Office of Inspector General

U.S. Department of Labor's Top Management and Performance Challenges

January 2026

As required by the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) has identified the most serious management and performance challenges facing the U.S. Department of Labor (Department or DOL).

These challenges are included in DOL's "Agency Financial Report" for FY 2025.

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 the era of shrinking resources.

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In this report, we summarize the challenges facing the Department, significant progress to date, and what remains to be done. The challenges we identified are:

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CHALLENGE:

Reducing Unemployment Insurance Improper Payments

BACKGROUND

The unemployment insurance (UI) program is a joint federal-state program with each state[1] administering a separate UI program under its own laws while following uniform guidelines established by federal law. The UI program provides benefits to eligible workers who are unemployed through no fault of their own and meet other state eligibility requirements. UI benefits are typically funded by state employer taxes, with administrative costs covered by the federal government. However, during emergencies, enhanced UI benefits are generally funded federally. The U.S. Department of Labor's (Department or DOL) Employment and Training Administration (ETA) is responsible for providing UI program direction and oversight.

As outlined on our UI oversight webpage, for over 20 years, the Office of Inspector General (OIG) has reported on weaknesses in the Department's ability to measure, report, and reduce UI program-related improper payments. The UI program has experienced some of the highest improper payment rates across the federal government, with an estimated rate above 10 percent[2] for 18 of the last 21 years.[3] This challenge is underscored by the Department's reporting over the last 4 years of historically high improper payment rates, including fraud, in the UI program. Specifically, the Department reported an estimated improper payment rate of 18.71 percent for Fiscal Year (FY) 2021 and 21.52 percent for FY 2022. Based on our audit and investigative work, the actual improper payment rate for these periods was likely higher. In our Payment Integrity Information Act compliance reports, we reported that the estimated improper payment rate for FY 2023 and FY 2024 was 14.83 and 14.41 percent, respectively. However, these estimated improper payment rates remain above pre-pandemic levels and continue to fall short of federal requirements.

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1 When pertaining to UI, this Top Management and Performance Challenges report uses "state" or "state workforce agency" to refer to the administrative body that administers the program within the state, district, or territory. For the 50 states, as well as the U.S. Virgin Islands, the Commonwealth of Puerto Rico, and the District of Columbia, that administrative body is a state workforce agency. There are, therefore, 53 state workforce agencies that signed agreements with the Department to administer pandemic-related UI programs under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act also provided certain UI benefits to American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, Guam, the Marshall Islands, and the Republic of Palau, provided they signed an agreement with the Department.

2 To fully comply with the Payment Integrity Information Act of 2019, agencies must report an improper payment rate of less than 10 percent for each program and activity for which an estimate was published.

3 UI improper payments data for FY 2004 through FY 2024 as reported to the Office of Management and Budget.

The long-standing challenge with UI improper payments can be further exacerbated in times of crisis, including natural disasters and economic downturns.[4] The COVID-19 pandemic exposed and magnified long-standing vulnerabilities—such as outdated information technology (IT) systems, staffing shortages, and inadequate fraud prevention. Although DOL and states have implemented several reforms, these weaknesses continue to pose risks and highlight the need for long-term solutions to safeguard the UI program. These are not just historical problems—they are critical lessons for the future.

WHAT IS AN IMPROPER PAYMENT?

A payment is improper if it should not have been made or was to the wrong recipient.

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Examples include overpayments and underpayments.

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An improper payment can be unintentional or intentional.

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Intentional improper payments are more commonly referred to as financial fraud.

In a December 2024 joint audit report issued by DOL-OIG and the U.S. Small Business Administration (SBA) OIG, we found data sharing and matching between ETA and SBA could mitigate the risk of fraudulent UI benefit payments and SBA disbursements. Both OIGs found data matching worked as a tool to identify potential fraud. Without systemic improvements—such as data sharing and matching between federal agencies—the UI program remains vulnerable to high improper payment rates, including fraud, and is not adequately equipped to respond to the next national emergency.

CHALLENGE FOR THE DEPARTMENT

The Department continues to face challenges in ensuring UI improper payments are reduced—first and foremost through prevention. When prevention fails, timely and accurate detection and reporting—as well as recovery of funds, as practicable—become essential. Furthermore, the Department should ensure that states' finality laws do not negatively impact their abilities to protect the integrity of the UI program. If sufficient action to course correct is not taken, improper payments within the UI program will likely remain high.

[4] Examples include hurricanes, the Great Recession, and the COVID-19 pandemic. For instance, we identified over $100 million in potential improper payments related to UI program benefits in response to the devastating impact of Hurricanes Katrina and Rita in 2005. States also did not detect an estimated $6.5 billion in improper payments from the UI funding provided by the American Recovery and Reinvestment Act of 2009.

Improper payments have largely resulted from four primary causes. First, some claimants fail to demonstrate that they meet their states' requirements for searching for new jobs (work search).[5] Second, some claimants continue to claim UI benefits after returning to work or misreport earnings (benefit year earnings). Third, some employers, or their third-party administrators, fail to provide prompt and adequate information about why individuals left their employment (employee separation). Fourth, individuals and criminal groups intentionally commit deceptive acts related to the payment or collection of UI benefits.[6]

Prevention

One key challenge in preventing improper payments is ensuring UI benefits are paid to only those individuals eligible under program requirements. Accurate initial determinations of eligibility are critical to ensuring benefits are issued correctly. States struggle to accurately determine eligibility and identify sophisticated fraud schemes due to factors such as limited staff and outdated IT systems.

Our audit work confirmed staffing and system capability issues remain persistent challenges that undermine the integrity of the UI program. In over 80 percent of our pandemic-related UI audits, we identified staffing shortages and outdated IT systems as contributing factors for the issues found. For example, in our November 2024 audit report on states' use of staffing, we found ETA, with Office of Management and Budget approval, allowed states to temporarily suspend the Benefit Accuracy Measurement (BAM) program[7] and reassign BAM program staff to claims processing. Of the six state workforce agencies (SWA) we selected to audit, five considered their staffing levels insufficient to process the volume of initial UI claims received. According to ETA's FY 2024 Unemployment Insurance Integrity Strategic Plan (Strategic Plan), states continued to face significant challenges with staff turnover and outdated IT systems.

Detection

Over the past 5 years, we have continued to identify internal control weaknesses in the UI program that lead to improper payments, including fraud. Currently, states face ever-evolving

[5] The Middle Class Tax Relief and Job Creation Act of 2012 requires that individuals receiving UI benefits must be able to work, available to work, and actively seeking work, as a condition of eligibility for regular compensation for any week. Accordingly, states generally require unemployed workers to demonstrate they were actively seeking work. Work search overpayments occur when states pay UI claimants who do not comply with a state's required work search activities.

[6] ETA has included fraud as an element of the leading causes rather than as a separate cause. For Program Year 2024, ETA reported the top three causes for overpayments resulted in more than $3.7 billion in overpayments. For this same period, over $1.8 billion in improper payments was attributable to fraud. Overpayments, a subset of improper payments, constitute the majority of improper payments.

