENT

The Department is challenged to ensure participants in its job training programs are securing the education, training, and support services they need to succeed in the labor market. Past OIG audits have found job training graduates were often placed in jobs unrelated to the occupational certifications and skills training they received, or in jobs that required little or no training.

An emerging challenge for the Department is developing an effective strategy for helping people affected by opioids become and remain employable. Recent research studies have reported individuals addicted to opioids commonly drop out of the labor market, and opioid dependency is most prevalent among prime-age individuals (those ages 25 to 54). Studies further noted workers on opioids are less productive, and employers in opioid-affected areas have difficulty finding dependable workers and filling job openings.

DEPARTMENT’S PROGRESS

The Department receives information on grantees’ outcomes for a set of performance measures, which include employment, education, earnings, credential attainment and progress towards credential attainment or training completion of people who received job-related services from the workforce programs. The data reported by grantees under WIOA should improve the ability of the Department to analyze the relationship between training services and the participant’s occupation of employment. The Department stated it has provided, and will continue to provide, technical assistance on sector strategies and performance reporting, based on analysis of the performance results.

In addition, ETA continued to provide resources through CareerOneStop.org to help job seekers, businesses, and career counselors better understand what credentials were available, along with indicators of the quality and labor market value of those credentials. This resource also identified licenses and education and training programs related to specific occupations. ETA also continued to emphasize the importance of earning credentials in its grant competitions.

In March 2018, ETA announced the availability of grant funds to serve or retrain workers impacted by opioid use, addiction, and overdose. Subsequently, the Department awarded more than $22 million to six states (Alaska, Maryland, New Hampshire, Pennsylvania, Rhode Island, and Washington). The Department also issued guidance that allows states to use National Dislocated Worker Grant funds to provide services to eligible participants affected by the opioid crisis, as well as to train individuals to work in mental health treatment, addiction treatment, and pain management.

WHAT REMAINS TO BE DONE

To address this challenge, the Department needs complete and accurate performance information that allows it to make evidence-based and data-driven decisions about job training programs. As mentioned above, the reporting required to calculate outcomes for grantees is underway. The Department needs to continue providing technical assistance to states regarding how to access and report performance information within the WIOA performance management system.

The Department should also continue pursuing statutory access to the National Directory of New Hires, and exploring new methods for data collection beyond the end of the grant period of performance. Moreover, the Department needs to finalize and issue guidance to states on data validation to ensure data used to calculate performance measures are complete and accurate. Finally, the Department needs to monitor the performance of the grants it has awarded for delivering services to the employers and workers impacted by the opioid crisis.

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

BACKGROUND

The Employee Benefits Security Administration (EBSA) is responsible for protecting the integrity of pensions, health, and other employee benefits for 149 million people. EBSA's enforcement authority extends to approximately 703,000 private retirement plans, 2.3 million health plans, and millions of welfare benefit plans that together hold $9.8 trillion in assets. EBSA's responsibilities also include providing oversight of the federal Thrift Savings Plan (TSP), the largest defined-contribution plan in the United States, with nearly 5.1 million participants and $568 billion in assets as of December 31, 2017.

CHALLENGE FOR THE DEPARTMENT

EBSA is challenged in identifying the investigations, audits, reviews, and compliance assistance activities that will best protect workers' pensions, health, and other benefits. Specifically, EBSA is challenged to determine which of its enforcement initiatives are the most effective, particularly given the potential expansion of the health and retirement marketplaces as a result of the President's October 2017 Executive Order on expanding access to Association Health Plans, and the August 2018 Executive Order on expanding access to multiple employer retirement plans.

Past OIG audit findings revealed 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. Auditors performing these limited reviews 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 put retirement plan assets at risk because such audits provide little or no confirmation regarding the existence or value of plan assets. EBSA has no legal authority to force these plans to conduct full-scope audits to provide significantly stronger assurances to participants.

In addition, EBSA needs to provide greater oversight of TSP by strengthening its audit program. Specifically, EBSA is challenged to ensure its audits of TSP are more focused and result in meaningful changes to Plan operations.

DEPARTMENT'S PROGRESS

In June 2018, EBSA issued regulatory guidance regarding Association Health Plans and other related reforms in the health care market resulting from the October 2017 Executive Order. In addition, EBSA has made efforts to place the repeal of the limited scope audit exemption on the Department's legislative agenda, as well as worked to increase the information it collects from plans taking advantage of this exemption. Regarding TSP, EBSA has taken a number of steps to improve its audit risk assessment and encourage the Federal Retirement Thrift Investment Board to implement audit recommendations.

WHAT REMAINS TO BE DONE

EBSA needs to develop new outreach, education, and enforcement strategies for Association Health Plans to accommodate the new diversity of health plans now available in the market, as well as refocus its resources to ensure proper oversight of these plans. In addition, EBSA needs to develop regulatory guidance pursuant expanding access to multiple employer retirement plans. EBSA should continue to pursue legislative repeal of the limited scope audit exemption to ensure better security for retirement plans. EBSA needs to continue its efforts to improve its audit risk assessment for the TSP and improve the impact of its TSP audits. The agency should also seek an increase in its authority to further augment its oversight of TSP.

CHALLENGE: Reducing Improper Payments

BACKGROUND

In FY 2018, the Department continued to identify the Unemployment Insurance (UI) and Federal Employees' Compensation Act (FECA) benefit programs as susceptible to improper payments. The UI Program provides unemployment benefits to eligible workers who are unemployed through no fault of their own and meet other eligibility requirements of state law. The UI program paid benefits totaling $28.7 billion during the period July 1, 2017, to June 30, 2018. The FECA program provides workers' compensation coverage to approximately 2.6 million federal and postal workers around the world for employment-related injuries and occupational diseases. During the period July 1, 2017, to June 30, 2018, the FECA program paid out $3 billion in benefits to more than 216,000 beneficiaries.

CHALLENGE FOR THE DEPARTMENT

The Department faces challenges in ensuring improper payments are timely detected, prevented, and accurately reported in the UI and FECA benefit programs.

In the UI program, estimated improper payments totaled $3.7 billion for the reporting period July 1, 2017 through June 30, 2018. The estimated improper payment rate was 13.0 percent, remaining above the 10 percent threshold set in the Improper Payment Elimination and Recovery Act, as amended, for designation as a "high priority" program.

The UI program is challenged to make timely benefit payments on a weekly basis while ensuring claimants meet eligibility requirements each week. A payment may later be determined improper due to receipt of information that was not available at the time the payment was required to be made, or as a result of requirements that claimants be provided due process prior to stopping payment of benefits. Inadequate information at the time initial eligibility is determined and the need to reassess payment eligibility each week contribute to the Department's challenges in helping states address the three leading causes of UI improper payments: 1) claimants who fail to meet active work search requirements; 2) overpayment to claimants who continue to claim benefits after they returned to work; and 3) failure of employers or their third party administrators to provide timely and adequate information on the reason for an individual's separation from employment. As OIG investigations have shown, fraud also 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. For example, the payment of benefits using non-state issued prepaid debit cards provides anonymity to those who are submitting fraudulent claims.

In the FECA program, the Department has been challenged to estimate the full extent of improper payments being made. The Department has excluded certain categories of compensation payments in its improper payment estimate for FECA, but did not determine the full effect of those exclusions on its estimate. Further, the Department did not determine the effect of issues identified by fraud investigations, nor did it estimate the extent to which these issues existed in the payment population. The lack of a more comprehensive analysis of FECA improper payments hampered the Department's ability to identify and prevent these payments. This was especially true with respect to payments for pharmaceuticals, as discussed in the challenge related to monitoring and managing pharmaceuticals in the FECA program.

DEPARTMENT'S PROGRESS

In the UI program, the Department is developing an Integrity Data Hub to serve as a secure portal for states to cross-match public and private sources of data, including new identity verification tools that will help to prevent improper payments before they occur. One component of the Integrity Data Hub is the Suspicious Actor Repository, a tool now used in seven pilot states to share specific data elements associated with fraudulent UI claims for cross-matching purposes. An additional 21 states are now in the process of implementing the repository. In addition, the states have available targeted consultative services and business process analysis by UI subject matter experts to identify customized solutions to state-specific root causes of improper payments. In the FY 2018 and FY 2019 budgets, the Department has included legislative proposals to require states to implement certain improper payment reduction strategies, such as the State Information Data Exchange System to improve timely and accurate receipt of the reason for a claimant's separation from employment.

In June 2018, the Department submitted an updated FECA improper payment estimation methodology to OMB taking into account previous OIG recommendations. OIG will assess the revised methodology as part of our next improper payments audit.

The FECA program increased its use of data analytics within the past year to examine medical providers and their billing patterns. Specifically, the program is monitoring medical billing data to identify and refer to the OIG potential fraud including incentivized prescribing and other possible kickbacks. According to the Department, the use of dashboards and data exploration tools also identified potential fraud, waste, and abuse in pharmaceutical billing trends that resulted in new controls to curb the activity.

WHAT REMAINS TO BE DONE

The Department needs to continue its efforts to pursue the UI program integrity legislative proposals included in the Department's FY 2018 and FY 2019 budgets. These legislative proposals include requiring states to cross match with SSA's prisoner database and other repositories of prisoner information, providing the Secretary of Labor greater authority to require corrective actions by state UI agencies, and allowing states to retain up to five percent of UI overpayment recoveries for program integrity use. Regarding FECA, the Department needs to continue exploring options for using data analytics to identify payment trends or irregularities that may indicate improper payments are occurring. The Department also needs to refer all potentially criminal violations to the OIG in a timely manner.

CHALLENGE: Monitoring and Managing Pharmaceuticals in the FECA Program

BACKGROUND

The FECA program provides workers' compensation coverage to approximately 2.6 million federal and postal workers around the world for employment-related injuries and occupational diseases. During the period July 1, 2017, to June 30, 2018, the FECA program paid out $3 billion in benefits to more than 216,000 beneficiaries.

CHALLENGE FOR THE DEPARTMENT

The Department is challenged to effectively manage the use and cost of pharmaceuticals in the FECA program. Given the high risk of fraud related to prescription payments, the Department needs to conduct comprehensive analyses and monitoring of FECA costs to promptly detect and address problems. In one case alone, the OIG identified potential fraud involving nearly $158 million. Coordination and collaboration between DOL's Office of Workers' Compensation Programs and the OIG on anti-fraud matters is key to reducing the amount of fraud impacting the FECA program.

For opioids in particular, the Department needs to develop quality information to help it identify claimants at risk of addiction and the associated costs of treatment. The results of our improper payment work show that the Department's lack of comprehensive analysis of medical benefit payments in the FECA program allowed prior increases in billings for compounded drugs to go undetected and could fail to identify other potential problems, such as the overuse of opioids. It is critical that the Department ensure prescription drugs reimbursed by the program are medically necessary, safe, effective, and obtained at a fair price.

DEPARTMENT'S PROGRESS

The Department has performed reviews of questionable providers acting in a fraudulent or abusive manner, implemented procedures to identify prescribers of prescription drugs, implemented quantity limits on initial fills and refills for compound drugs and opioids, performed an initial analysis of generic drug prescriptions, and implemented drug exclusion lists for drugs and drug ingredients.

Regarding compounded drugs, the Department developed an authorization process that requires physicians to certify medical necessity. This new process appears to have made an impact, as the cost of compounded drugs decreased from $263 million in FY 2016 to $37 million in FY 2017, and further decreased to approximately $19 million in FY 2018. The Department also began requiring prior authorizations in May 2018 for certain physician-dispensed medications. The cost of these medications can be significantly higher than those distributed by a pharmacy, and this practice circumvented the Department's established controls over opioids and compounded drugs.

Similar to its process for compounded drugs, the Department developed authorization processes for approving payments for opioid prescriptions. However, its process for claimants with long-term opioid prescriptions lacks regularly scheduled certifications and is only requested at the discretion of FECA's medical benefits examination staff.

The Department stated it has taken other actions to manage the use and cost of pharmaceuticals better in the FECA program. These actions included implementing new policies related to the review and approval of pharmacy claims, providing information to claimants and doctors regarding the risks of opioid use and discussing alternate treatment options, and focusing data analytics efforts to learn about the population of opioid users, predict future behavior, and improve the detection of medical provider fraud and risky opioid prescribers. The Department also issued a new Circular stating that if the Suspension and Debarment official issues a notice of suspension or final debarment determination, it will apply that decision to FECA medical providers and stop payment.

WHAT REMAINS TO BE DONE

The Department needs to follow through on its planned actions, including completing procurement actions currently in process. After completing these planned actions, the Department needs to measure their impact on the use and cost of prescription drugs, as well as consider additional options for monitoring and managing the use and cost of pharmaceuticals. These options include:

- Ensuring timely cessation of payments to indicted providers in the FECA program through suspensions and debarments;
- Conducting drug utilization reviews to prevent potentially harmful drug interactions;
- Implementing drug exclusion and formulary lists for all drugs and drug ingredients;
- Using alternative methods for calculating fair and reasonable pharmaceutical pricing;
- Requiring the use of preferred pharmacy providers;
- Pursuing inclusion under the "ceiling price" statute; and
- Improving edit checks to identify high drug prices requiring additional review and authorization.

The Department 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 which best or promising practices may be transferable.

The Department should also continue its efforts to identify and refer allegations involving potential fraud in the FECA program to the OIG for further investigation. Finally, the Department needs to better utilize data analytics to monitor payments for pharmaceuticals, particularly opioid usage by claimants, and identify trends, risks, and appropriate treatment plans.

CHALLENGE: Maintaining the Integrity of Foreign Labor Certification Programs

BACKGROUND

The Department's foreign labor certification programs are intended to provide U.S. employers with access to foreign workers to meet worker shortages, but only when U.S. workers are unavailable and their wages and working conditions are not adversely affected. The Department's Office of Foreign Labor Certification (OFLC) reviews applications from employers seeking to hire: 1) immigrant workers for permanent positions; 2) non-immigrant workers for temporary professional positions; and 3) agricultural and non-agricultural workers for temporary or seasonal positions.

CHALLENGE FOR THE DEPARTMENT

The Department is challenged by its limited statutory authority to act on potentially fraudulent foreign labor applications, which at times have led to unscrupulous employers misusing foreign labor certification programs for labor and human trafficking. OIG's investigations have shown the foreign labor certification programs, in particular the H-1B program that allows U.S. employers to temporarily employ foreign workers in specialty occupations, to be susceptible to significant fraud and abuse, often by dishonest immigration attorneys, employers, labor brokers, and organized criminal enterprises. One of the reasons this occurs is because the Department is statutorily required to certify H-1B applications, unless it determines them to be "incomplete or obviously inaccurate."