[7] BAM provides the basis for assessing the accuracy of UI payments, a process from which the estimated annual improper payment rate is derived.

fraud schemes, including those by malicious cyber-enabled[8] bad actors and criminal enterprises, which can overwhelm state systems. Our work identified that the pandemic turned UI benefits into a lucrative target for criminals who continue to focus on the program and adapt their tactics to exploit systemic weaknesses.

Criminals continue to focus on the UI program and adapt their tactics to exploit systemic weaknesses.

Fraud risk to the UI program did not end with the pandemic. For example, in FY 2024, fraud rates in some states, such as New York and Rhode Island, remained at over 20 percent—equating to more than $1 in every $5 paid to fraudsters.[9] ETA's Strategic Plan reported underfunding and outdated technology have limited states' responsiveness. The Strategic Plan also reported states worked to combat relentless fraud schemes—such as cyberattacks, claims filed with stolen identities, and spoofing of state UI websites to steal personally identifiable information—that circumvent many prevention and detection tools.

Establishing a data analytics capability with a dedicated team of data scientists at the federal level would allow ETA to monitor and analyze UI claims data on an ongoing basis. ETA would then be able to identify high-risk areas across multiple states and quickly flag potentially fraudulent claims to refer to the OIG for investigation and states for further action. These early detection flags could help prevent losses due to fraud. For example, in our September 2023 alert memorandum on the incorporation of data analytics capability to improve UI program oversight, our investigators, auditors, and data scientists collaboratively reported a cumulative $46.9 billion in potentially fraudulent UI benefits paid from March 2020 to April 2022 in six high-risk areas, involving claims with Social Security numbers (SSN):

- filed in multiple states,
- of deceased persons,
- used to file UI claims with suspicious email accounts,
- of federal prisoners,
- belonging to individuals under 14 years of age, and
- belonging to individuals 100 years of age or older.

We shared our claimant data and methodology for identifying claimants in the six high-risk areas with ETA. ETA subsequently transmitted the claimant data associated with potentially

[8] Per Executive Order 13984, issued January 19, 2021, "the term 'malicious cyber-enabled activities' refers to activities, other than those authorized by or in accordance with United States law that seek to compromise or impair the confidentiality, integrity, or availability of computer, information, or communications systems, networks, physical or virtual infrastructure controlled by computers or information systems, or information resident thereon."

[9] Based on publicly reported data from ETA's 2024 Improper Payments 1-Year Data

fraudulent UI claims to 53 SWAs and Guam with instructions and requirements on investigations and due process. Our August and September 2025 audit work in three of the six high-risk areas—UI claims filed in multiple states, using deceased persons SSNs, and using suspicious email accounts—found that many states confirmed some UI benefits paid were fraudulent. However, ETA did not monitor nor require states to report the results of research or investigations of potentially fraudulent UI claims, which would have assisted ETA in identifying high-risk areas for UI fraud.

Since June 2020, the OIG has been the leading federal entity collecting pandemic-related UI claimant data from states nationwide, performing risk assessments, and identifying high-risk areas. These efforts should not be left to the OIG's independent oversight. As the oversight agency with programmatic responsibility for UI programs, ETA is responsible for establishing a routine program integrity function. With the support of the Chief Financial Officer as the designated anti-fraud entity, ETA needs to: (1) perform its own data analytics and risk assessments, (2) identify high-risk areas, and (3) update its UI Fraud Risk Profile.

Furthermore, our investigators have identified crimes related to UI fraud both throughout the United States and by foreign bad actors, resulting in the conviction of over 1,700 criminals since April 2020. Notable recent cases include a criminal organization involved in murder and narcotics trafficking, former federal and state employees targeting UI funds, and federal and state inmates committing fraud. Additionally, the OIG is collaborating with foreign government partners to seek prosecution or seizure of assets abroad in relation to UI fraud schemes.

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Reporting

States' incomplete and inaccurate reporting has consistently undermined oversight of the UI program. In our May 2021 report on Coronavirus Aid, Relief, and Economic Security (CARES) Act implementation, we found that, during the first 6 months of the CARES Act, states did not complete required reporting for nonfraudulent and fraudulent overpayments. In FY 2021, this, in part, resulted in the Department receiving its first qualified opinion on its consolidated financial statements in 25 years. Most recently, in November 2024, for the fourth consecutive year, we issued a qualified opinion on the Department's consolidated financial statements and reported a material weakness related to the UI program.

In August 2022, we issued an alert memorandum concluding ETA needs to ensure SWAs report activities related to CARES Act UI programs. Specifically, we reported some states continued to fail to submit quarterly ETA 227 (Overpayment Detection and Recovery Activity) reports to ETA or inaccurately reported zero activity for overpayments in CARES Act UI

programs. In August and September 2025, we issued the following four reports: UI claims filed in multiple states, UI claims filed using deceased persons SSNs, UI claims filed using suspicious email accounts, and pandemic UI overpayment recovery waivers. In each audit, we found that many states still had not completed required reporting on UI overpayments, including fraud. The lack of accurate state performance information hinders Congress' and ETA's ability to assess state activities, identify program weaknesses, and improve future temporary programs. Accurate and complete reporting is critical not only for oversight of past programs, but also to ensure accountability in future emergency benefit programs.

To meet improper payment reporting requirements, ETA uses the BAM program. BAM is designed to identify systemic errors, determine their root causes, and estimate the improper payment rates using random weekly samples of UI claims. However, BAM may not accurately reflect the true rate or causes of improper payments because it relies on statistical sampling and complex, inconsistently applied criteria. Our September 2021 report on the need for more consistent state requirements concluded the agency was unable to consistently reduce overpayments mainly because states had varying Work Search laws and requirements, with some more stringent than others. ETA acknowledged that states with more stringent work search requirements tended to have higher Work Search overpayment rates. The OIG plans to assess ETA's use of the BAM system as a tool to: (1) measure the accuracy of states' paid and denied claims and (2) identify root causes to reduce improper payments in UI programs.

Recovery

Recovering UI overpayments is a key component of program integrity and is essential to protecting both state UI trust funds and federal funding. To ensure accountability, overpayment recovery must be given the same level of priority as fraud prevention and detection. States are responsible for recovering UI overpayments promptly and efficiently and must make every possible effort to recover fraudulent overpayments using all available resources. ETA is responsible for overseeing and monitoring state recovery efforts to ensure compliance with federal requirements.

For example, as stated in the OIG's March 2023 congressional testimony, we estimated states may have paid $191 billion improperly during the COVID-19 pandemic period, including $76 billion in fraudulent benefits. ETA and individual states continue to face the daunting task of recovering these overpayments. From April 1, 2020, to September 30, 2025, states

have reported recovering approximately $10 billion in improperly paid UI program funds, including $2 billion that was fraudulently obtained.[10] It is notable that the statute of limitations for many pandemic-related UI fraud cases has begun to expire. Further, as time passes, it will be increasingly difficult to investigate and close the cases that are still within statute.

States have reported recovering approximately $2 billion of the estimated $76 billion in fraudulent UI funds paid. The statute of limitations pertaining to the majority of these UI cases has begun to expire.

We are also concerned that the ability of SWAs to recover pandemic-related UI overpayments is negatively affected by the waiver authority granted by the CARES Act, including blanket waivers that allow states to waive the recovery of multiple claimants' overpayments at once using a single set of facts instead of on a case-by-case basis. In September 2025, we reported ETA's guidance and oversight did not ensure states waived recovery of only eligible overpayments for the three key pandemic-related UI programs[11] from March 2020 through June 2023. Specifically, we estimated the recovery of more than $240 million—including $65 million in fraud—was improperly waived by Michigan and Massachusetts, two of the states that reported the highest dollar amount of overpayment recoveries waived.

Impact of State Finality Laws on Detection and Recovery of UI Overpayments

In December 2023, ETA issued Unemployment Insurance Program Letter No. 05-24, which authorized SWAs to apply state finality laws that limit the length of time to reconsider a prior determination made on CARES Act-funded UI claims. The OIG is concerned that, by applying state finality laws to pandemic-related UI claims, states will not have an incentive to identify and report overpayments and fraud, or to re-examine improper decisions to waive the recovery of overpayments. We emphasized this concern in the following five 2025 audit reports: federal UI improper payments recovery needs improvements, UI claims filed in multiple states, UI claims filed using deceased persons SSNs, UI claims filed using suspicious email accounts, and pandemic UI overpayment recovery waivers. This may hinder the recovery of overpayments and the detection of fraud. For example, the OIG's August and September 2025 audit work in three high-risk areas—UI claims filed in multiple states, using deceased persons SSNs, and using suspicious email accounts—found several states had backlogs of UI claims to

[10] This recovery amount includes benefits paid under regular UI, Federal Pandemic Unemployment Compensation, Pandemic Unemployment Assistance, Pandemic Emergency Unemployment Compensation, and Mixed Earners Unemployment Compensation. Some of these recoveries may apply to overpayments made after September 6, 2021, when the pandemic period ended.

[11] The CARES Act established three key new UI programs: Pandemic Unemployment Assistance, Federal Pandemic Unemployment Compensation, and Pandemic Emergency Unemployment Compensation.

review for establishment and reporting of fraudulent overpayments. However, if the period for reconsideration has elapsed, the SWAs are not required to conduct the reviews necessary to determine if the benefits were properly paid or were instead overpayments, including fraudulent overpayments.

The application of finality laws contributes to unrecoverable debt owed to the federal government and taxpayers. Also, allowing states to use finality laws reinforces the need for robust initial oversight and controls to prevent and detect improper payments in state UI programs. Improper payment recovery activities are crucial for maintaining the integrity of the unemployment benefits system and public trust in these programs.

DEPARTMENT'S PROGRESS

The Department has emphasized its progress addressing challenges in the UI program. In April 2024, the Department published Building Resilience: A Plan for Transforming Unemployment Insurance to revamp the UI program. According to DOL, this plan represents a more complete account of activities and strategies underway, as well as those being pursued by the Department—along with recommendations for necessary legislative action. The plan is structured around DOL's key action areas:

- adequately funding UI administration,
- delivering high-quality customer service,
- building resilient and responsive state IT systems,
- bolstering state UI programs against fraud,
- ensuring access to robust benefits and services,
- rebuilding and stabilizing the long-term funding of state UI benefits, and
- strengthening reemployment and connections to suitable work.

As part of efforts to bolster state UI programs against fraud, the Department made a nationwide tool available for states to strengthen identity verification. In addition, the Department is supporting states through anti-fraud strategies such as the UI Integrity Center, which partnered with the U.S. Department of the Treasury's Bureau of the Fiscal Service to provide states access to the Do Not Pay system. The Do Not Pay system helps states support eligibility determinations and provides analytics services for agencies. Also, as of June 2025, 41 states were either connected to or establishing a connection to the Social Security Administration's Prisoner Update Processing System to help identify UI claims filed with incarcerated individuals' SSNs. In July 2025, the Department issued Unemployment Insurance Program Letter No. 13-25 emphasizing the role of data analytics in identifying potentially fraudulent activity and requiring financial institutions to stop suspicious payments and withhold affected funds.

Further, on August 29, 2025, DOL issued a proposed rule requesting public comments by September 29, 2025, to require the regular disclosure of confidential state unemployment

compensation claims data to federal officials for UI program oversight activities, including audits. This rule will grant the OIG access to information needed to ensure proper oversight and identify and address fraud in the UI program. In the interim, ETA required the sharing of state UI data as a condition of fraud prevention grants to provide such access through 2025, and issued guidance supporting additional grants that would provide access for potentially the next 2 to 5 years. On May 22, 2025, the Department terminated these pandemic-funded grants. In June 2025, ETA amended the FY 2025 non-pandemic grants, including the base UI administrative grants. These grant amendments included the addition of terms and conditions to provide the OIG direct access to state UI information through December 2025. Furthermore, non-pandemic grants for FY 2026 include the same provision, extending OIG data access through December 2026.

Having awarded the last grants under the American Rescue Plan Act of 2021 as of September 2023, DOL began rescinding portions of unspent grant funds in 2025. ETA awarded grants totaling $780 million to 52 SWAs to prevent and detect fraud, promote access, ensure timely benefit payments, and reduce backlogs.[12] The Department is currently undergoing a comprehensive review of SWAs' uses of American Rescue Plan Act funding.

To support the Department's UI program transformation efforts, the OIG continues to provide independent oversight to identify opportunities for greater government efficiency and cost savings. For example, in June 2025—in response to an OIG recommendation from our September 2023 audit on the need for ETA to develop a plan to reconcile and return funds unused by states for a temporary UI program—the Department returned more than $4.4 billion in unspent pandemic-related UI funds to American taxpayers via the U.S. Department of the Treasury's General Fund.

Despite the many improvements made by the Department over the last few years, we remain concerned that the UI program is not sufficiently prepared for the next national emergency.

WHAT REMAINS TO BE DONE

It is crucial that the Department take proactive steps to improve improper payment prevention, detection, reporting, and recovery. These improvements are essential in ordinary circumstances, and their importance escalates during emergencies.

[12] The American Rescue Plan Act of 2021 initially allotted $2 billion to UI initiatives; however, $1 billion was rescinded by the Fiscal Responsibility Act of 2023.

For the UI program, the Department needs to:

- Continue to work with states to modernize their UI program systems, upgrade their technological capabilities, and leverage technology and automated solutions to protect federal benefits from improper payments, including fraud.
- Issue guidance amending DOL's interpretation of its regulations governing disclosure of UI information (20 C.F.R. § 603.5 and § 603.6(a)) to require SWAs to disclose UI data to the OIG on an ongoing basis for all purposes authorized under the Inspector General Act of 1978, as amended, including audits, evaluations, and investigations. This needs to be done by the end of 2026, when FY 2026 grants to states begin to expire and the OIG's direct access to state UI information could again be impeded.
- Obtain access to state UI data and wage records and develop a data analytics capability at the federal level to regularly monitor the data to proactively detect and prevent improper payments, including fraud, and to identify trends and emerging issues that could negatively impact the UI program.
- Implement OIG recommendations on reporting, including by:
  - assisting states with claims, overpayment, and fraud reporting to create clear and accurate information; then, using the overpayment and fraud reporting to prioritize and assist states with fraud detection and recovery;
  - designing and implementing controls over certain UI program estimates to ensure management's review of the estimates are performed and documented at a sufficient level of detail; and
  - designing and implementing controls to timely reconcile state monthly financial summary reports to the Department's financial statements and determine the appropriate accounting treatment for adjustments.
- Issue guidance to the states on procedures and requirements for:
  - accessing the $265 million in Temporary Full Federal Funding of the First Week of Compensable Regular Unemployment for States with No Waiting Week (TFFF) program funds reserved for states' unpaid TFFF expenditures, and
  - reconciling TFFF accounts and returning any remaining, unused TFFF funds.
- Determine the proper disposition of excess Emergency Unemployment Relief for Governmental Entities and Nonprofit Organizations program funds and take necessary actions, including recovery of questioned costs of up to $24 million.