Another continued challenge for the Department is balancing the protection of U.S. workers' interests through the thorough review of foreign labor applications with employer needs for timely processing. Rising application levels and seasonal spikes in employer needs have resulted in periodic application processing delays.

DEPARTMENT'S PROGRESS

From FY 2016 to FY 2018, the Department has requested authorization through its annual budget formulation to establish and retain fees to cover the operating costs for foreign labor certification programs. Once fully implemented, the Department believes these fees would eliminate the need for appropriations to administer its foreign labor certification programs.

In June 2017, the Secretary of Labor issued a memorandum to ETA, the Wage and Hour Division, and the Solicitor of Labor regarding enforcement and coordination within the Department's non-immigrant and immigrant labor certification programs. Pursuant to that memorandum, the OIG worked with the Department on protocols to ensure that allegations of criminal fraud involving both the non-immigrant and immigrant labor certification programs administered by the Department are referred to the OIG expeditiously. The protocols went into effect in August 2017.

Further, in August 2017, the Department published a 60-day Notice in the *Federal Register* proposing substantial improvements to the Labor Condition Application for Nonimmigrant Workers (LCA/Form ETA 9035/9035E electronic). The Department's proposed enhancements to the form are intended to provide greater transparency for U.S. workers and the general public. In September 2017, the Department executed a comprehensive agreement with the OIG, authorizing OFLC to share immigrant and non-immigrant visa program information for the purposes of enhancing worksite investigations and improving information sharing about program debarments and other sanctions imposed on program violators.

WHAT REMAINS TO BE DONE

The Department needs to seek statutory and regulatory authority to strengthen its ability to debar any employer and any individual acting directly or indirectly in the interest of an employer in relation to both non-immigrant and immigrant workers, and any successor in interest to the employer found to have violated foreign labor certification regulations. In addition, the Department needs to refer all potentially criminal violations to the OIG in a timely manner. The Department also needs to enhance the reporting and application of suspensions and debarments government-wide.

In the H-2B program, which is used for hiring foreign workers for temporary, non-agricultural jobs, the Department needs to continue its efforts to ensure applications are processed in time for employers to hire foreign workers by their dates of need, while at the same time ensuring the review process protects the interests of U.S. workers. In the H-1B program, the Department needs to seek statutory authority to verify the accuracy of information provided on labor condition applications.

As the only agency within DOL statutorily authorized to investigate criminal fraud against the foreign labor certification programs, the OIG is concerned with its ability to respond to increases in criminal referrals resulting from greater coordination among DOL agencies. To mitigate this concern, the OIG has requested authorization to access funds received from visa fees to conduct necessary criminal investigations and audits to combat threats against the foreign labor certification programs.

CHALLENGE: Securing and Managing Information Systems

BACKGROUND

The Department's major information systems contain sensitive information central to its mission and to the effective administration of its programs. For instance, 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, job training services, worker safety and health, pensions, and welfare benefits. In FY 2019, the Department's Chief Information Officer (CIO) will have oversight responsibility for information technology investments totaling an estimated $700 million.

CHALLENGE FOR THE DEPARTMENT

The Department is challenged with safeguarding its data and information systems, much like most federal agencies. The OIG continues to identify information security deficiencies in the areas of configuration management, contingency planning, third-party oversight, risk management, and continuous monitoring. The Department has made improvements in these areas; however, these deficiencies continue to exist or recur, and represent ongoing risks to the confidentiality, integrity, and availability of the Department's information.

The Department also faces information technology management challenges in the areas of maintaining its current systems, modernizing or replacing legacy systems, and moving additional systems into the cloud. As with the entire information technology industry, DOL is challenged to maintain an effective information technology workforce, dealing with skills gaps, and shortages.

DEPARTMENT'S PROGRESS

The Department hired several new federal cybersecurity employees to strengthen security operations and strategic policy and planning, and completed several projects to modernize, secure, and consolidate information technology. The Department implemented tools provided by the U.S. Department of Homeland Security for monitoring network traffic and conducting weekly scans for external-facing systems. Finally, the Department implemented an *Enterprise Cybersecurity Capability Portfolio and Process*. This enhancement aligned with the Presidential Executive Order on Strengthening Cybersecurity of Federal Networks and Critical Infrastructure.

WHAT REMAINS TO BE DONE

Consistent with the intent of the Information Technology Management Reform Act and the Federal Acquisition Reform Act (collectively known as the Clinger-Cohen Act), we continue to recommend the Department realign the position of the CIO to provide greater independence and authority for implementing and maintaining an effective information security program. Under the Department's current organizational structure, the CIO reports to the Assistant Secretary of Administration and Management, the Office of the Chief Information Officer's largest customer. Additionally, the Chief Information Officer needs to provide the resources and oversight to address information security deficiencies, some of which have been recurring since FY 2003, and ensure agencies within the Department and their systems adhere to the Department's information security policies, procedures, and controls.

Summary of Financial Statement Audit and Management Assurances

The following tables provide a summary of the Department's FY 2018 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
Improvements Needed in the Review of Liability Estimates	1	0	1	0	0
Total Material Weaknesses	1	0	1	0	0
Significant Deficiency	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Lack of Sufficient Information Technology General Controls over Key Financial Feeder Systems	1	0	0	0	1
Total Significant Deficiencies	1	0	0	0	1

Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)

Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0					0

Effectiveness of Internal Control over Operations (FMFIA § 2)

Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0					0

Conformance with financial management system requirements (FMFIA § 4)

Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0					0

Compliance with Federal Financial Management Improvement Act (FFMIA)

	Agency	Auditor
1. System Requirements	No lack of compliance noted.	No lack of compliance noted.
2. Accounting Standards	No lack of compliance noted.	No lack of compliance noted.
3. United States Standard General Ledger (USSGL) at Transaction Level	No lack of compliance noted.	No lack of compliance noted.

Payment Integrity

The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA), requires federal agencies to identify and reduce improper payments (IP) and report annually on their efforts according to guidance promulgated by the Office of Management and Budget (OMB). For more detailed information on IP, please see: https://paymentaccuracy.gov/.

Program Summaries

The UI program reports that progress is being made in the prevention, detection, and recovery of overpayments, in spite of the structural issues that continue to create IP. The UI program cites the following success stories as examples of this progress for the 2018 reporting period:

- The leading controllable root causes of UI overpayments (See section below on Root Causes for details) have decreased over the past eight years. As a percent of total dollars overpaid, Benefit Year Earnings (BYE) errors (-3.66), Separation issues (-4.15), and Employment Service (ES) Registration errors (-6.50) experienced reductions as a percentage of dollars overpaid between 2011 and 2018.
- For the improper payments that were made, the federal-state UI program reports a high rate of overpayment recovery. During 2018, the UI program reported over $992 million in established overpayments and recovered approximately $746 million of those overpayments (a 75.2 percent recovery rate).
- Early results from the UI Integrity Center's pilot of its Suspicious Actor Repository (SAR) demonstrated value in the prevention of IP. The seven (7) state SAR pilot prevented 240 improper claims from being paid, or approximately $1.7 million in improper benefit payments. While the adoption of the SAR is voluntary, the UI Integrity Center anticipates that the value demonstrated from the pilot will encourage additional states to adopt the system in FY 2019.

The FECA program significantly increased its use of data analytics within the past year to examine hundreds of medical providers and their billing patterns to look for suspicious activity. Specifically, FECA closely monitored medical billing data to identify potential fraud including incentivized prescribing and other possible kickbacks, which resulted in over 60 referrals to the Department's Office of Inspector General in the past fiscal year. The use of dashboards and data exploration tools also allowed the program to identify potential fraud, waste and abuse in pharmaceutical billing trends that resulted in new controls to curb the activity, specifically convenience kits and physician dispensed medication. Less than 1% of medical bill payments were improper in FY 2018. The program's commitment to reducing improper payments led to a .34% reduction in the IP rate for claimant compensation.

I. PAYMENT REPORTING

Two DOL programs – Unemployment Insurance (UI) and the Federal Employees' Compensation Act (FECA) - are considered susceptible to IP because they report an IP rate above the legal threshold in IPERA, and are required to report detailed information related to IP.

DOL Programs Required to Submit Improper Payments Estimates ($ in millions) [1]

Program	Requirement Based on…	Measure	Estimated Rate (% of total outlays & total $)[6]			
			FY18[2]		FY17[3]	
Unemployment Insurance (UI)	IP rate exceeds threshold	Total Outlays		$28,690.00		$32,530.00
		Proper Payments	86.95%	$24,946.53	87.50%	$28,464.08
		Improper Payments:	13.05%	$3,743.47	12.50%	$4,065.92
		…Overpayments	12.63%	$3,623.55	12.11%	$3,937.76
		…Underpayments	0.42%	$119.92	0.39%	$128.17
		IP Made Directly by the Federal Government	0%	$0	0%	$0.00
		IP Made By Recipients of Federal Money [4]	13.05%	$3,743.47	12.50%	$4,065.92
		Net IP (IP Minus Amounts Recovered by States)	10.45%	$2,997.77	10.12%	$3,292.49
		IP Minus "Work Search" Errors	8.24%	$2,365.20	8.23%	$2,676.89
Federal Employees' Compensation Act (FECA)	IP rate exceeds threshold	Total Outlays		$3,047.10		$2,780.10
		Proper Payments	97.56%	$2,972.74	97.94%	$2,722.91
		Improper Payments:	2.44%	$74.37	2.06%	$57.19
		…Overpayments	2.06%	$62.64	1.17%	$32.40
		…Underpayments	0.39%	$11.73	0.89%	$24.79
		IP Made Directly by the Federal Government	2.38%	$72.58	1.37%	$38.10
		IP Made By Recipients of Federal Money [5]	0.06%	$1.78	0.69%	$19.08

Notes : [1] Covers the 12-month period from July 1, 2017 through June 30, 2018.

[2] FY 2018 UI outlays are based on the Unemployment Insurance Outlook for the President's FY 2019 Budget Midsession Review. The FY18 IP rate is estimated from the results of the Benefit Accuracy Measurement (BAM) survey. The rate reflects the population amounts of UI benefits paid reported by BAM.

[3] FY 2017 UI outlays are based on the Unemployment Insurance Outlook for the President's FY 2018 Budget. The FY17 IP rate is estimated from the results of the BAM survey. The rate reflects the population amounts of UI benefits paid reported by BAM.

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

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

[6] Rounding may account for imprecise totals.

ROOT CAUSES

The following chart describes IP root causes as described in Appendix C to OMB Circular A-123 for programs found susceptible to significant improper payments, the amount of total overpayments and underpayments estimated to be attributable to those root causes, describes forward looking corrective actions, and actions taken, results, and completion dates. The root cause model provided in A-136 is highly generalized for application across the Federal government. DOL programs found susceptible to IP have developed program specific root cause models to improve payment integrity efforts.

UI Program:

The UI Program has a highly mature root cause category model, which varies slightly from the model provided in Appendix C to OMB Circular A-123. The models are melded in the **UI Program Improper Payment Root Cause Category Matrix** and narrative below by inserting the UI model root cause into the most appropriate generalized OMB root cause category. **UI Program Improper Payment Root Cause Category Matrix ($ in millions)**

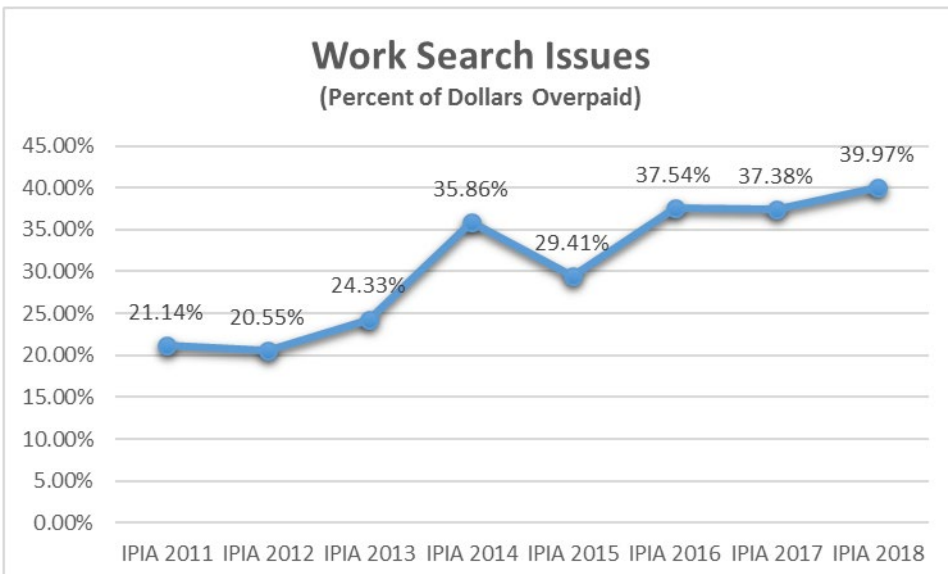
OMB Root Cause		Overpayments	Underpayments
Program Design or Structural Issue		$2,222.50	$93.56
Inability to Authenticate Eligibility	Inability to Access Data	$844.29	
	Data Needed Does Not Exist		
Failure to Verify	Death Data		
	Financial Data		
	Excluded Party		
	Prisoner Data		
	Other Eligibility Data	$149.25	$15.78
Administrative or Process Error Made	Federal Agency		
	State or Local Agency	$217.49	$7.96
	Other Party		
Medical Necessity			
Insufficient Documentation to Determine		$52.00	
Other: [1]		$138.02	$2.62
Total [2]		**$3,623.55**	**$119.92**

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

Program Design or Structural Issue: As part of their continuing eligibility for ongoing benefits after being determined initially eligible, UI claimants are required to certify that they have met a state's work search requirements for each continued week of benefits claimed and to document their work search. Work Search errors occur when a claimant fails to provide verifiable or acceptable evidence of his/her work search efforts in accordance with state law, policy, or procedure.

Because work search errors generally cannot be prevented before the payment must be made to the claimant in accordance with Federal law, it is not possible for states to proactively reduce this largest root cause of UI improper payments. Federal law requires states to pay benefits "when due," and prevents states from stopping payment of continued weekly claims until certain due process requirements are completed, including issuing a notice and an opportunity to be heard. These requirements are important policy underpinnings for the UI program. Additionally, the definition of improper payments, established by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), requires the UI program to report overpayments that result from these statutorily required payments as part of its overall improper payment rate.

Over the past eight years, the Work Search root cause, as a percent of total dollars overpaid, has increased by 18.83 percentage points. The increase in the Work Search rate has offset the decreases in the other root cause categories, leading the overall UI improper payment rate to climb.



Despite the difficulty states experience in preventing work search errors before they occur, the UI program continues to take proactive steps to help states to attempt to address this root cause and states continue to detect and recover these improper payments.

<u>*Corrective Action:*</u> Reasons for the increase in work search errors appear to be correlated with states enacting more rigorous work search laws following the Great Recession. To better understand the reasons behind the increase in the work search improper payment rate, the Department plans a research study to capture information on state laws and policies, how states communicate work search requirements to claimants and enforce these work search requirements, and strategies states have implemented to improve compliance with work search requirements.

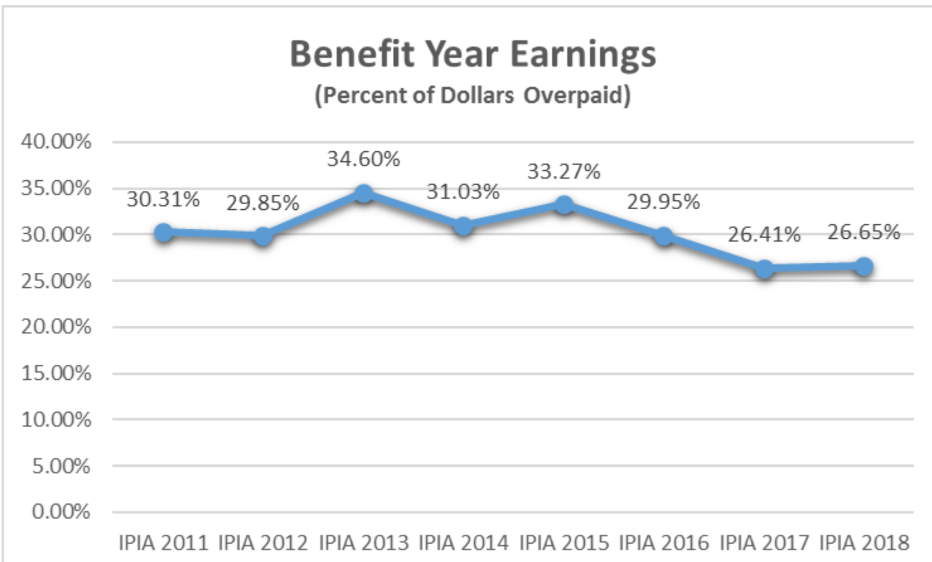
<u>*Next Steps:*</u> The UI program is working with the Department's Chief Evaluation Office (CEO) to design the study and secure a research firm to begin the study in FY 2019.

<u>*Corrective Action*</u>: To prevent work search improper payments, claimants must comply with state work search requirements. New messaging approaches using behavioral science techniques in workforce

programs have proven successful in Department of Labor trials conducted by the CEO.[9] These approaches included simplified messaging that increased customer participation in reemployment and eligibility assessment programs. The UI program is working with CEO and the UI Integrity Center to develop and implement work search compliance strategies using behavioral science techniques.

Next Steps: The UI program is working with CEO in FY 2019 to pilot and evaluate work search behavioral strategies in targeted states. In FY 2019, the UI Integrity Center (discussed in detail later) is also implementing a new behavioral messaging project to test messaging focused on improper payments broadly, including work search.

Inability to Authenticate Eligibility – Inability to Access Data: BYE errors are payments to individuals who continue to claim benefits after they have returned to work and have unreported earnings. To address this root cause, it is critical for states to identify as quickly as possible that a UI claimant has returned to work and to ensure that claimants understand their responsibility to report when they return to work. ETA has promoted state strategies to address this challenge. Over the past eight years, the BYE root cause has experienced a 3.66 percentage point reduction.



The centerpiece of DOL's UI integrity strategic plan is the UI Integrity Center of Excellence that serves as a state-driven source of innovative program integrity strategies to prevent and detect improper payments and reduce fraud. A state-driven approach is fundamental since state agencies operate the federal-state UI program and make the benefit payments. The Integrity Center is being implemented through cooperative agreements with the New York State Department of Labor and the National Association of State Workforce Agencies (NASWA).[10]

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

Fiscal Year (FY) 2018 Results: As of August 2018, the UI Integrity Center is actively working with states to develop and pilot the SAR for the prevention and detection of fraud in the UI program.

- Early results from the pilot demonstrate the SAR's value, as use by the 7 pilot states has prevented 240 improper claims from being paid, or approximately $1.7 million in benefits.
- The total number of records held by SAR is currently 18,799, and approximately 328,000 SAR look-up requests were processed between April and July 2018

[9] https://www.dol.gov/asp/evaluation/BIStudy/
[10] http://integrity.naswa.org/

- Following the SAR pilot, thirteen states are now actively using the system to cross-match weekly claims against known suspicious claims data, with 21 additional states in various stages of implementation. While the adoption of the SAR is voluntary, the UI Integrity Center anticipates that the value demonstrated from the pilot will drive additional states to adopt the system in FY 2019.

Next Steps: The UI program has established a target of at least 12 new states actively contributing records and cross-matching against the SAR during FY 2019. In addition, the UI Integrity Center will further develop the UI Integrity Data Hub to serve as a secure portal for states to cross-match with public and private sources of data, including new identify verification tools to be used at the front end of a claim that will help to prevent fraudulent improper payments before they occur.

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

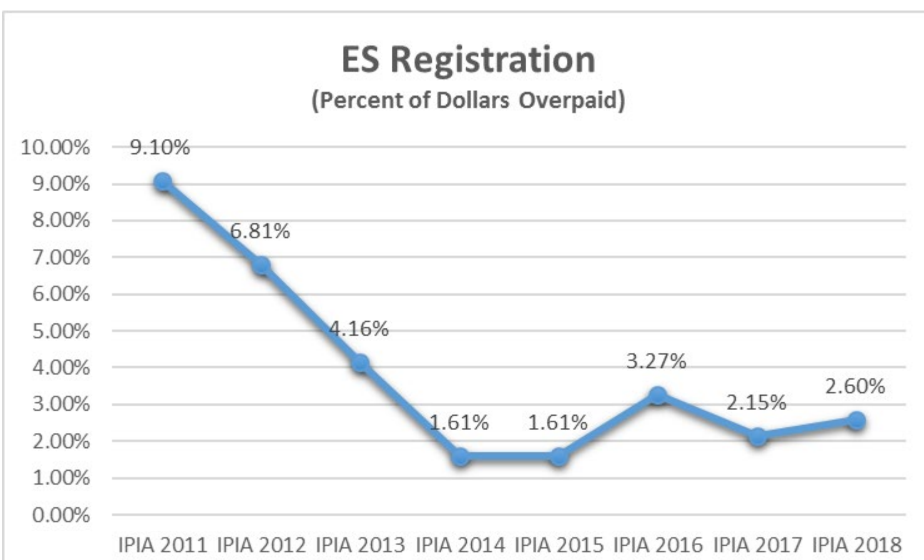
Next Steps: The UI Integrity Center is promoting the data analytics product to states through webinars and its website as a tool they may choose to implement.

Corrective Action: In addition to the UI Integrity Center's BYE-focused strategies, the UI program is focused on increasing state cross-matching with the State and National Directory of New Hires (NDNH), and the immediate notification of claimants that the state agency is aware they may have returned to work while still claiming benefits.[11]

FY 2018 Results: In May 2018, California completed its implementation of the NDNH in its Benefit Payment Control processes. All 53 state UI programs are now using NDNH as a cross-match tool to identify individuals that have returned to work and continue to claim benefits but fail to report earnings.

Next Steps: The UI program included, as part of the 2018 and 2019 President's budget requests, state requirements to use the NDNH cross-match against UI claims, as well as civil penalties for employers that fail to submit required information to the NDNH.

Failure to Verify - Other Eligibility Data: ES Registration errors result when UI claimants are not registered for services with the public workforce system and accessing public jobs bank as required in state law. Over the past eight years, the ES Registration root cause has experienced a 6.50 percentage point reduction.



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

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

<u>Next Steps</u>: On an ongoing basis, those states with high ES Registration error rates submit specific corrective action plans to address this root cause and are monitored by ETA's regional offices. This strategy was implemented in 2011 and resulted in a 71.4 percent reduction in the ES Registration error rate versus the 2011 baseline rate.

Administrative or Process Error Made by – State or Local Agency: The UI program continues to work aggressively to identify strategies that will improve program integrity controls that are under the purview of state workforce agencies, and reduce improper payments resulting from state errors, including identifying and supporting state implementation of model integrity operations, sharing promising practices, and developing and providing training to address these issues.

<u>Corrective Action</u>: In February 2017, the UI Integrity Center launched a UI National Training Academy that offers program integrity training for state agencies' staff via online modules and instructor-led courses leading to credentials.

<u>FY 2018 Results</u>: The UI National Training Academy offers curricula aimed at improving state control efforts in fraud investigation, UI program leadership, operations integrity, data analytics, and tax integrity.

- As of August 2018, a total of 204 Training Academy lesson modules are included in the Integrity Center's course catalog. A total of 67 lessons are currently complete and available to learners across the 5 curricula tracks.
- As of June 2018, a total of 1,287 staff are enrolled in the Academy, across 43 states. A total of 407 certificates have been earned, with 196 state staff completing the fraud investigation certificate and 211 completing the operations certificate. 97.2 percent of the Training Academy students rated the lessons overall as "Very Good" or "Good."

<u>Next Steps</u>: Additional training modules are being developed to improve state program integrity controls and will be added to the UI National Training Academy on an ongoing basis. The Integrity Center is in the process of preparing 41 additional lessons to add to the Academy. In addition, 96 more lessons are planned across the five (5) curricula tracks.

<u>Corrective Action</u>: In July and August 2017, the UI Integrity Center launched an Integrity Knowledge Exchange offering several strategies to engage states to share best practices aimed at improving state control efforts. These strategies include: a Digital Library for the exchange of promising state practices and integrity information; a State Practices Portal containing a "model" integrity blueprint highlighting integrity practices that should be part of state UI modernization efforts; and Consultative Services with UI subject matter experts providing integrity-focused business process analyses directly to states.

<u>FY 2018 Results</u>: The Integrity Knowledge Exchange currently offers the following resources to state UI programs:

- As of June 2018, a total of 1,047 Digital Library resources are published. The Integrity Center has recorded a total of 1,510 unique page views for these resources that are available exclusively to UI practitioners.
- As of June 2018, the State Practices Portal includes a total of 76 "model blueprint" state practices. The Integrity Center has recorded a total of 794 unique page views for these resources that are available only to UI practitioners.

- As of June 2018, UI Integrity Center subject matter experts have provided consultative and business process reengineering services to 13 states, including 9 on-site visits. A total of 467 UI integrity recommendations have been provided to states across the issue areas of Recovery/Collections, Identity Verification, Program Management, and Tax Integrity.

Next Steps: The UI Integrity Center is updating the Digital Library and State Practices Portal to add information to assist states on an ongoing basis. In addition, the UI program has established a target of 6 additional states to receive on-site Consultation Services from the Integrity Center during FY 2019.

Corrective Action: The Integrity Center periodically hosts UI program integrity symposia to promote promising strategies to all state workforce agencies aimed at improving state control efforts.

FY 2018 Results: On April 11-12, 2018, the Integrity Center held its third program integrity symposium in Houston, Texas. This technical information-sharing event brought together vendors and state staff responsible for program integrity to share successful improper payment and fraud prevention and detection strategies used in states, and to highlight the Center's efforts directed at reducing improper payments. A total of 288 individuals attended the symposium from 51 states.

Next Steps: The Integrity Center plans to conduct future symposia for the UI system to occur approximately every 18 months. The next Integrity Center symposium will likely be held late in calendar year 2019.

Corrective Action: ETA developed a State UI Benefits Operations Self-Assessment tool to assist states in identifying and correcting operational control issues affecting performance and integrity.

FY 2018 Results: In October 2017, states began using the State UI Benefits Operations Self-Assessment Tool to conduct comprehensive self-assessment reviews of key functional and program areas, including functions associated with preventing, detecting, and recovering improper payments.

Next Steps: States are to complete the first results of the comprehensive self-assessment reviews in April 2019. These results will aid ETA in assessing risks to program integrity. They will also inform ETA's state specific and national technical assistance strategies.

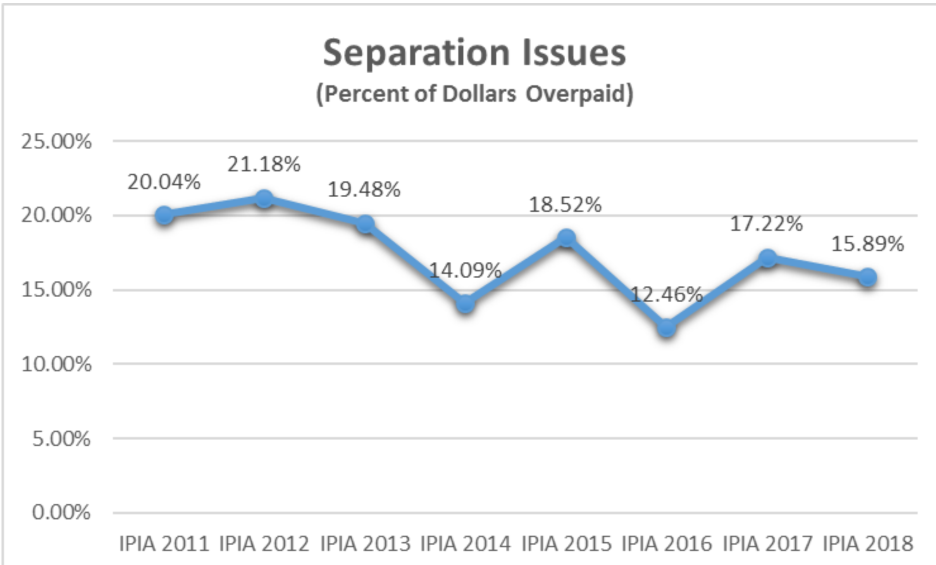
Corrective Action: The UI program transmitted to Congress a set of important UI program integrity legislative proposals as part of the FYs 2018 and 2019 President's Budget Requests. These integrity proposals would do the following:

- Facilitate state use of the Treasury Offset Program (TOP) for the recovery of fraud and certain non-fraud overpayments by addressing current restriction on using contractors (non-federal staff);
- Require state implementation of the State Information Data Exchange System (SIDES) for timely and accurate exchange of information required from employers to make benefit eligibility determinations;
- Mandate state requirements related to use of the National Directory of New Hires (NDNH) for detecting UI claimants who have returned to work;
- Allow the Secretary of Labor to require states to implement specific corrective actions and use specified amounts of their state administrative grants to improve performance, including reducing the UI improper payment rate;
- Permit states to retain up to 5 percent of recovered overpayments for integrity purposes; and
- Designate UI penalty and interest funds as UI program income, with a portion to be used to support integrity activities.