CHALLENGE:

Protecting the Safety and Health of Workers

BACKGROUND

Federal law requires that U.S. employers provide safe and healthy workplaces for their employees. Failure to keep workplaces free of known safety and health hazards can lead to injuries, illnesses, fatalities, and serious legal consequences. The Federal Mine Safety and Health Act of 1977 and the Occupational Safety and Health Act of 1970 are federal laws administered by, respectively, the Mine Safety and Health Administration (MSHA) and the Occupational Safety and Health Administration (OSHA) to keep employees safe and healthy at work. MSHA is responsible for the safety and health of more than 327,000 miners who work at nearly 13,000 mines, and OSHA is responsible for the safety and health of approximately 144 million workers employed at more than 11.6 million worksites.

CHALLENGE FOR THE DEPARTMENT

MSHA and OSHA face significant challenges in completing their mandates to ensure the protection of American workers' safety and health, particularly in high-risk industries such as underground and surface mining, health care, meat packing, agriculture, construction, fishing, forestry, and manufacturing.

Specifically, MSHA is challenged with the following:

- completing mandatory inspections,
- writing violations and verifying operators abated hazards timely,
- protecting miners from exposure to high silica levels, and
- reducing the number of powered haulage[13] and machinery accidents.

OSHA is challenged with the following:

- employers' reporting of injuries and illnesses,
- inspecting enough worksites with limited inspectors, and
- addressing workplace violence.

In October 2023, the OIG reported MSHA had not completed mandatory inspections mostly due to the elimination of inspection requirements when a mine was initially inaccessible by

[13] Powered haulage is the use of motorized equipment to move materials, people, and equipment in mining operations. This includes vehicles like haul trucks, front-end loaders, and forklifts, as well as belt conveyors and vertical lifts.

an inspector. This led to MSHA not inspecting 176 mines for at least 2—and, in some cases, 4—consecutive years. In November 2024, the OIG issued an alert memorandum on miner safety and health notifying leadership that MSHA had failed to sufficiently identify its own jurisdiction and had never conducted mandatory mine inspections in at least three U.S. territories[14] where mining activity has occurred.

In these October 2023 and November 2024 products, the OIG also found MSHA was not maintaining accurate mine statuses in its systems, which impacts how many inspections MSHA conducts at a mine. If a mine is put in the wrong status, it might not receive the number of inspections required by the Federal Mine Safety and Health Act of 1977. Additionally, these products noted MSHA inaccurately reported a 100 percent completion rate for mandatory inspections. Further, we are seeing a similar contradiction again in its FY 2026 budget request, as MSHA stated it anticipates completing 100 percent of mandatory inspections in FY 2026. However, the budget request indicated MSHA will not be able to meet its obligations under the Federal Mine Safety and Health Act of 1977—including inspections—in the U.S. territories under its jurisdiction until FY 2027. Without completing inspections in the territories in FY 2026, MSHA cannot achieve a 100 percent completion rate for its mandatory inspections.

During mandatory inspections and other activities, MSHA inspectors write violations to mine operators who do not comply with the Federal Mine Safety and Health Act of 1977 or MSHA regulations. However, in March 2021 we reported MSHA did not properly manage its violations process, which jeopardizes MSHA's mission to maintain miner safety. We found thousands of violations written by MSHA inspectors did not comply with the Federal Mine Safety and Health Act and MSHA requirements, including more than 2,000 violations that were vacated without sufficient justification. We also found inspectors inappropriately extended operators' due dates for the convenience of MSHA—such as when inspectors were unable to return to a mine on a timely basis—or for reasons that did not appear reasonable (e.g., extending even though an operator said it had already abated the hazard). The unjustified decisions to vacate violations and grant extensions to operators are both long-standing issues for MSHA and were previously identified during the agency's own internal reviews of mining disasters that occurred from 2001 through 2010.[15] We also reported that, nearly a third of the time, MSHA inspectors failed to verify operators abated hazards by MSHA's due date—potentially exposing miners to hazards longer than necessary. These issues are compounded by MSHA's failure to fully implement our 2019 recommendations to improve MSHA's pre-assessment conferencing program, in which mine operators can challenge violations they feel MSHA inspectors did not write correctly.

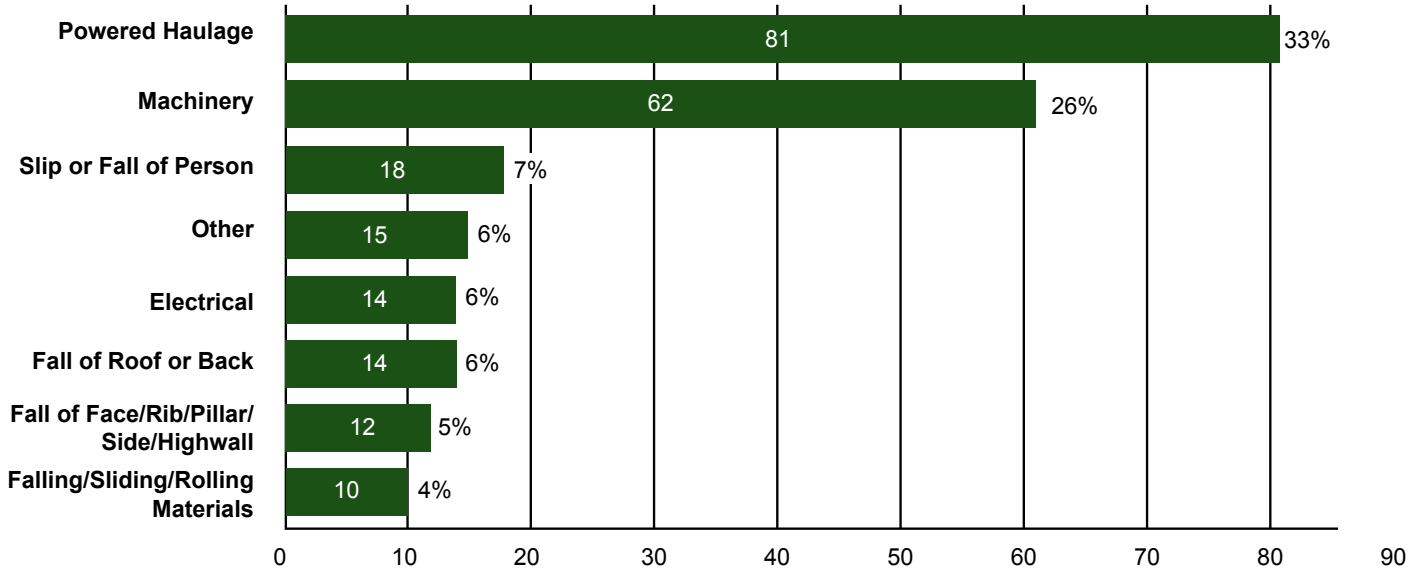
[14] The three territories are American Samoa, Guam, and the Commonwealth of the Mariana Islands—collectively, the Pacific Territories.