FY 2018 Results: These legislative proposals were initially transmitted to Congress on October 7, 2016. The proposals were also included in the FYs 2018 and 2019 President's Budget requests.

Next Steps: ETA is in the process of developing additional proposals to add to this Integrity Act package that will support state access to more effective data sources.

Insufficient Documentation to Determine: Separation errors result from the failure of employers, or their third party administrators, to provide timely and adequate information on the reason for an individual's separation from employment, which can affect the claimant's eligibility. Over the past eight years, the Separation root cause has experienced a 4.15 percentage point reduction.



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

FY 2018 Results: Currently, a total of 50 state UI agencies are using SIDES for the exchange of separation information with employers.

- In April 2018, NASWA published a new marketing toolkit designed to help states identify gaps in SIDES marketing and employer use; learn about best practices implemented in other states; and connect states via existing NASWA SIDES peer learning opportunities.[12]
- On June 2018, NASWA hosted a webinar on how SIDES can be used to meet employers' communication needs throughout the lifecycle of a UI claim. The webinar also discussed how states could market SIDES to employers with frequent UI claims activity.
- NASWA staff participate in Society for Human Resource Management conferences nationwide to promote employers use of SIDES.

Next Steps: While a vast majority of states has implemented SIDES, the current emphasis is on promoting employer use of SIDES. The NASWA SIDES team plans additional outreach to the employer community in the form of informational webinars in FY 2019. The UI program continues to seek full implementation of SIDES by all 53 states and added a proposed requirement in its Integrity Act package for states to implement it as part of the FYs 2018 and 2019 President's budget requests.

[12] http://sidesitk.naswa.org/sides

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

UI Program Percent (%) of Total Dollars Overpaid by Cause			
% of Total Dollars Overpaid by Cause	**% of Overpayments (2018 IPIA Rate)**	**% of Overpayments (2017 IPIA Rate)**	**Relative Change**
Work Search: (Failure to actively seek employment)	39.97%	37.38%	2.59
Benefit Year Earnings (Continuing to claim benefits after returning to work)	26.65%	26.41%	0.24
Separation (Ineligible due to voluntarily quitting or discharge for cause)	15.89%	17.22%	-1.33
Able and Available (Ineligible due to not being able to work or available for work)	6.11%	5.54%	0.57
Employer Service Registration (Failing to register for referral to work or reemployment services)	2.60%	2.15%	0.45
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)	2.76%	3.49%	-0.73
Base Period Wages (Error in calculating claimant's benefit based on wages earned prior to period of unemployment)	2.59%	3.16%	-0.57
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)	3.44%	4.66%	-1.22

FECA Program:

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

FECA Program Improper Payment Root Cause Categories ($ in millions)

OMB Root Cause		Overpayments	Underpayments
Program Design or Structural Issue			
Inability to Authenticate Eligibility	Inability to Access Data	$1.58	
	Data Needed Does Not Exist	$20.03	$1.36
Failure to Verify	Death Data		
	Financial Data		
	Excluded Party		
	Prisoner Data		
	Other Eligibility Data		
Administrative or Process Error Made by:	Federal Agency	$11.48	$10.28
	State or Local Agency		
	Other Party	$1.70	$0.09
Medical Necessity			
Insufficient Documentation to Determine			
Other: [1]		$27.85	
Total [2]		**$62.64**	**$11.73**

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

Inability to Authenticate Eligibility: This category of errors reflects issues in the prompt and accurate annual authentication of continued eligibility. The program heavily relies on self-reporting of earnings and other entitlement criteria via annual benefit entitlement questionnaires. The questionnaire functions as a tool to monitor changes in employment, dependency status, potential fraud, incarceration, third-party settlement, and benefits from other Federal benefit programs. It also serves as a trigger for monitoring the improvement of accepted medical condition(s).

Inability to Access Data - Errors found in this sub-category are attributable to changes in employment earnings and dual benefits. This results in payments being issued when due, but are later determined to be improper. While employment and Federal benefit data exists, limited resources and statutory regulations prevent the program from being able to access it.

Corrective Action: FECA will continue to work with OCFO, and Treasury to incorporate the elements of the DNP initiative into its operations.

Timetable: In FY 2018, the program started exploring the possibility of establishing a relationship with SSA to exchange benefit payment information. In the first quarter of FY 2019, an MOU will be completed to conduct an initial data assessment of the viability of future data matching.

Data Needed Does Not Exist – The majority of errors in this sub-category are attributable to a failure to adjust payments after a claimant reported a change in dependency status. A smaller subset of errors resulted in the claimant's failure to submit documentation required to establish ongoing eligibility or the weight of the medical evidence establishing the claimant could return to full duties. No database or dataset exists with that information.

Corrective Action: Continue to enhance existing controls to ensure receipt of current medical evidence for cases on the periodic roll. Offices will be required to ensure all ongoing total disability cases have a current questionnaire along with updated medical documentation. FECA will implement an internal audit program to review cases in each office. The audit program will have scale up capability to add additional cases reviews as needed and cover all facets of an entitlement review. FECA's Branch of Regulations and Procedures will customize mandatory training sessions to target specific areas and personnel in need of improvement.

Timetable: In FY 2018, the annual request for medical documentation for periodic roll disability cases was refined and automated for all offices. In FY 2019, FECA will consider new database queries to monitor potential changes in status (e.g., dependent status or dual benefits). In FY 2019, FECA will implement the new audit program; additionally, FECA will work on a DNP initiative with the Department of U.S. Treasury to assist with identifying beneficiaries in receipt of concurrent SSA retirement benefits.

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

With regard to compensation payments, the largest category of discrepancies identified involved various components associated with the calculation of the payrate. Specifically, the majority of IP resulted from the issuance of compensation payments based on incorrect or unverified base payrates, the inaccurate calculation of premium pay or the use of the wrong effective date for the payrate. About 53% of IP dollars for compensation payments resulted in overpayments, while 47% were underpayments. The FECA improper payment rate for all compensation payment errors, including administrative or process errors, was 1.70%, which is a .34% decrease from last year.

The "Other Party" category reflects medical-billing errors that did not meet coverage, coding and reimbursement billing requirements. Six bills had improper payments, which resulted from an override of a bill pay line item, coding discrepancies that required override and duplicate travel reimbursement attributed to improper completion of a claim form.

Corrective Action: In FY 2018, the FECA program conducted an in-depth assessment and customized training on initial payments for every district office. Ongoing; the program will continue to review initial payments by district office down to the individual identifier level. This method will better identify training needs and issues that may contribute to IP.

In FY 2017 and FY 2018, the program initiated several actions to reduce IP attributable to life insurance premium deductions. Actions included working closely with the Office of Personnel Management (OPM) to share and cross walk insurance eligibility; updating outgoing correspondence to injured workers; creating a new tracking mechanism for adjustments, providing mandatory training sessions for claims examiners; and updating training modules. These efforts have proven to be highly effective, as this year's errors do not contain any payments with life insurance premium change errors.

The "Other Party" category reflects medical-billing errors that did not meet coding and reimbursement requirements. The FECA improper payment rate for medical-billing administrative or process errors was .43%, which represents a .91% decrease from last year's IP audit. The program has existing internal controls to prevent improper bill payments. Additionally, District Office Trouble Shooters (DOTS), trained as subject matter experts in the field of medical bill pay, conduct monthly audits and are responsible for identifying overpayments and underpayments attributed to bill payment processing errors. The FECA program will continue working with its DOTS and medical billing contractor in FY 2019 to identify opportunities for improvement implement additional procedures to prevent and detect IP processing errors.

Timetable: Implemented; FY 2018 OPM cross walked life insurance eligibility data, conducted district office training, revised training modules, updated correspondence letters and tracking. Ongoing; FY 2019, conduct an in-depth assessment of initial payments to identify individual training needs. Ensure diverse sampling within program audits, and address error trends that may be contributing to improper payments. Continue coordination with bill pay contractor to identify and implement controls to prevent bill pay processing errors.

Fraud Restitution: The "Other" error category reflects OIG fraud restitution issues.

Corrective Action: The Department is committed to the detection and prevention of fraud related to the FECA program and it has taken significant steps to enhance early detection of potential fraud. The Program Integrity Unit (PIU) began using structured data analytic methods to review spending patterns on a quarterly basis to spot trends and react to anomalous spending patterns. FECA uses several medical spending tracking tools for medical outlays including a "year to year" comparison methodology, internal bill pay dashboards and partnerships with health care anti-fraud associations. Using these tools FECA targets specific providers for review based on a combination of total dollars paid in conjunction with the percentage increase in the outlays year over year. FECA also targets new providers with rapidly escalating payments in the current year and none in the year prior. When evidence of behavior that could be construed as deceptive, misleading, or unfair is identified, the program sends a referral to the Department's OIG. FECA collaborates with DOL and agency OIGs to create and implement new fraud detection technology and protocols. Additionally, the program has increased its tracking and analysis capabilities of pharmaceutical (opioid and compound) spend. In FY 2018, FECA also instituted a new exception-based policy pertaining to payment of convenience kits and certain other combination medications. The program also implemented a new, adaptive policy in June 2018, regarding payment for unspecified "J Codes," Healthcare Common Procedure Coding System codes used for physician dispensed medications, after finding that some providers were circumventing pre-authorization processes on compound and opioid medications. DFEC will continue its effective practices to identify and address compensation and provider fraud including: enhancing periodic claims reviews; monitoring medication dispensing trends; allowing agencies access to data systems with compensation and medical-billing payment information; and adding investigative analysts with fraud background and experience.

Timetable: Implemented; FY 2018, the FECA program's PIU designed and enhanced tracking tools used for early fraud prevention and detection. Implemented; FY 2018, added full-time staff to investigate potential fraud cases and process any resulting IP due to the government. Implemented; FY 2018, new protocols for monitoring provider and claimant referrals. Completed; FY 2017, developed risk assessment data analytics platforms. Ongoing; FY 2018, structured fraud detection and referral methods through the PIU. Ongoing; FY 2019, ongoing analysis and monitoring of certain high-cost medications that may be unsafe, medically unnecessary, and/or are commercially available alternatives at a lower cost. Ongoing; continue to monitor, identify and address potential compensation and medical billing fraud.

FY 2019 IP REDUCTION TARGETS

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

IP Reduction Target Rates (% of total outlays)	
Program or Activity	**FY19 IP Target Rate (as % of total outlays)**
Unemployment Insurance (UI)	14.75%
Federal Employees' Compensation Act (FECA)	3.25%

UI Program:

DOL's Employment and Training Administration (ETA) estimates that the UI improper payment rate will increase in FY 2019 to at least 14.75%. Although significant work has been done by ETA and the states to reduce the annual target below the IP rate of 10%, certain conditions have prevented DOL from meeting that target. See the discussion in Section IV: Barriers, below. In addition, the Middle Class Tax Relief and Job Creation Act of 2012, enacted on February 22, 2012, amended the Social Security Act (SSA) to add a Federal work search requirement as a condition of UI eligibility (SSA, Section 303(a)(12)). Prior to this enactment, all states had a work search requirement as part of their state laws and states had flexibility in interpreting and applying their work search requirements. As of 2018, a total of 20 states have a law or policy that provides formal or informal warning when claimants first fail to conduct required work search activities. However, state warning policies have been determined not permissible under the Federal work search law.

ETA is in the process of issuing an Unemployment Insurance Program Letter to inform states that formal and informal warnings are no longer permitted. ETA indicated in the 2017 AFR that this guidance would be in place during FY 2018 but its issuance was delayed. The target rate noted above is based on BAM data from 2018 and does not reflect the possible full impact of this policy change. States will need time to amend their laws, policies, and regulations to implement this change. This new policy will lead to higher IP rates as states stop using warnings and start including these incidents as errors in the count of IP. The full impact will depend on how quickly states are able to comply with the new policy. The target rate of 14.75% reflected above is provided based on the assumption that not all states will be able to implement the new guidance in the 2019 reporting year.

FECA Program:

DOL's Office of Workers' Compensation (OWCP) estimates that the FECA program's IP rate will decrease in FY 2019. Although the program continues to implement changes to reduce the IP rate, FECA must consider critical factors that will prevent a reduction in its target. Due to FECA's increased capacity to root out potentially fraudulent behavior and increased focus on high-dollar provider fraud, we anticipate fraud restitution to continue to be high for the next several years. As bad actors are rooted out, we expect high-dollar provider fraud will decrease over time. Unfortunately, the effect of catching and prosecuting these bad actors causes a short-term spike in FECA's reported IP and the judicial proceedings take years to conclude. Please see the Accountability section to learn more about how fraud restitution has effected FECA's reported IP rate. See the discussion in **Section IV: Barriers**, below. Additionally, the program anticipates fraud restitution in FY 2019 will have a significant impact on the overall IP rate, as there are a number of open active fraud investigations with OIG. As shown in the **FECA Program Improper Payment Root Cause Categories** table, the IP three-year base restitution totals for FY 2018 averaged $27.8 million, which equates to .91% of FECA's FY 2018 cumulative IP rate. The FY 2018 average is a $17.5 million dollar increase from the previous year. Even if the court-ordered restitution in FY 2019 is only 75% of awarded in FY 2018, the three-year fraud average would potentially represent 1.07% of FECA's IP rate. As OWCP cannot reliably predict the outcome of ongoing court cases, it will reduce its previously established reduction target rate to 3.25%.

II. RECAPTURE OF IMPROPER PAYMENTS REPORTING

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

As reported in the FY17 AFR, DOL conducted payment recapture audit cost-benefit analyses for all programs in FY 2016 and 2017.

The UI program already conducts a formal recapture audit program. While many programs noted that overpayments are recaptured through fraud restitution orders, debt collection processes, post-award reviews, and other standard internal control processes, no other identified program determined a formal recapture audit program, as described in OMB Circular A-123, Appendix C, Part III.C, would be cost-effective. Greater details on these determinations were reported in the FY17 AFR. Reviews of all DOL programs in FY18 found no basis for reconsidering the Cost-Benefit Analysis determinations and no new programs were identified.

UI Program:

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

With oversight from the Department, states are responsible for the recovery of UI overpayments. Each state's Benefit Payment Control (BPC) unit is responsible for promoting and maintaining UI program integrity through prevention, detection, investigation, establishment, and recovery of IP. BPC operations identify UI overpayments for recovery through such methods as cross-matching claimant Social Security Numbers with State and National Directories of New Hires, wage record files submitted each quarter by employers, matches with other databases such as Workers Compensation and State Corrections, and other sources such as appeal reversals and tips and leads. States collect overpaid claims through offsets of UI benefits, Federal income tax refunds under the Treasury Offset Program (TOP), state income tax offsets, and direct cash reimbursement from the claimant. From FY 2009 through FY 2018, approximately $11.22 billion was recovered by the UI program.