[15] MSHA Internal Review Reports for the No. 5 Mine, Jim Walter Resources; Sago Mine; Aracoma Alma Mine #1; Darby Mine No. 1; and Upper Big Branch Mine-South, available at: https://www.msha.gov/data-reports/mine-disaster-investigations-2000

The OIG is also focused on MSHA's efforts to better protect miners from exposure to respirable crystalline silica—a carcinogen and contributing cause of black lung disease—in coal mines. In our November 2020 audit on MSHA's needed improvements to protect coal miners from silica, we reported MSHA's silica exposure limit has remained unchanged for over 50 years, putting miners at risk of developing life-threatening health problems. On April 18, 2024, MSHA issued a final rule intended to lower miner exposure to silica dust. However, implementation of this rule has been delayed due to a temporary court order, which potentially leaves miners susceptible to higher levels of exposure. The OIG is also monitoring MSHA's progress to close a related audit recommendation. In our November 2020 report, we recommended MSHA enhance its sampling program to increase the frequency of inspector samples where needed, such as through implementation of a risk-based approach. While MSHA agreed to study this recommendation and determine the necessity of increasing the frequency of inspector sampling by November 2021, it has yet to provide the results of that study or any corrective actions.

Additionally, MSHA must make the reduction of powered haulage and machinery accidents a top priority. These accidents have accounted for more than half of all mine fatalities since 2018 (see Figure 1).

Figure 1: Number and Percentage of Top 8 Classes of Mining Fatalities, Calendar Years 2018–2025



Source: MSHA's Accident Injuries public dataset, as of September 19, 2025

Regarding OSHA, the agency has limited ability to focus inspection and compliance efforts where they are most needed because it has not effectively enforced its mandatory illness and injury reporting requirements for employers. Our September 2023 audit identified that,

on average, between 2016 and 2020,[16] 59 percent of establishments in all industries failed to report their mandatory annual injury and illness data to OSHA. Additionally, OSHA could not identify if an establishment met the criteria for mandatory reporting. Therefore, OSHA could neither proactively remind specific establishments that they must report, nor effectively cite employers for non-compliance. Employer under- and non-reporting continues to be a challenge for OSHA and results in an incomplete view of workplace injury and illness.

A lack of available inspectors can lead to fewer inspections, diminished enforcement in high-risk industries and, ultimately, greater risk of fatalities, injuries, or compromised health for workers.

With a decrease in federal inspectors—from 846 in February 2024 to 736 in June 2025—OSHA is challenged in reaching the nation's 11.6 million worksites. This challenge could compound due to staff attrition and other reductions. As we have reported since 2022, a lack of available inspectors can lead to fewer inspections, diminished enforcement in high-risk industries and, ultimately, greater risk of fatalities, injuries, or compromised health for workers. OSHA anticipates in 2026 it, along with its state partners, will have approximately 1,720 inspectors covering 144 million workers. This translates to about 1 inspector for every 84,000 workers.

[16] At the time of our fieldwork, Calendar Year 2021 data for the "Summary of Work-Related Injuries and Illnesses" form was not available.

Further, OSHA could enhance its efforts to address workplace violence, which may include taking regulatory action. Although fatalities due to workplace violence decreased from 849 in 2022 to 740 in 2023, workplace violence remains a top five leading cause of death for our nation's workers. Because OSHA does not have a workplace violence standard, it relies on the Occupational Safety and Health Act's General Duty Clause for enforcement. We plan to perform an upcoming audit to determine the effectiveness of the General Duty Clause in OSHA's enforcement efforts, including workplace violence.

DEPARTMENT'S PROGRESS

MSHA published its final rule on respirable crystalline silica on April 18, 2024, lowering the permissible exposure limit to 50 micrograms per cubic meter of air (µg/m3) for a full shift, calculated as an 8-hour time-weighted average for all miners. This rule is designed to lower miners' exposure to respirable crystalline silica and improve respiratory protection. However, before MSHA's silica final rule went into effect, several industry groups filed a request to block the rule's implementation. On April 11, 2025, the United States Court of Appeals for the Eighth Circuit issued an order staying the compliance deadlines for this rule until the court completes a review of the request. Accordingly, MSHA temporarily paused enforcement of the requirements in the silica final rule until the litigation is concluded.

MSHA continues its initiative to lower powered haulage accidents through guidance on preventing accidents and meeting with mine personnel to emphasize best safety practices and training. In addition, MSHA published a final rule on January 19, 2024, requiring mine operators to have written safety programs for surface mobile equipment (excluding belt conveyors) at surface mines and surface areas of underground mines. This final rule is a positive mitigating step, especially when paired with prevention outreach. MSHA officials noted that both machinery and powered haulage accidents were trending downward, with injuries in these categories approaching historic lows in 2025.

OSHA finalized a new injury and illness reporting rule that went into effect on January 1, 2024. The rule revises the injury and illness reporting requirements for employers by adding a new category of workplace—establishments with 100 or more employees in industries designated as very high-risk. Specifically, the rule requires: (1) continued annual submission of the "Summary of Work-Related Injuries and Illnesses" (300A) form, (2) new annual submission of the "Log of Work-Related Injuries and Illnesses" (300) form, and (3) new submission of the "Injury and Illness Incident Report" (301) form, which provides details on the injuries and illnesses suffered at these workplaces.

To support implementation of this reporting rule, OSHA advised it updated the data collection capabilities of its Injury Tracking Application. This included developing a methodology and applications to collect, process, and analyze individual case reports of establishment-specific occupational injury and illness data from establishments with 100 or more employees in certain high-risk industries nationwide. OSHA conducted an initial analysis of the data, assigned occupation codes to individual cases, developed guidance materials for data users, and began initial steps to categorize data. In the second year of data collection following the newly effective rule, OSHA received over 370,000 Form 300A submissions and over 732,000 Form 300 and 301 records from approximately 60,000 establishments, as of April 2025.

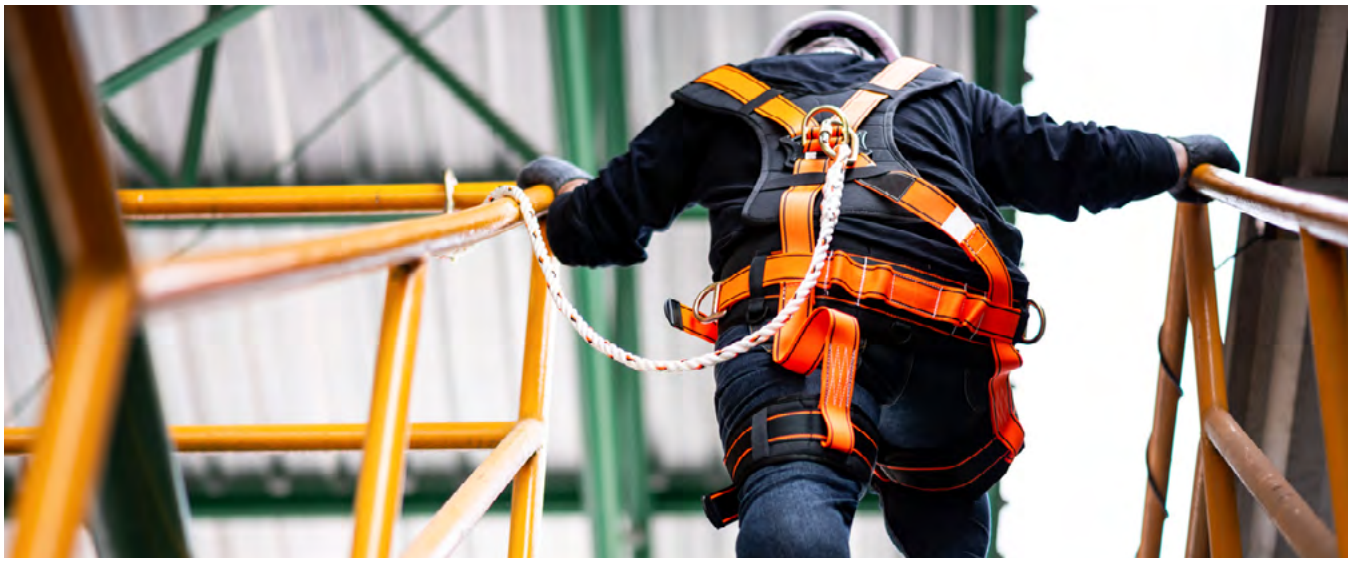
WHAT REMAINS TO BE DONE

To improve the safety and health of miners, MSHA needs to:

- Improve the internal control system for the mandatory inspections program.
- Improve internal controls related to its violation process.
- Implement its silica final rule once the temporary court order is resolved and enhance its sampling program to increase the frequency of inspector samples where needed.

To protect the safety and health of workers, OSHA needs to:

- Complete its initiatives to improve employer reporting of severe injuries and illnesses.
- Consider actions to address and prevent workplace violence.



CHALLENGE:

Enhancing Grant Management to Maximize Workforce Outcomes

BACKGROUND

ETA manages programs that provide U.S. workers with job training services to enhance their employment opportunities primarily through state and local workforce development systems. For FY 2025, Congress enacted $3.9 billion to operate a system of education, skill-based training, and employment services for U.S. workers including low-income and dislocated workers, as well as at-risk and out-of-school youth. For FY 2026, the President's Budget requests $2.9 billion to establish the Make America Skilled Again grant, which consolidates multiple existing workforce development programs into a single grant program. These programs include:

- Adult Employment and Training Activities,
- Youth Activities,
- Dislocated Worker Employment and Training Activities,
- Dislocated Worker National Reserve,
- Indian and Native American Programs,
- National Farmworker Jobs Program,
- Reentry Employment Opportunities,
- Apprenticeship Program,
- Workforce Data Quality Initiative, and
- YouthBuild.

Additionally, through a partnership with the U.S. Department of Education (ED), DOL has begun to take on an expanded role in administering ED's adult education and family literacy programs, as well as career and technical education programs.

CHALLENGE FOR THE DEPARTMENT

The Department could face challenges—as can arise with new program development—as DOL transitions to the consolidated Make America Skilled Again grant program and takes on expanded responsibilities through its partnership with ED. The FY 2026 consolidation of workforce grants eliminates program-level funding detail as individual programs are no longer assigned specific budgets and reflects a funding reduction from previous years. Also, navigating shared program management with ED may present operational challenges for ETA. As identified in previous audits, ETA is challenged in effectively managing its grant portfolio.

Enhancing Grant Management to Maximize Workforce Outcomes

The OIG has consistently found issues associated with grant oversight, performance results, and ensuring grant funds are used effectively to achieve outcomes. Effective management of grants awarded under the new Make America Skilled Again grant program will be critical to ensuring these training investments are used efficiently to help U.S. workers succeed in the labor market.

The OIG has consistently found issues associated with ETA's grant oversight, performance results, and ensuring grant funds are used effectively to achieve outcomes.

In March 2022, we issued an advisory report that highlighted three areas of concern where our body of work over the previous decade identified weaknesses in DOL's management of its workforce development grants: (1) awarding grants, (2) reviewing grant recipients' use of funds, and (3) measuring grant recipients' performance. Although DOL has addressed many of the related recommendations from our prior reports, we continue to identify weaknesses related to ETA's grant management in these areas.

We conducted audits in New Jersey and New York to assess whether ETA grant recipients and subrecipients used grant funds for the intended purposes during the COVID-19 pandemic. Our September 2023 report on New Jersey found ETA did not ensure grant recipients effectively: (1) used over $100 million to serve the intended population, (2) enrolled eligible individuals in the grant program, and (3) complied with federal requirements when paying $168,460 for services. In addition, grant subrecipients did not have a system in place to account for $6.9 million in grant funding, to include how it was spent.

Further, our September 2025 report on New York identified similar grant oversight issues. Specifically, ETA did not ensure grant recipients and subrecipients used grant funds for the intended purposes during the COVID-19 pandemic, resulting in grant recipients and their subrecipients not: (1) accurately reporting the level of enrollment and serving eligible participants; (2) awarding contracts in compliance with federal regulations; (3) maintaining proper documentation to support claimed costs; and (4) avoiding conflicts of interest in executing the terms of the grant. As a result, we identified a total of $25.4 million in questioned costs associated with contractual services as well as payroll and non-payroll costs. Additionally, as part of this series, the OIG has audit work in progress focused on ETA grants in Texas.

In our work on ETA's administration of Disaster National Dislocated Worker Grants (DWG) published in October 2024, we reported on the DWG awarded under the Additional Supplemental Appropriations for Disaster Relief Act, 2019. We found ETA needs to strengthen its controls over how DWG grant recipients and subrecipients: (1) coordinate with the Federal Emergency Management Agency (FEMA), (2) document participant eligibility, (3) receive timely grant funds to prevent future work stoppages, and (4) use grant funds. In total, we identified questioned costs of $926,513 consisting of $909,240 for ineligible participants and $17,273 in costs not allocable to the grant.

ETA grant management issues are not restricted to its workforce development programs. In our August 2025 audit report, we identified that ETA did not effectively monitor grants awarded under the American Rescue Plan Act of 2021 to ensure they demonstrated measurable improvements. Specifically, we found ETA awarded $20.7 million in funding for 16 projects that failed to provide evidence in their grant applications that the unemployment benefit access issues they proposed to address existed in their state. We also found grant recipients did not report complete and accurate information—such as reporting on the outcome metrics required by their grant agreements—and failed to achieve project goals, resulting in $2.8 million in questioned costs. Additionally, ETA's rollout and design of the grants was inefficient and duplicative of another grant program. Enhanced coordination could have better informed grant projects, mitigated duplication of efforts, and increased project effectiveness.