In February 2011, Treasury enacted a regulation to permit states to offset UI overpayments through TOP. Additionally, on December 26, 2013, the President signed into law the Bipartisan Budget Act. This Act amended section 303 of the SSA to require states, as a condition for receipt of grants to administer their UI programs, to use the TOP to recover covered UI debt that remains uncollected as of one year after the debt was finally determined to be due and collected. A total of 49 state UI agencies and the District of Columbia have implemented TOP. As of June 30, 2018, an estimated $306.1 million was recovered through TOP for the UI program's annual reporting period from July 1, 2017 through June 30, 2018. The total recovered through TOP since inception in 2011 is $2.451 billion.

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

- Offsets from benefits;
- Offsets from state and Federal income tax refunds;
- Offsets from lottery winnings, homestead exemptions, and other benefits, including the Alaska Mineral Refund;
- Interstate recovery agreements;
- Repayment plans;
- Civil Actions, including wage garnishments and property liens;
- Skip tracing, collection agencies, and credit bureaus;
- Probate and bankruptcy;
- Referral to OIG and other law enforcement agencies;
- State and Federal prosecution; and
- Establishment of interest and penalties on overpayments, which adds an incentive to repay quickly.

Recovered overpayments for state UI claims are returned to the UI trust fund account from which the benefits were originally paid and may only be used to pay benefits.

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

Overpayments Recaptured through UI Payment Recapture Audits ($ in millions)			
	Benefits		
Program or Activity	Amount Identified	Amount Recaptured	FY 2018 Recapture %
UI	$992.00	$745.70	75.17%

Notes: UI payments are reviewed by each state, not by 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, 2017 through June 30, 2018, the most recent period for which data are available. Data have been estimated for states with missing ETA 227 and EUC 227 reports.

Disposition of Amounts Recaptured Through UI Payment Recapture Audits ($ in millions)			
Program or Activity	**Amount Recovered**	**Type of Payment**	**Original Purpose**
UI	$745.70	UI Benefits	$745.70

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

Aging of Outstanding Overpayments Identified in UI Payment Recapture Audits ($ in millions)						
Program or Activity	Type of Payment	Amount Outstanding (0 – 6 months)	Amount Outstanding (6 months to 1 year)	Amount Outstanding (over 1 year)	Amount Determined to Not be Collectable [1]
Dollars	UI Benefits	$477.88	$359.24	$1,089.29	$654.12
% of Overpayments		24.81%	18.65%	56.54%	33.96%

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

UI Overpayments Established and Recovered by Fiscal Year (Excluding Waivers) ($ in millions)						
Fiscal Year	Overpayments Established UI/UCFE/UCX/EB	Overpayments Recovered UI/UCFE/UCX/EB	Recovered %	Overpayments Established UI/UCFE/UCX/EB + EUC	Overpayments Recovered UI/UCFE/UCX/EB + EUC	Recovered %
2009	$1,456.40	$850.99	58.43%	$1,735.25	$914.27	52.69%
2010	$1,906.31	$966.02	50.67%	$2,834.45	$1,179.89	41.63%
2011	$1,887.18	$997.97	52.88%	$2,995.96	$1,299.43	43.37%
2012	$1,740.18	$1,015.21	58.34%	$3,021.50	$1,400.16	46.34%
2013	$1,577.54	$1,075.82	68.20%	$2,456.13	$1,512.61	61.59%
2014	$1,496.20	$983.35	65.72%	$1,984.97	$1,297.26	65.35%
2015	$1,324.41	$933.47	70.48%	$1,522.94	$1,142.17	75.00%
2016	$1,039.10	$794.97	76.51%	$1,100.23	$913.78	83.05%
2017[1]	$953.98	$744.44	78.04%	$967.16	$819.62	84.74%
2018[2]	$983.76	$690.94	70.22%	$992.00	$745.70	75.17%

Notes: [1] FY 2017 overpayments established and recovered data have been revised from FY 2017 AFR. Data in the FY 2017 AFR were based on State agency reporting on the ETA 227 and ETA 227 EUC reports for the July 1, 2016 to June 30, 2017, which were the most recent data available for the 2017 AFR at the time of publication. The revised data are based on State agency reporting for the October 1, 2016 to September 30, 2017 period. FY 2016 data were revised based on revised or previously unreported ETA 227 data.
[2] Amounts based on data for the period July 1, 2017 through June 30, 2018, the most recent period for which data are available. Data were estimated for Florida and Tennessee, which failed to submit one or more report during the 2018 reporting period. Massachusetts submitted no ETA 227 reports during the 2018 reporting period and was excluded from the totals.

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

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

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

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

All state laws provide for recovery of benefit overpayments. States must follow their individual state laws and policies in executing such recovery efforts. The expense of recovery efforts can vary greatly by state depending on the actions that are pursued. Also, the capacity of the state to pursue such actions is a factor that influences the level of recovery. DOL believes that the payment recapture audits used by states is consistent with the criteria established by OMB for evaluating the cost effectiveness of a payment recapture program in OMB Circular A-123, Appendix C, Part III.C, Section 5, p.41-42.

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

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

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

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

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

Program or Activity	Number (#) of payments reviewed for possible IP	Dollars ($) of payments reviewed for possible IP	Number (#) of DP matches reviewed & determined proper	Dollars ($) of DNP matches reviewed & determined proper
Reviews with the IPERIA specified databases [1]	2,010,329	$6,828.064	615	$.65

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

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

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

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

IV. BARRIERS

UI Program:

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

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

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

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

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

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

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

Information Technology (IT) Capacity: State IT capacity has been strained by the decline in program administration funding provided to states to effectively operate the UI program. While the UI program has invested in targeted consortia grants to address outdated UI system infrastructures (see narrative in Section V, *Agency System Infrastructures*), states generally have reported a lack of adequate IT resources available for integrity functions. Additionally, many state systems are several decades old and cannot be easily adapted to new IP detection methods, such as generating follow-up communications with claimants and employers to verify new hire matches.

FECA Program:

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

Inability to Authenticate Eligibility: This category of errors reflects issues in the prompt and accurate annual authentication of continued eligibility. Statutory and regulatory barriers limit the program's ability to stop or adjust payments based on a medical review. Once a claim is accepted and periodic roll payments commence; the program cannot reduce or terminate compensation payments without a positive demonstration by the weight of evidence that entitlement to benefits has ceased and a claimant receives due process. This type of instance may result in a reporting of an improper payment without a loss to the government as the claimant has a statutory right to that payment. Additionally, FECA cannot directly access wage data or dual benefit eligibility data housed by other Federal agencies. Instead, to identify potential IP the program relies heavily on self-reporting via annual benefit entitlement questionnaires.

Administrative or Process Errors: The largest category of discrepancies identified involved various elements of payments. The identified IP in this category highlight the ongoing challenges facing the program's payment process, namely reliance on reporting by other Federal agencies and statutory, regulatory and procedural complexities inherent in the calculation of payments. In many instances, the information provided by an employing agency is incomplete or inaccurate. No automated mechanism exists to determine or validate the accuracy of the information reported by the employing agency, or even to ensure that all necessary information is submitted with the claim for compensation. Some agencies use DFEC's Employees' Compensation Operations Management Portal (ECOMP) for claims submission which does automate the process, but some agencies still submit forms via fax and mail which makes it even more difficult to obtain accurate information. As with many programs, FECA faces data-sharing barriers. The "Other Party" category reflects medical-billing errors that did not meet coding and reimbursement billing requirements. The challenge of efficiently providing automated medical authorization and bill payment services for hundreds of thousands of bills within program guidelines is ongoing, but the FECA medical IP rate of .43% in FY 2018 was a decrease from the 1.35% error rate from last year's IP audit.

Fraud Restitution: The "Other" error category reflects OIG fraud restitution issues. The extent of fraudulent payments is based solely on actual restitution ordered and there is no reliable method to measure true undetected fraud. The Department's methodology for estimating IP in the FECA program may be found at:

http://dolcontentdev.opadev.dol.gov/ocfo/media/reports/20180626IPMETHODOLOGY.pdf

Barriers to Implementation of OIG Recommendations:

The FECA program historically excluded initial payments made in the first 90 days of the compensation claim from its universe and compensation payments made on non-imaged claims initiated prior to November 2000, which was an OMB approved methodology. The Department recently reevaluated the FECA IP estimation methodology with regard to the practice of excluding these subsets of cases. For FY 2018, initial payments and non-imaged claims were included in the sample universe. The program's methodology for estimating may be found at:

http://dolcontentdev.opadev.dol.gov/ocfo/media/reports/20180626IPMETHODOLOGY.pdf

The FECA estimate of fraudulent payments is based on actual restitution amounts ordered and therefore did not reflect an estimate of undetected fraud. In the Congressional Budget Office's (CBO) report entitled "How Initiatives to Reduce Fraud in Federal Health Care Programs Affect the Budget" (10/2014), CBO found that "*...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. Consistent with OMB's Guidance in Circular A-123, DFEC will only include admitted or proven fraud in its improper payment estimate. More information on fraud and the IPP rate can be found in the Improper Payment Estimation Methodology.

The FECA program has taken action to improve the estimation methodology for the FECA program to ensure its accuracy and completeness by identifying and targeting high-risk areas for improper payments. As part of the improper payment reporting, the FECA program conducts a comprehensive audit in accordance with approved statistically valid and rigorous methodology, thus ensuring completeness, accuracy and validity. The program is also committed to preventing and detecting potential fraud risks and addressing high-risk areas by adopting a new methodology for reviewing overall spending patterns to spot trends early and react more quickly to changing fiscal landscapes. When anomalous or potentially fraudulent billing is identified, a referral is made to DOL OIG.

V. ACCOUNTABILITY

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

UI Program:

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

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

- On a biennial basis, states are required to submit an SQSP.[13] A core component of the SQSP is a state-specific Integrity Action Plan in which all states must identify their state-specific root causes for improper payments and present their strategies to address each of these causes. The plan must also 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.

- The UI Integrity Center uses funding provided by ETA to conduct evaluations of each strategy it implements. The results of these evaluations are provided to all states through the UI Integrity Center's Digital Library.

- ETA requires states to operate the BAM survey to measure and report the percentage, dollar amount, and reasons for IP. Data are derived from investigations of a statistically valid sample of payments using federally prescribed procedures. ETA reviews this data for validity, analyzes the data for each state, and makes the data available publicly on ETA's Office of Unemployment Insurance (OUI) website. Data review, analysis and publication are included in the performance plan of the Administrator of ETA's OUI and in the elements and standards of numerous staff in the office.

- ETA has implemented the following core performance measures that state UI programs must meet.
    - An overpayment detection measure;
    - A requirement to have no more than a 10% improper payment rate;
    - A minimum UI overpayment recovery target.

  States that fail to meet the performance criterion submit corrective action plans. Analysis of state performance and monitoring of states' corrective actions continue to be evaluation factors in OUI managers' performance plans. States not meeting the criteria set for these measures are expected to submit corrective action plans (CAPs) as part of their SQSP submission. These CAPs must contain strategies designed to improve state performance and include action steps and milestones for completion. DOL's oversight process includes quarterly reviews of CAPs submitted as part of the SQSP, peer reviews 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.

- 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 through the Department's annual Operating Plan. These initiatives are implemented as UI corrective actions and were described earlier in this document in **Section I: Payment Reporting – Root Causes: UI**, above.

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

[13] https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=5907

establish priorities in administering their UI programs and, therefore, can only make recommendations and provide technical assistance in the use of these strategies.

<u>FECA Program:</u>

The FECA program has IT infrastructure, processes, and staff responsible for reducing and establishing and maintaining sufficient internal controls towards the reduction of IPs. The FECA program incorporates internal controls and responsibilities into the annual performance standards of managers and subordinate staff to ensure focus on understanding and preventing IPs. The FECA program continues to implement effective practices to identify and address root causes of IPs. These practices include instituting periodic claims reviews; allowing agencies and claimants access to its data systems that contain compensation and medical-billing payment information; dedicating full-time staff to investigating potential fraud cases and processing any resulting IP due to the government. Based on these efforts, the FECA improper payment rate for compensation and medical bill payments was 1.53% of the total IP rate; whereas, last year these payments totaled 1.69%, which is a decrease of .16%.

The FECA improper payment rate estimate includes a fraud component. For the purposes of rate calculation, the program only considers payments fraud after having been admitted or proven in the judicial system. A fraudulent payment rate was determined by averaging the court-ordered restitution awarded as the result of fraud across a three year period. Using this process, the overall IP rate, less fraud, was 1.53%. Charge Back Year 2018 fraud estimation was $27.86 million,[14] which translates to a rate of .91%. This included nearly $44 million in restitution for two separate individual convictions, one with a $27 million restitution and the other for $17 million.

Therefore, even though the percentage of improper payments made by the program for compensation and medical benefits decreased, there was an overall increase of .38% in the total IP rate compared to last year because of the significant increase court-ordered restitution.

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

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

VI. AGENCY INFORMATION SYSTEMS AND OTHER INFRASTRUCTURE

UI Program:

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

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

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

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

State UI benefit and tax IT systems vary in terms of performance capacities, capabilities, and adaptability to new UI programs requirements and integrity strategies. Many states continue to struggle with antiquated IT infrastructure, making it difficult to implement many integrity solutions. During the past decade, DOL has provided states with supplemental funding to implement strategies and technology-based infrastructure investments that will help the states prevent, detect, and recover UI overpayments. These investments result in staff cost savings for integrity-related activities, increased dollar amounts of overpayments recovered, and prevention of future overpayments. As part of these supplemental funding grants to states, between FY 2009 and FY 2017, DOL obligated approximately $418 million to state consortia to address outdated IT system infrastructures. These investments are necessary to improve UI integrity. A total of five consortia projects involving 12 states are funded for systems modernization efforts.

FECA Program:

FECA is a claims processing organization adjudicating workers' compensation claims for all Federal employees and certain non-Federal employees specifically covered under FECA. It utilizes the Integrated Federal Employees Compensation System (iFECS) to administer the program. iFECS is a major application that provides a case management system to support core business functions and includes three sub-components, the Agency Query System (AQS), the Claimant Query System (CQS) and the Employees' Compensation Operations and Management Portal (ECOMP). iFECS was established to provide FECA with an automated case management system. The system provides data processing, financial and program management, as well as decision support functionalities to authorized users.

iFECS maintains an automated record of all claims filed, adjudicatory statuses and benefits paid and denied. Data on entitlement and benefits payment status maintained on iFECS is available in accordance with the Privacy Act to authorized claimants, authorized representatives, and authorized user organizations verbally via telephone and in paper/electronic formats.

VII. SAMPLING AND ESTIMATION

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

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

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

- UI – https://oui.doleta.gov/unemploy/improp_pay.asp
- FECA – http://dolcontentdev.opadev.dol.gov/ocfo/media/reports/20180626IPMETHODOLOGY.pdf

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

UI Program:

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

The table titled "DOL Programs Required to Submit Improper Payments Estimates" displays rates for IPIA 2018 and IPIA 2017. UI overpayment and underpayment rates are shown for the IPIA 2018 that includes data gathered from July 1, 2017 to June 30, 2018. UI overpayment and underpayment rates shown for the IPIA 2017 includes data gathered from July 1, 2016 to June 30, 2017. Data are reported for this period rather than the fiscal year due to the 120 day period provided to state BAM investigators to complete claim audits following the end of the BAM IPIA reporting year. During this period, state agencies completed audits for 24,059 cases completed (data are based on a completion rate of 99.16%). Based on these results, the 95% confidence interval of the estimated IP rate is plus or minus 0.64%. For the FY 2018 reporting, the estimated UI Improper Payment rate consisted of all overpayments and underpayments.

FECA Program:

OWCP conducted a detailed analysis of its IP sampling and estimation methodology in FY 2018 to determine the full effect of two previously excluded payment types on its estimate. Based on this analysis, OWCP revised its methodology in FY 2018 to include those payment types.

OWCP consulted with OCFO to develop a sampling methodology and approach to improper payment calculation for the FECA program that OMB approved in FY 2018.

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 program standards to determine whether or not it was proper. The absolute value of any IP found in the sample were totaled and projected to a dollar amount that represents the improper payment rate for the entire population.

The extent of fraudulent payments is based on actual restitution amounts and therefore did not reflect an estimate of undetected fraud. In the Congressional Budget Office's (CBO) report entitled "How Initiatives to Reduce Fraud in Federal Health Care Programs Affect the Budget" (10/2014), CBO found that "*...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.

VIII. RISK ASSESSMENT

IPIA Section 2(a) requires agency heads to review all programs to identify risk susceptibility for significant IP at least once every three years. DOL conducts risk assessments for all programs on a three year rolling cycle to ensure that all programs are reviewed at least triennially. Detailed information on the results of FY 2018 IP susceptibility risk assessments may be found directly below.

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

i. Whether the program or activity reviewed is new to the agency;

ii. The complexity of the program or activity reviewed, particularly with respect to determining correct payment amounts;

iii. The volume of payments made annually;

iv. Whether payments or payment eligibility decisions are made outside of the agency, for example, by a State or local government, or a regional Federal office;

v. Recent major changes in program funding, authorities, practices, or procedures;

vi. The level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate;

vii. Inherent risks of improper payments due to the nature of agency programs or operations;

viii. Significant deficiencies in the audit reports of the agency including, but not limited to, the agency Inspector General or the Government Accountability Office (GAO) audit report findings, or other relevant management findings that might hinder accurate payment certification; and

ix. Results from prior improper payment work.

As part of the Department's regular cycle of Department-wide Triennial IPERA Reviews, IP Risk Assessments were conducted in FY 2018 for a subset of all identified DOL programs. These programs include activities or sets of activities recognized as programs by the public, OMB, or Congress, as well as those that entail program management or policy direction. In FY 2018 Program Inventory and Questionnaires were sent to all agency heads to ensure any new programs were identified and to review if conditions surrounding payment integrity or the cost-effectiveness of formal recapture audit program analyses had changed. No new programs were identified in FY 2018. This process allows DOL to conduct Risk Assessments of all programs at least once every three-years as required by IPERIA, but also ensures DOL has annual monitoring of all programs.

UI and FECA continue to be considered susceptible to IP because they report an IP rate above the legal threshold in IPERA. No additional DOL programs were determined to be susceptible for IP. OIG was not responsive to communication regarding the Department-wide IPERA Reviews. The chart below indicates lists programs that were selected for Risk Assessments in FY 2018 and the assessment results.

Susceptibility to Improper Payments Risk Assessment Results		
Agency	**Program**	**Result**
EBSA	Employee Benefits Security Administration	Not Susceptible to Significant Improper Payments
ETA	UI	Susceptible to Improper Payments. Already reports.
ETA	Migrant and Seasonal Farmworker	Not Susceptible to Significant Improper Payments
ETA	YouthBuild	Not Susceptible to Significant Improper Payments
ETA	Reintegration of Ex-Offenders	Not Susceptible to Significant Improper Payments
ETA	Apprenticeship	Not Susceptible to Significant Improper Payments
ETA	WIOA - Adult Employment and Training Activities	Not Susceptible to Significant Improper Payments
ETA	WIOA - Dislocated Worker Employment and Training Activities (National Reserves)	Not Susceptible to Significant Improper Payments
ETA	WIOA - Dislocated Worker Employment and Training Activities (Formula)	Not Susceptible to Significant Improper Payments
ETA	WIOA - Youth Activities	Not Susceptible to Significant Improper Payments
ILAB	International Labor Affairs Bureau	Not Susceptible to Significant Improper Payments
ODEP	Office of Disability Employment Policy	Not Susceptible to Significant Improper Payments
OFCCP	Office of Federal Contract Compliance Programs	Not Susceptible to Significant Improper Payments
OWCP	FECA	Susceptible to Improper Payments. Already reports.
VETS	Jobs for Veterans State Grants	Not Susceptible to Significant Improper Payments
VETS	Homeless Veterans' Reintegration Program	Not Susceptible to Significant Improper Payments
WB	Women's Bureau	Not Susceptible to Significant Improper Payments
DM	Departmental Management and other	Not Susceptible to Significant Improper Payments
OIG	Office of Inspector General	Not responsive.
NOTES: For the purposes of IPERA reporting, "Departmental Management and other" includes all OCFO-controlled finance operations, including payroll, contract procurement, property management, rent, and fleet.		

Fraud Reduction Report

The Department of Labor (DOL) is committed to preventing fraud and mitigating our fraud risk. DOL looks to safeguard assets and ensure fiscal integrity by focusing on prevention—maintaining a robust antifraud program to prevent, detect, and prosecute fraud in all its forms. DOL adheres to the fraud risk principle as set out in the *Standards for Internal Control in the Federal Government*, and to fraud risk strategies as instructed in the *Fraud Reduction and Data Analytics Act* (FRDAA) of 2015 (Pub. L. 114-186, 31 USC 3321 note). DOL also employs an Enterprise Risk Management (ERM) approach as prescribed by *OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control*. DOL recognizes the diverse range of fraud risk within the government and leverages interdepartmental trainings and resources such GAO's *A Framework for Managing Fraud Risks in Federal Programs* and *The Antifraud Playbook* to incorporate a variety of approaches to manage this threat.

The Department of Labor uses a holistic approach to assessing enterprise-wide fraud risks as part of its overall ERM implementation. DOL identifies inherent fraud risks, assesses their likelihood and impact, and establishes risk tolerances in a risk profile in accordance with the FRDAA. During FY 2018, DOL conducted a variety of efforts to ascertain fraud risk including the Triennial IPERA Review and the annual Entity Level Controls (ELC) Survey of agency management and personnel to review financial and internal controls risks. The FY 2018 ELC survey canvassed agencies within the DOL with a focus on assessing fraud at an agency and program level. These surveys assist in assessing and maintaining a well-informed and fraud-aware culture, and have affirmed the implementation of robust antifraud controls including separation of duties and established procedures to prevent and detect fraud.

In cases of fraud or attempted fraud, the Department has established policies and procedures to identify and prosecute cases. DOL employees are responsible for and encouraged to promptly report information that they reasonably believe reflects fraud, waste, abuse, misconduct, or other wrongdoing. All DOL agency heads, supervisors, and managers are responsible for ensuring that allegations of fraud, waste, abuse, misconduct, or other wrongdoing are reported promptly to the Office of Inspector General (OIG). The OIG can then determine whether such allegations have audit or investigative merit, and is responsible for conducting investigations and audits when appropriate. The OIG may conduct its own audit or investigation, refer the matter to another law enforcement or other federal agency, or refer the matter to the Secretary of Labor or to a program agency within DOL. If a referral is made to the Secretary of Labor or to a program agency within DOL, the OIG may reassume responsibility for such audit or investigation at their sole discretion. As part of this process, DOL works to maintain a strong fraud aware workplace culture that can identify various forms of fraud, waste, and abuse in ensure prompt reporting of any potential misconduct.

DOL's OMB Circular A-123 internal control process identifies key controls and practices to mitigate and detect fraud in areas such as grants, procurement, beneficiary payments, payroll, and purchase and travel cards. In addition, DOL has participated in the FRDAA Working Group to improve sharing and development of data analytics techniques, financial and administrative controls, and other best practices and techniques for detecting, preventing, and responding to fraud and other improper payments.

Under OMB Circular A-123, the Unemployment Insurance (UI) and Federal Employees' Compensation Act (FECA) programs have been deemed susceptible to improper payments and therefore report separate fraud rates. Each program has a mature fraud detection program with implemented prosecution efforts. Potential fraud cases are identified, and shared with OIG for review. The FECA program significantly increased its use of data analytics within the past year to examine hundreds of medical providers and their billing patterns to look for suspicious activity. Specifically, FECA closely monitored medical billing data to identify potential fraud including incentivized prescribing and other possible kickbacks, which resulted in over 60 referrals to the Department's Office of Inspector General in the past fiscal year. The use of dashboards and data exploration tools also allowed the program to identify potential fraud, waste and abuse in pharmaceutical billing trends that resulted in new controls to curb the activity, specifically convenience kits and physician dispensed medication. Less than 1% of medical bill payments were improper in FY 2018.

The Federal-State UI program also employs the following strategies to detect fraud:

- The Department has funded an Integrity Data Hub (IDH) to cross-match claimant information against relevant data sources to help prevent and detect improper payments. The IDH includes a Suspicious Actor Repository (SAR) that enables states to cross-match claims information against key data elements from previously identified and known fraudulent UI claims filed in other states. 34 states are currently engaged with the Data Hub with varying levels of implementation.
- DOL provided states with claimant and employer messaging tools that can deter continued claims filing after an individual returns to work.
- DOL is also working with states to increase their capacity and improve their systems to analyze data that may indicate employer schemes to misclassify workers to conceal tax liabilities.

Detailed information can be found in the **Payment Integrity** reporting section of this AFR. FECA fraud estimation is based on properly adjudicated restitution orders which equaled $54.83 million in FY 2018. UI fraud estimation is based on fraud established by a proper adjudicating authority (i.e. the courts). The level of "established fraud" in the UI program was $ 3.74 million for FY 2018.

In FY 2019 and onward, the Department is committed to ensuring program integrity and advancing our fraud reduction efforts. DOL plans to continue implementing Enterprise Risk Management procedures and further test key controls related to fraud risk.


HELP FIGHT
FRAUD
WASTE
ABUSE
IT'S YOUR MONEY!
OFFICE OF INSPECTOR GENERAL
UNITED STATES DEPARTMENT OF LABOR
Office of Inspector General
U.S. Department of Labor
Misuse of U.S. Department of Labor Funds
Violations of Federal Procurement Regulations
Federal Workers' Compensation Fraud
Falsification or Forgery of Official Documents
Unemployment Insurance Fraud
Visa Certification Fraud
If you suspect wrongdoing involving
U.S. Department of Labor programs or operations,
contact the OIG Hotline
800.347.3756
www.oig.dol.gov
See website for confidentiality and whistleblower information
Scan Here to
Report Fraud, Waste
& Abuse Now!

Reduce the Footprint

Consistent with Section 3 of OMB Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations* and OMB Management Procedures Memorandum 2013-02, the "Reduce the Footprint" (RTF) policy implementing guidance, all Chief Financial Officer Act entities must set annual targets to reduce the total square footage of their domestic office and warehouse inventory compared to the FY 2015 baseline.

Per Section II.4.8 of OMB Circular A-136, agencies are required to report cost data along with the most recent square footage information submitted to the Federal Real Property Profile in their annual AFR.

Actions to Reduce the Footprint

Overall, the space utilization for DOL personnel in GSA-provided office space is 258.46 square feet per person, and represents an opportunity for DOL to achieve both rent savings and a reduction of the total office footprint nationwide. As GSA leases commercial space on a competitive basis and sets the rent for federal buildings, DOL has little control of the rent and maintenance cost per square foot for each office location.

Using the initial President's Management Agenda Real Property Benchmarking Metrics, DOL has identified potential space consolidations and co-locations that can result in significant reductions to the DOL office footprint and achieve rent savings for the agencies.

Table RTF 1 reflects the total office and warehouse square footage associated with DOL's assets subject to the Reduce the Footprint policy, as identified by Data Element #3 from Federal Real Property Council's "Guidance for Real Property Inventory Reporting" from the latest available reporting year (FY 2017), and compares it to the FY 2015 Freeze the Footprint baseline (as assigned by GSA).[15] The reported square footage totals align with agency totals confirmed by GSA, and are based on data from the Federal Real Property Profile and GSA's Occupancy Agreement Database.

Table RTF 1: Reduce the Footprint Baseline Comparison			
	FY 2015 Baseline	FY 2017	Change (FY 2015 Baseline – 2017)
Square Footage (SF in millions)	6.93	6.77	0.16

Table RTF 2 reflects the annual operating costs, as reported in the most recent Federal Real Property Profile submittal for owned and direct lease facilities (direct lease facilities does not include GSA occupancy agreements) that are subject to the Reduce the Footprint policy, as identified by Data Element #3 from Federal Real Property Council's "Guidance for Real Property Inventory Reporting" as reported in the most recent Federal Real Property Profile submittal.[16] The cost data reported by DOL is based directly on data reported into the latest available Federal Real Property Profile database.

Table RTF 2: Operation and Maintenance Costs – Owned and Direct Lease Buildings			
	FY 2015 Reported Cost	FY 2017	Change (FY 2015 – 2017)
Operation and Maintenance Costs ($ in millions)	$8.82	8.22	0.6

[15] See GSA, Office of Government-wide Policy, Federal Real Property Council, 2017 Guidance for Real Property Inventory Reporting (August 21, 2017) p.8.
[16] See GSA, Office of Government-wide Policy, Federal Real Property Council, 2017 Guidance for Real Property Inventory Reporting (August 21, 2017) p.8.

DOL is continuing to implement a Department-wide strategy to eliminate non-mission dependent space, improve utilization rates, and reduce the costs of the properties. DOL has developed a process for internal reviews and tracking of all office increases, including monthly meetings with DOL regional personnel and reviews of Request for Space submissions.