DEPARTMENT'S PROGRESS

ETA has taken actions to improve grant oversight of its Disaster National Dislocated Worker program. Our January 2021 audit of the Disaster DWG program found ETA needed to ensure timely community restoration, expedited disaster relief assistance, and efficient use of grant funds for maximum employment outcomes. In March 2020, ETA issued its Training and Employment Guidance Letter No. 12-19 to update the documents grant recipients need to collect and maintain to support eligibility for DWG participants. In addition, in June 2022, ETA issued Training and Employment Guidance Letter No. 16-21, which emphasizes the importance of quickly beginning services to support post-disaster employment and economic recovery. It clarifies that self-attestation is acceptable for determining eligibility and that follow-up efforts are expected to obtain supporting documentation. The guidance also provides additional information on allowable cleanup and recovery activities.

In our October 2024 audit of ETA's administration of DWG, we found ETA had not previously established written interagency agreements with FEMA to formalize collaboration efforts in disaster recovery. In response to that audit, FEMA and ETA signed a memorandum of understanding in December 2024 that outlines how both agencies will cooperate in carrying out their respective responsibilities for: (1) providing disaster information to the public and (2) supporting disaster recovery efforts. ETA also stated it will continue to stress to grant recipients the requirement to directly notify FEMA of their work to ensure coordination with emergency management agencies.

Another example of improved grant oversight is ETA's issuance of its first conflict-of-interest policy. ETA had not established conflict-of-interest policies to mitigate the risk of grant recipients and their employees operating in a way that may call into question whether their actions, judgment, or decision-making can be unbiased. In May 2024, ETA updated its standard grant terms and conditions template for ETA grants to require grant recipients and subrecipients of federal assistance to have a written policy in place on conflicts of interest, including organizational conflicts of interest. ETA now requires the recipients' policies to include the process the grant recipient or subrecipient will take to identify, avoid, remove, and remedy conflicts of interest.

WHAT REMAINS TO BE DONE

The Department needs to continue to:

- Manage its grant portfolio more effectively by having sufficient controls to ensure proposals submitted by grant applicants meet all solicitation requirements and grant program objectives.
- Establish performance goals and metrics that appropriately measure grant recipient performance against grant and program objectives using reliable and accurate data.
- Improve and strengthen its processes to assess risk and review grant recipients' and subrecipients' use of funds to ensure funds are used efficiently and as intended to meet program goals.
- Develop a desk aid and train Federal Project Officers in its use to consider differences in adult, youth, and dislocated worker programs within states; use average ranges to identify program variation; and include cross-state comparisons to assist with risk assessments.

CHALLENGE:

Maintaining the Integrity of Foreign Labor Certification Programs

BACKGROUND

Foreign labor certification programs permit U.S. employers to hire foreign workers on a temporary or permanent basis to fill jobs essential to the U.S. economy. These programs are designed to assure that the admission of foreign workers into the United States on a permanent or temporary basis will not adversely affect the job opportunities, wages, and working conditions of U.S. workers.

The programs involve a number of agencies within the Department, as well as state workforce agencies, U.S. Citizenship and Immigration Services, and the U.S. Department of State. The Immigration and Nationality Act and related laws assign specific responsibilities to the U.S. Secretary of Labor for employment-based immigration and temporary nonimmigrant programs.

The Department's responsibilities include certifying whether able, willing, and qualified U.S. workers are available for jobs and whether there would be any adverse impacts on similarly employed U.S. workers if labor certifications allowing admission of foreign workers were granted. To carry out these responsibilities, the Secretary has delegated to ETA's Office of Foreign Labor Certification the processing of prevailing wage[17] determinations and reviewing permanent labor certification program (PERM), H-1B, H-2A, and H-2B employer applications. In addition, the Department's Wage and Hour Division conducts civil investigations of Foreign Labor Certifications (FLC) to enforce certain worker protections that involve wages, working conditions, and similarly employed U.S. workers not being adversely affected in terms of working conditions and other employment benefits as a direct result of employment of foreign workers.

[17] The prevailing wage rate is defined as the average wage paid to similarly employed workers in a specific occupation in the area of intended employment. For more details, visit DOL's webpage on "Prevailing Wage Information and Resources."

CHALLENGE FOR THE DEPARTMENT

The Department's primary challenge in ensuring the integrity of FLC programs is approving applications for all four FLC programs based on employers' attestations. Such attestations are the main criteria—meaning, employers agree to the conditions of employment without providing supporting documentation to validate their agreements. For example, a farmer may apply and state that, due to a lack of appropriate skilled local labor, a farm needs 50 foreign laborers for the upcoming season. Among other attestations, the farmer attests that the farm: (1) needs all those workers, (2) will pay the proper wage, and (3) will provide proper working conditions.

The Department is reliant on an employer's attestation that a given application meets its requirements for impacts on U.S. workers. For instance, employers self-attest whether they meet the requirements to determine if there is actually local labor available, or if hiring a foreign worker might otherwise adversely affect wages and working conditions of similarly employed U.S. workers. In addition, DOL must balance a thorough review of FLC visa applications with the need to timely process these applications to meet workforce demands.

Additionally, OIG investigations continue to reveal FLC program integrity challenges. Over the last 12 years, the OIG, along with other federal partners, have conducted 204 criminal investigations related to fraud in FLC programs (see Table).

Table: Breakdown of the OIG's Criminal Investigations Related to FLC Programs, 2013–Present

FLC Program	Number of Investigations	Percentage of Investigations
H-1B	85	42%
H-2A	34	17%
H-2B	48	23%
PERM	28	14%
Other (e.g., multiple programs)	9	4%
Total	**204**	**100%**

Source: OIG investigations data

These investigations have shown FLC programs to be susceptible to significant fraud and abuse by perpetrators, including immigration agents, attorneys, labor brokers, employers, and organized criminal enterprises. For example, in one recent OIG investigation, an employer was sentenced to 18 months in prison and ordered to pay more than $1.1 million in restitution for fraudulently placing H-2B workers in jobs not approved by DOL and for exploiting workers by paying them significantly less than the wages required under the H-2B program. Additionally,

a United States-based company agreed to pay a $9.25 million settlement agreement with the United States Attorney's Office in the Southern District of Ohio for claiming to recruit foreign nationals through the H-1B and PERM programs. The settlement was in response to criminal fraud and civil False Claims Act allegations related to submitting false applications and causing false statements to be made to government officials while recruiting nurses, physical therapists, and other healthcare professionals.

Investigations have shown Foreign Labor Certification programs to be susceptible to significant fraud and abuse by perpetrators, including immigration agents, attorneys, labor brokers, employers, and organized criminal enterprises.

Significantly, OIG investigations also uncovered illegal activities of employers misusing FLC programs to engage in human trafficking—with victims being exploited for employers' economic gain. For example, in an ongoing OIG investigation, 19 individuals have pled guilty and 15 individuals have been sentenced to date as part of a federal racketeering conspiracy, which victimized agricultural workers admitted to the United States under the H-2A temporary visa program. The coercive means in this scheme included: (1) confiscating the workers' passports; (2) subjecting the workers to crowded, unsanitary, and degrading living conditions; and (3) isolating the workers and limiting their ability to interact with anyone other than employees.

As outlined in a September 2022 press release, another OIG investigation of a H-2A farm labor contractor resulted in the operator receiving a 118-month sentence for a pattern of racketeering activity that included fraud in foreign labor contracting. The scheme's conspirators used various coercive tactics such as: (1) imposing debts on workers; (2) harboring workers in the United States after their visas had expired; (3) threatening workers with arrest and deportation if they failed to comply with company demands; (4) confiscating workers' passports; and (5) subjecting workers to crowded, unsanitary, and degrading living conditions.