Co-location, where appropriate, places multiple offices in one location and allows the Department to more effectively manage its real property assets. The primary goals are to co-locate DOL facilities, close small offices where feasible, and implement the DOL standard of 150 usable sq. ft. per employee. This strategy has resulted in significant savings and streamlined the DOL portfolio.

When DOL identifies an underutilized building or block of space in its inventory and there is no longer a need for the asset, DOL will dispose of it to the extent it is cost effective to do so, based upon life-cycle cost analysis. In the case of GSA-assigned leased space, DOL will examine all expiring leases and attempt to relocate to more efficient quarters in order to eliminate underutilized space from its inventory. For owned/direct-leased assets (primarily Job Corps Centers), disposal is a unique challenge given the campus-like nature of the Centers.

Specific strategies to reduce the FY 2015 baseline include implementing the renegotiated collective bargaining agreements as well as the 2017 Department of Labor Manual Series (DLMS) Chapter 2-400 - DOL Space Management to reduce per person square footage, increasing telework, and introducing hoteling, all designed to increase space use efficiency. DOL is also participating with GSA in Consolidated Portfolio Reviews in the Chicago and National Capital Regions and will work closely with GSA in reviewing office space utilization nationwide with DOL agencies to identify opportunities to reduce space and co-locate offices.

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 (83 FR 7-19 (January 2, 2018)).

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
29 U.S.C. §1059(b) *29 C.F.R. 2575.1 through .3*	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	2018	$29 per employee per failure.	EBSA	*https://www.gpo.gov/fdsys/pkg/FR-2018-01-02/pdf/2017-28224.pdf* 83 FR 7, 15-19 (January 2, 2018)
29 U.S.C. 1132 (c)(2) *29 C.F.R. 2575.1 through .3*	Employee Retirement Income Security Act of 1974 (ERISA), as amended. Section 502(c)(2) – Failure or 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	2018	Maximum $2,140 per day per failure.	EBSA	*https://www.gpo.gov/fdsys/pkg/FR-2018-01-02/pdf/2017-28224.pdf* 83 FR 7, 15-19 (January 2, 2018)
29 U.S.C. §1132(c)(4) *29 C.F.R. 2575.1 through .3*	Employee Retirement Income Security Act of 1974 (ERISA), as amended. Section 502(c)(4) – Failure to disclose certain documents upon request under ERISA Sections 101(k) and (l); failure to furnish notices under Sections 101(j) and 514(e)(3) - each statutory recipient a separate violation.	1993	2018	Maximum $1,693 per day per failure.	EBSA	*https://www.gpo.gov/fdsys/pkg/FR-2018-01-02/pdf/2017-28224.pdf* 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
29 U.S.C. §1132(c)(5) *29 C.F.R. 2575.1 through .3*	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	2018	Maximum $1,558 per day per failure.	EBSA	*https://www.gpo.gov/fdsys/pkg/FR-2018-01-02/pdf/2017-28224.pdf* 83 FR 7, 15-19 (January 2, 2018)
29 U.S.C. §1132(c)(6) *29 C.F.R. 2575.1 through .3*	Employee Retirement Income Security Act of 1974 (ERISA), as amended. Section 502(c) (6) – Failure to provide Secretary of Labor requested documentation.	1997	2018	Maximum $152 per day not to exceed $1,527 per request.	EBSA	*https://www.gpo.gov/fdsys/pkg/FR-2018-01-02/pdf/2017-28224.pdf* 83 FR 7, 15-19 (January 2, 2018)
29 U.S.C. §1132(c)(7) *29 C.F.R. 2575.1 through .3*	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	2018	Maximum $136 per day per failure.	EBSA	*https://www.gpo.gov/fdsys/pkg/FR-2018-01-02/pdf/2017-28224.pdf* 83 FR 7, 15-19 (January 2, 2018)
29 U.S.C. §1132(c)(8) *29 C.F.R. 2575.1 through .3*	Employee Retirement Income Security Act of 1974 (ERISA), as amended. Section 502(c)(8) – Failure by an endangered status multiemployer plan to adopt a funding improvement plan or meet benchmarks; failure of a critical status multiemployer plan to adopt a rehabilitation plan.	2006	2018	Maximum $1,344 per day per failure.	EBSA	*https://www.gpo.gov/fdsys/pkg/FR-2018-01-02/pdf/2017-28224.pdf* 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
29 U.S.C. §1132(c)(9)(A) *29 C.F.R. 2575.1 through .3*	<u>Employee Retirement Income Security Act of 1974 (ERISA), as amended.</u> 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	2018	Maximum $114 per day per failure.	EBSA	*https://www.gpo.gov/fdsys/pkg/FR-2018-01-02/pdf/2017-28224.pdf* 83 FR 7, 15-19 (January 2, 2018)
29 U.S.C. §1132(c)(9)(B) *29 C.F.R. 2575.1 through .3*	<u>Employee Retirement Income Security Act of 1974 (ERISA), as amended.</u> 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	2018	Maximum $114 per day per failure.	EBSA	*https://www.gpo.gov/fdsys/pkg/FR-2018-01-02/pdf/2017-28224.pdf* 83 FR 7, 15-19 (January 2, 2018)
29 U.S.C. §1132(c)(10) (B)(i) *29 C.F.R. 2575.1 through .3*	<u>Employee Retirement Income Security Act of 1974 (ERISA), as amended.</u> Section 502(c)(10)(B)(i) - Failure by any plan sponsor of group health plan, or any health insurance issuer offering health insurance coverage in connection with the plan, to meet the requirements of Sections 702(a) (1) (F), (b) (3), (c) or (d); or Section 701; or Section 702(b) (1) with respect to genetic information.	2008	2018	$114 per day per participant and beneficiary during noncompliance period.	EBSA	*https://www.gpo.gov/fdsys/pkg/FR-2018-01-02/pdf/2017-28224.pdf* 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
29 U.S.C. §1132(c)(10)(C)(i) *29 C.F.R. 2575.1 through .3*	Employee Retirement Income Security Act of 1974 (ERISA), as amended. Section 502(c)(10)(C)(i) - Penalty for uncorrected de minimis violations.	2008	2018	Minimum $2,847 per participant or beneficiary for de minimis failures not corrected prior to notice from Department of Labor.	EBSA	*https://www.gpo.gov/fdsys/pkg/FR-2018-01-02/pdf/2017-28224.pdf* 83 FR 7, 15-19 (January 2, 2018)
29 U.S.C. §1132(c)(10)(C)(ii) *29 C.F.R. 2575.1 through .3*	Employee Retirement Income Security Act of 1974 (ERISA), as amended. Section 502(c)(10)(C)(ii) – Penalty for uncorrected violations that are not de minimis.	2008	2018	Minimum $17,084 per participant or beneficiary for non- de minimis failures not corrected prior to notice from Department of Labor.	EBSA	*https://www.gpo.gov/fdsys/pkg/FR-2018-01-02/pdf/2017-28224.pdf* 83 FR 7, 15-19 (January 2, 2018)
29 U.S.C. §1132(c)(10)(D)(iii) *29 C.F.R. 2575.1 through .3*	Employee Retirement Income Security Act of 1974 (ERISA), as amended. Section 502(c)(10)(D)(iii) - Unintentional failure overall limitation.	2008	2018	$569,468.	EBSA	*https://www.gpo.gov/fdsys/pkg/FR-2018-01-02/pdf/2017-28224.pdf* 83 FR 7, 15-19 (January 2, 2018)
29 U.S.C. §1132(c)(12) *29 C.F.R. 2575.1 through .3*	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	2018	Maximum $104 per day per failure.	EBSA	*https://www.gpo.gov/fdsys/pkg/FR-2018-01-02/pdf/2017-28224.pdf* 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
29 U.S.C. §1132(m) *29 C.F.R. 2575.1 through .3*	Employee Retirement Income Security Act of 1974 (ERISA), as amended. Section 502 (m) – Failure to make a proper distribution from a defined benefit plan under section 206(e) of ERISA.	1994	2018	Maximum $16,499 per distribution.	EBSA	*https://www.gpo.gov/fdsys/pkg/FR-2018-01-02/pdf/2017-28224.pdf* 83 FR 7, 15-19 (January 2, 2018)
29 U.S.C. 1185d; 42 U.S.C. 300gg–15 29 C.F.R. 2590.715-2715(e); *29 C.F.R. 2575.1 through .3*	Employee Retirement Income Security Act of 1974 (ERISA), as amended. Failure to provide Summary of Benefits and Coverage under PHS Act section 2715(f), as incorporated in ERISA section 715 and 29 CFR 2590.715-2715(e).	2010	2018	Maximum $1,128 per failure.	EBSA	*https://www.gpo.gov/fdsys/pkg/FR-2018-01-02/pdf/2017-28224.pdf* 83 FR 7, 15-19 (January 2, 2018)
30 C.F.R. 100.3(a)	Federal Mine Safety and Health Act of 1977 (Mine Act). Regular assessment. General violation of a mandatory health or safety standard or violation of any other provision of the Mine Act, as amended.	1977	2018	Maximum $70,834.	MSHA	*https://www.ecfr.gov/* 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
30 C.F.R. 100.3(g)	Federal Mine Safety and Health Act of 1977 (Mine Act). Regular assessment. Penalty conversion table. The penalty conversion table is used to convert the total penalty points to a dollar amount.	1978	2018	Minimum $132, Maximum $70,834.	MSHA	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
30 C.F.R. 100.4(a)	Federal Mine Safety and Health Act of 1977 (Mine Act). Unwarrantable failure and immediate notification. Penalty for any citation or order issued under section 104(d)(1) of the Mine Act.	2006	2018	Minimum $2,361.	MSHA	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
30 C.F.R. 100.4(b)	Federal Mine Safety and Health Act of 1977 (Mine Act). Unwarrantable failure and immediate notification. Penalty for any order issued under section 104(d)(2) of the Mine Act.	2006	2018	Minimum $4,721.	MSHA	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
30 C.F.R. 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	2018	Minimum $5,903, Maximum $70,834.	MSHA	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
30 C.F.R. 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	2018	Maximum $7,673.	MSHA	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
30 C.F.R. 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	2018	Maximum $324.	MSHA	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
30 C.F.R. 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	2018	Maximum $259,725.	MSHA	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
29 C.F.R. 1903.15(d)(1)	Occupational Safety and Health Act of 1970 (OSH Act). Penalty per willful violation under section 17(a) of the Act, 29 U.S.C. 666(a).	1970	2018	Minimum $9,239, Maximum $129,336.	OSHA	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
29 C.F.R. 1903.15(d)(2)	Occupational Safety and Health Act of 1970 (OSH Act). Penalty per repeated violation under section 17(a) of the Act, 29 U.S.C. 666(a).	1970	2018	Maximum $129,336.	OSHA	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
29 C.F.R. 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	2018	Maximum $12,934.	OSHA	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
29 C.F.R. 1903.15(d)(4)	Occupational Safety and Health Act of 1970 (OSH Act). Penalty for an other-than-serious violation under section 17(c) of the Act, 29 U.S.C. 666(c).	1970	2018	Maximum $12,934.	OSHA	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
29 C.F.R. 1903.15(d)(5)	Occupational Safety and Health Act of 1970 (OSH Act). Penalty for a failure to correct a violation under section 17(d) of the Act, 29 U.S.C. 666(d).	1970	2018	Maximum $12,934 per day.	OSHA	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
29 C.F.R. 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	2018	Maximum $12,934.	OSHA	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
33 U.S.C. 930(e) 20 C.F.R. 702.204	Longshore and Harbor Workers' Compensation Act. Failure to furnish and or falsifying. Knowingly and willfully fail or refuse to send any report required by §702.201, or knowingly or willfully make a false statement or misrepresentation in any report.	1927	2018	Maximum $23,426 for each failure, refusal, false statement, or misrepresentation.	OWCP	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
33 U.S.C. 914(g) 20 C.F.R. 702.236	Longshore and Harbor Workers' Compensation Act. Failure to report termination of payments. Failure to notify the district director that the final payment of compensation has been made as required by §702.235.	1927	2018	$285.	OWCP	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
33 U.S.C. 948(a) 20 C.F.R. 702.271(a)(2)	Longshore and Harbor Workers' Compensation Act. Discrimination; against employees who bring proceedings, prohibition, and penalty.	1972	2018	Maximum $2,343, Maximum $11,712.	OWCP	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
30 U.S.C. 942 20 C.F.R. 725.621(d)	Black Lung Benefits Act. Failure to file required reports.	1969	2018	Maximum $1,426 for each failure or refusal.	OWCP	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
33 U.S.C. 933(d)(1) 20 C.F.R. 726.302(c)(2)(i)	Black Lung Benefits Act. Determination of penalty. Failure to secure payment of benefits for mines with fewer than 25 employees.	1978	2018	$139 per day.	OWCP	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
33 U.S.C. 933(d)(1) 20 C.F.R. 726.302(c)(2)(i)	Black Lung Benefits Act. Determination of penalty. Failure to secure payment of benefits for mines with 25-50 employees.	1978	2018	$278 per day.	OWCP	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
33 U.S.C. 933(d)(1) 20 C.F.R. 726.302(c)(2)(i)	Black Lung Benefits Act. Determination of penalty. Failure to secure payment of benefits for mines with 51-100 employees.	1978	2018	$417 per day.	OWCP	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
33 U.S.C. 933(d)(1) 20 C.F.R. 726.302(c)(2)(i)	Black Lung Benefits Act. Determination of penalty. Failure to secure payment of benefits for mines with more than 100 employees.	1978	2018	$555 per day.	OWCP	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
33 U.S.C. 933(d)(1) 20 C.F.R. 726.302(c)(4)	Black Lung Benefits Act. Determination of penalty. Failure to secure payment of benefits after 10th day of notice.	1978	2018	$139 per day.	OWCP	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
33 U.S.C. 933(d)(1) 20 C.F.R. 726.302(c)(5)	Black Lung Benefits Act. Determination of penalty. Failure to secure payment of benefits for repeat offenders.	1978	2018	$417 per day.	OWCP	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
33 U.S.C. 933(d)(1) 20 C.F.R. 726.302(c)(6)	Black Lung Benefits Act. Determination of penalty. The maximum daily base penalty amount applicable to any violation of §726.4.	1978	2018	Maximum $2,852.	OWCP	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
40 U.S.C. 3702(c) 29 C.F.R. 5.8(a); 29 C.F.R. 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	2018	$26 for each calendar day.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
29 U.S.C. 2005(a) 29 C.F.R. 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 this part. (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 this part. (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 this part. (5) Failing to maintain the records required by the Act or this part. (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 this part. (7) Violating any other provision of the Act or this part.	1988	2018	Maximum $20,521.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
29 U.S.C. 211(d) 29 C.F.R. 530.302 (a),(b)	Fair Labor Standards Act (FLSA) Homeworker. Violation of recordkeeping, monetary, certificate or other statutes, regulations or employer assurances.	1938	2018	Minimum $20, Maximum $1,026.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
29 U.S.C. 216(e)(1)(A)(i) 29 C.F.R. 579.1(a)(1)(i)(A); 29 C.F.R. 570.140(b)(1)	Fair Labor Standards Act (FLSA) Child labor. (1) Violation of child labor standards (sections 212 or 213(c)).	1938	2018	Maximum $12,529 for each employee.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
29 U.S.C. 216(e)(1)(A)(i) 29 C.F.R. 579.1(a)(1)(i)(B); 29 C.F.R. 570.140(b)(2)	Fair Labor Standards Act (FLSA) Child labor. (2) Violation of child labor standards (sections 212 or 213(c)), for each such violation that causes the death or serious injury of any employee under the age of 18 years, which penalty may be doubled where the violation is a repeated or willful violation.	1938	2018	Maximum $56,947 for each such violation.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
29 U.S.C. 216(e)(2) 29 C.F.R. 578.3(a); 29 C.F.R. 579.1(a)(2)	Fair Labor Standards Act (FLSA) Minimum Wage and Overtime. Repeated or willful violation of section 206 or 207 of FLSA, or section 6 (minimum wage) or section 7 (overtime) of the Act.	1938	2018	Maximum $1,964 for each such violation.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
29 U.S.C. 2619(b) 29 C.F.R. 825.300(a)(1)	<u>Family & Medical Leave Act (FMLA).</u> Willful violation of posting requirement.	1993	2018	Maximum $169 for each separate offense.	WHD	*https://www.ecfr.gov/* 83 FR 7, 15-19 (January 2, 2018)
8 U.S.C. 1288(c)(4)(E)(i) 20 C.F.R. 655.620 (a)	<u>Immigration & Nationality Act (D-1).</u> Violation of the attestation or 20 CFR 655 subparts F or G related to utilizing alien crew for longshore activities in U.S. ports.	1952	2018	Maximum $9,239 for each alien crewmember.	WHD	*https://www.ecfr.gov/* 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
8 U.S.C. 1182(n)(2)(c)(i) 20 C.F.R. 655.810(b)(1)	<u>Immigration & Nationality Act (H-1B).</u> (1) A violation pertaining to strike/lockout (§655.733) or displacement of U.S. workers (§655.738). (2) A substantial violation pertaining to notification (§655.734), labor condition application specificity (§655.730), or recruitment of U.S. workers (§655.739). (3) A misrepresentation of material fact on the labor condition application. (4) An early-termination penalty paid by the employee (§655.731(c)(10)(i)). (5) Payment by the employee of the additional $500/$1,000 filing fee (§655.731(c)(10)(ii)). (6) Violation of the requirements of the regulations in this subpart I and subpart H of this part or the provisions regarding public access (§655.760) where the violation impedes the ability of the Administrator to determine whether a violation of sections 212(n) or (t) of the INA has occurred or the ability of members of the public to have information needed to file a complaint or information regarding alleged violations of sections 212(n) or (t) of the INA.	1952	2018	Maximum $1,848 per violation.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
8 U.S.C. 1182(n)(2)(c)(ii) 20 C.F.R. 655.801(b)	Immigration & Nationality Act (H-1B). Any employer to engage in the conduct described in paragraph (a) of this section. Such conduct shall be subject to the penalties prescribed by sections 212(n)(2)(C)(ii) or (t)(3)(C)(ii) of the INA and §655.810(b)(2).	1952	2018	Maximum $7,520.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
8 U.S.C. 1182(n)(2)(c)(ii) 20 C.F.R. 655.810(b)(2)	Immigration & Nationality Act (H-1B). (1) A willful failure pertaining to wages/working conditions (§§655.731, 655.732), 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 U.S. worker), or recruitment. (2) A willful misrepresentation of a material fact on the labor condition application; or (3) Discrimination against an employee (§655.801(a)).	1952	2018	Maximum $7,520 per violation.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
8 U.S.C. 1182(n)(2)(c)(iii) 20 C.F.R. 655.810(b)(3)	Immigration & Nationality Act (H-1B). (1) A willful failure pertaining to wages/working conditions (§§655.731, 655.732), 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 U.S. worker), or recruitment. (2) A willful misrepresentation of a material fact on the labor condition application. (3) Discrimination against an employee (§655.801(a)).	1952	2018	Maximum $52,641 per violation.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
8 U.S.C. 1188(g)(2) 29 C.F.R. 501.19(c)	Immigration & Nationality Act (H-2A). Violation of the work contract or a requirement of 8 U.S.C. 1188, 20 CFR part 655 subpart B, or the regulations in this part.	1952	2018	Maximum $1,692 per violation.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
8 U.S.C. 1188(g)(2) 29 C.F.R. 501.19(c)(1)	Immigration & Nationality Act (H-2A). Willful violation of the work contract, or of 8 U.S.C. 1188, 20 CFR part 655, subpart B, or the regulations in this part, or for each act of discrimination prohibited by §501.4.	1952	2018	Maximum $5,695.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
8 U.S.C. 1188(g)(2) 29 C.F.R. 501.19(c)(2)	Immigration & Nationality Act (H-2A). Violation of a housing or transportation safety and health provision of the work contract, or any obligation under 8 U.S.C. 1188, 20 CFR part 655, subpart B, or the regulations in this part, that proximately causes the death or serious injury of any worker.	1952	2018	Maximum $56,391 per worker.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
8 U.S.C. 1188(g)(2) 29 C.F.R. 501.19(c)(4)	Immigration & Nationality Act (H-2A). Repeat or willful violation of a housing or transportation safety and health provision of the work contract, or any obligation under 8 U.S.C. 1188, 20 CFR part 655, subpart B, or the regulations in this part, that proximately causes the death or serious injury of any worker.	1952	2018	Maximum $112,780 per worker.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
8 U.S.C. 1188(g)(2) 29 C.F.R. 501.19(d)	Immigration & Nationality Act (H-2A). Violation for failure to cooperate with a WHD investigation.	1952	2018	Maximum $5,695 per investigation.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
8 U.S.C. 1188(g)(2) 29 C.F.R. 501.19(e)	Immigration & Nationality Act (H-2A). Violation for laying off or displacing any U.S. 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	2018	Maximum $16,917 per violation per worker.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
8 U.S.C. 1188(g)(2) 29 C.F.R. 501.19(f)	Immigration & Nationality Act (H-2A). Violation for improperly rejecting a U.S. worker who is an applicant for employment, in violation of 8 U.S.C. 1188, 20 CFR part 655 subpart B, or the regulations in this part.	1952	2018	Maximum $16,917 per violation per worker.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
8 U.S.C. 1184(c)(14) 29 C.F.R. 503.23(b)	Immigration & Nationality Act (H-2B). For violation of any provisions of §503.16 related to wages, impermissible deductions or prohibited fees and expenses, the Administrator, WHD, may assess civil money penalties that are equal to the difference between the amount that should have been paid and the amount that actually was paid to such worker(s).	1952	2018	Maximum $12,383 per violation.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
8 U.S.C. 1184(c)(14) 29 CFR 503.23(c)	Immigration & Nationality Act (H-2B). For violation related to termination by layoff or otherwise or has refused to employ any worker in violation of §503.16(r), (t), or (v), within the periods described in those sections, the Administrator, WHD may assess civil money penalties that are equal to the wages that would have been earned but for the layoff or failure to hire.	1952	2018	Maximum $12,383 per violation.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
8 U.S.C. 1184(c)(14) 29 C.F.R. 503.23(d)	Immigration & Nationality Act (H-2B). Any other violation that meets the standards described in section 503.19.	1952	2018	Maximum $12,383 per violation.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)
29 U.S.C. 1853(a)(1) 29 C.F.R. 500.1(e)	Migrant and Seasonal Agricultural Worker Protection Act (MSPA). The Act empowers the Secretary of Labor to enforce the Act, conduct investigations, issue subpenas and, in the case of designated violations of the Act, impose sanctions. As provided in the Act, the Secretary is empowered, among other things, to impose an assessment and to collect a civil money penalty.	1983	2018	Maximum $2,443 for each violation.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
41 U.S.C. 6503(b) 41 C.F.R. 50-201.3(e)	Walsh-Healey Public Contracts Act (PCA). Any breach or violation of any of the foregoing representations and stipulations shall render the party responsible therefor liable to the United States of America for liquidated damages, in addition to damages for any other breach of the contract per day for each person under 16 years of age, or each convict laborer knowingly employed in the performance of the contract.	1936	2018	$26 per day for each person under 16 years of age or each convict laborer knowingly employed.	WHD	https://www.ecfr.gov/ 83 FR 7, 15-19 (January 2, 2018)

For EBSA's specific penalty amounts, please refer to Location for Penalty Update Details.

Grants Oversight and New Efficiency Act (GONE Act)

Summary table GONE Act 1 below describes the Department's grant and cooperative agreement awards (awards) and balances for which closeout has not yet occurred but for which the period of performance has elapsed more than two years based on the FY 2017 reporting date with zero dollar and undisbursed balances as reported in the U.S. Department of Health and Human Services (HHS), Payment Management System (PMS) as of September 30, 2018.

Description	Awards with Zero Dollar and Undisbursed Balances as reported in PMS*							
	2-3 Years		>3-5 Years		> 5 Years		Total	
	Awards	Amount	Awards	Amount	Awards	Amount	Awards	Amount
Total Zero Dollar Balances	5	-	51	-	137	-	193	-
Total Undisbursed Balances	73	$2,506,233.19	52	$3,924,239.49	38	$2,006,581.52	163	$8,437,054.20
Total Zero Dollar and Undisbursed Balances	**78**	**$2,506,233.19**	**103**	**$3,924,239.49**	**175**	**$2,006,581.52**	**356**	**$8,437,054.20**

*The expiration age is calculated based on the FY 2017 reporting date.

The above summary table displays the Department's awards for which the period of performance has elapsed more than two years in the Health and Human Services, PMS. The majority of those awards held have been administratively closed out in the Department's Financial Management System upon required work associated with the awards have been completed. In addition, the Department awards shown in PMS include disbursed contracts that are outside the scope of GONE Act reporting.

The Department has robust procedures and dedicated resources to ensure the timely closeout of awards after the period of performance. In FY 2018, the Department has closed out 94 percent or 5,245 of the 5,601 awards reported in FY 2017. Forty-seven percent or 169 of 356 remaining awards are contracts that are outside the scope of the GONE Act reporting. The Department is continuing to aggressively work with HHS to expedite the closeout of the remaining 187 awards in PMS. Close out for these awards was delayed mainly due to financial reporting reconciliation.

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Acronyms

AFR	Agency Financial Report
ARRA	American Recovery and Reinvestment Act
BAM	Benefit Accuracy Measurement
BLDTF	Black Lung Disability Trust Fund
BLS	Bureau of Labor Statistics
BPC	Benefit Payment Control
CAP	Corrective Action Plan
CBO	Congressional Budget Office
CIO	Chief Information Officer
COLA	Cost of Living Allowance/Adjustment
CPIM	Consumer Price Index-Medical
CPI-U	Consumer Price Index-Urban
CPP	Clean Power Plan
CSEOA	Community Service Employment for Older Americans
CSRS	Civil Service Retirement System
CY	Current Year
DFEC	Division of Federal Employees' Compensation
DMF	Death Master File
DM&R	Deferred Maintenance and Repairs
DNP	Do Not Pay
DOE	U.S. Department of Energy
DOL	U.S. Department of Labor
DVOP	Disabled Veterans Outreach Program
EB	Extended Benefits
EBSA	Employee Benefits Security Administration
EEOICPA	Energy Employees Occupational Illness Compensation Program Act
ERISA	Employee Retirement Income Security Act
ES	Employment Service
ESAA	Employment Security Administration Account
ETA	Employment and Training Administration
EUC	Emergency Unemployment Compensation
EUCA	Extended Unemployment Compensation Account
FASAB	Federal Accounting Standards Advisory Board
FAUC	Federal Additional Unemployment Compensation
FCI	Facilities Condition Index
FEC	Federal Employees Compensation
FECA	Federal Employees' Compensation Act

FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act
FLSA	Fair Labor Standards Act
FMFIA	Federal Managers' Financial Integrity Act
FUA	Federal Unemployment Account
FUTA	Federal Unemployment Tax Act
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GSA	U.S. General Services Administration
HVRP	Homeless Veterans' Reintegration Program
ILAB	Bureau of International Labor Affairs
IP	Improper Payments
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPIA	Improper Payments Information Act
IT	Information Technology
JVSG	Jobs for Veterans State Grants
LVER	Local Veterans Employment Representative
MSHA	Mine Safety and Health Administration
NASWA	National Association of State Workforce Agencies
NCFMS	New Core Financial Management System
NDNH	National Directory of New Hires
NIOSH	National Institute for Occupational Safety and Health
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
ODEP	Office of Disability Employment Policy
OFCCP	Office of Federal Contract Compliance Programs
OIG	Office of Inspector General
OJC	Office of Job Corps
OLMS	Office of Labor-Management Standards
OMB	Office of Management and Budget
OPM	U.S. Office of Personnel Management

OSH Act	Occupational Safety and Health Act
OUI	Office of Unemployment Insurance
OWCP	Office of Workers' Compensation Programs
PP&E	Property, Plant, and Equipment
PY	Prior Year/Program Year
RECA	Radiation Exposure Compensation Act
RMO	Responsible Mine Operator
SAM	System for Award Management
SBR	Statements of Budgetary Resources
SCOTUS	Supreme Court of the United States
SCSEP	Senior Community Service Employment Program
SCSIA	Statements of Changes in Social Insurance Amounts
SFFAS	Statement of Federal Financial Accounting Standards
SIDES	State Information Data Exchange System
SOSI	Statements of Social Insurance
SSA	U.S. Social Security Administration
SWA	State Workforce Agency
TAA	Trade Adjustment Assistance
TAACCCT	Trade Adjustment Assistance Community College and Career Training
TOP	Treasury Offset Program
UC	Unemployment Compensation
UCFE	Unemployment Compensation for Federal Employees
UCX	Unemployment Compensation for Ex-Service Members
UI	Unemployment Insurance
U.S.C.	United States Code
USCA	U.S. Court of Appeals
USERRA	Uniformed Services Employment and Reemployment Rights Act
USPS	United States Postal Service
UTF	Unemployment Trust Fund
VETS	Veterans' Employment and Training Service
WB	Women's Bureau
WHD	Wage and Hour Division
WIA	Workforce Investment Act
WIOA	Workforce Innovation and Opportunity Act

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