Each of the four FLC programs have unique rules, some resulting in specific integrity challenges. For instance, in our February 2025 audit report on improvements that can be made to the H-2A program, we found the number of H-2A post-adjudication audits ETA performed represented a small portion of the universe of H-2A applications certified. Also, we recommended that ETA enhance its current post-adjudication procedures to: (1) include obtaining sufficient evidence of payment of wages and expenses and (2) have analysts provide a rationale and obtain evidence to document how they determine employers' compliance with the program requirements. Since ETA conducts these post-adjudication audits to enhance the integrity of the H-2A program, our findings are concerning and more could be done to improve the program.

The H-1B visa program—which allows U.S. employers to temporarily hire foreign workers in specialty occupations such as software engineers, software developers, or systems analysts—has significant vulnerabilities. OIG investigations have shown the H-1B visa program is susceptible to considerable fraud and abuse. One reason for this is the statutory requirement that the Department certify H-1B Labor Condition Applications within a short 7-day window unless it determines the applications to be "incomplete or obviously inaccurate."[18] The OIG continues to investigate and discover various fraud schemes within the H-1B program, including labor leasing,[19] benching of foreign workers,[20] and wage kickbacks.[21] In addition, the Wage and Hour Division is generally limited by statute[22] to conducting investigations of alleged H-1B violations only when a complaint has been filed. That puts tremendous pressure on and increases the risk for vulnerable individuals as foreign workers are generally reluctant to file complaints in fear of retaliation and losing their jobs.

The H-2B program—which allows U.S. employers to hire foreign workers for temporary or seasonal non-agricultural jobs—has seen rising demand while the availability of visas remains limited. The increase in applications impacts DOL's ability to process applications in a timely manner. Application processing delays tend to occur in advance of the peak spring and summer hiring seasons when application levels and employer workforce demands spike. These increases can temporarily overload FLC's case processing resources and increase the risk of delays. DOL is challenged to balance a thorough review of H-2B visa applications with the need to timely process these applications to meet workforce demands. Based on our September 2018 audit report on H-2B application processing, DOL implemented corrective actions in the H-2B program to address application processing delays. The OIG is currently working on an audit to determine if processing times have improved.

PERM—which allows employers to hire foreign workers on a permanent basis in the United States—is another program that predominantly relies on attestations to verify whether

[18] 8 U.S.C. § 1182(n) and (t)

[19] Labor leasing is when workers are provided to a third party that usually offers limited or no benefits to the workers and for a limited time.

[20] Benching of foreign workers is when employers, during a period of low productivity or otherwise slow business, refuse to pay foreign workers their wages, also known as "benching" them.

[21] A wage kickback is an illegal and fraudulent scheme in which an employer requires an H-1B worker to pay back or return a portion of their earned wages, often under threat of job loss or other reprisals. This scheme can also involve third-party staffing firms that place workers at client sites. The end result is workers being paid below the advertised Labor Condition Application prevailing wage. In the case of third-party staffing firms, this arrangement does not meet the employer-employee relationship required by U.S. Citizenship and Immigration Services. Further, if the anticipated job at the petitioning employer fails to materialize, H-1B workers are often used by these staffing firms to improperly work other jobs, often falling well outside their area of specialized skills or knowledge.

[22] Under the Immigration and Nationality Act, before the Secretary may investigate an employer of H-1B workers, the Secretary must either: (a) have already found an employer to have willfully failed to meet the statutory requirements or (b) receive specific credible information from a known source likely to have knowledge of an employer's non-compliance or willful violations.

employers are complying with its qualifying criteria. Once PERM visa applications are certified, unlike the H-2A and H-2B programs, ETA does not review applications to validate the integrity of employers' attestations. Furthermore, the Wage and Hour Division does not have investigatory authority in the PERM program and does not conduct follow-up investigations to verify whether the foreign workers are still working for the employers indicated in the original application.

The Department continues to have limited authority over the H-1B and PERM programs, which challenges the goal of protecting the welfare of the nation's workforce. The Immigration and Nationality Act limits DOL's ability to deny H-1B applications and to investigate potential violations. Further, the PERM program is persistently vulnerable to employers not complying with its qualifying criteria since it has limited authority to enforce compliance. Therefore, both the PERM and H-1B programs remain prone to fraud.

DEPARTMENT'S PROGRESS

On June 23, 2025, the Department temporarily established the Office of Immigration Policy. The office will work in collaboration with all relevant agency heads with respect to oversight, strategic planning, and management related to immigration. The Office of Immigration Policy's responsibilities, among others, include:

- monitoring the administration of foreign labor certification activities and developing customer-centered policies—in consultation with the Assistant Secretary for ETA—to: (1) improve access to employment-based visa programs, (2) optimize program performance, and (3) ensure use of the latest technologies to improve service delivery and continuity of operations, and
- overseeing coordination with and between other relevant federal agencies, including the U.S. Departments of Homeland Security, State, and Agriculture.

Also, as of June 2025, ETA plans to update its H-2A Risk-Based Audit Selection Standard Operating Procedures to include reasoning for the quantity of audits selected and risk factors for each group of post-adjudication selections. Additionally, ETA plans to enhance and implement its H-2A post-adjudication guidance. Specifically, the guidance will: (1) include appropriate documentation to use when initiating audits and (2) update the H-2A Post-Certification Audit Procedures to reflect current procedures performed within the Foreign Labor Application Gateway (FLAG) H-2A Case Processing Module.

Further, as of June 2023, ETA transitioned the PERM application process to the FLAG system. Now employers can electronically file applications and upload documents into FLAG for all FLC programs. According to DOL, the FLAG system improves customer service, modernizes the administration of FLC programs, and enhances data sharing between the Department and state workforce agencies.

Lastly, in many of its past budgets, the Department has requested authorization through its annual budget formulation process to establish and retain fees to cover the operating costs for FLC programs. This proposal aligns DOL with the funding structures used by the U.S. Departments of Homeland Security and State to finance their application processing activities related to these programs. Having a similar model for foreign labor certifications at DOL would eliminate the need for congressional appropriations and create a funding structure responsive to market conditions.

WHAT REMAINS TO BE DONE

For all FLC programs, the Department needs to:

- Continue to refer all potentially criminal violations to the OIG in a timely manner.
- Enhance the reporting and application of suspensions and debarments government-wide when employers are found culpable of abusing the programs.
- Pursue statutory and regulatory authority to strengthen its ability to debar employers who abuse these programs.

For the H-1B visa program, the Department needs to:

- Take action to protect U.S. workers from any adverse effects on wages and working conditions caused by employing H-1B visa holders.[23]
- Seek statutory authority to verify the accuracy of information provided on H-1B labor condition applications.

For the H-2B visa program, the Department needs to:

- Continue its efforts to ensure applications are processed in time to hire foreign workers by employers' dates of need while also ensuring the review process protects the interests of U.S. workers.

For the PERM visa program, the Department needs to:

- Perform post-adjudication reviews to validate the integrity of employers' attestations once applications have been certified since the majority of the applications are submitted for review without documentation to prove or support employers' attestations.
- Investigate whether PERM workers are still working for the employers designated in the applications.

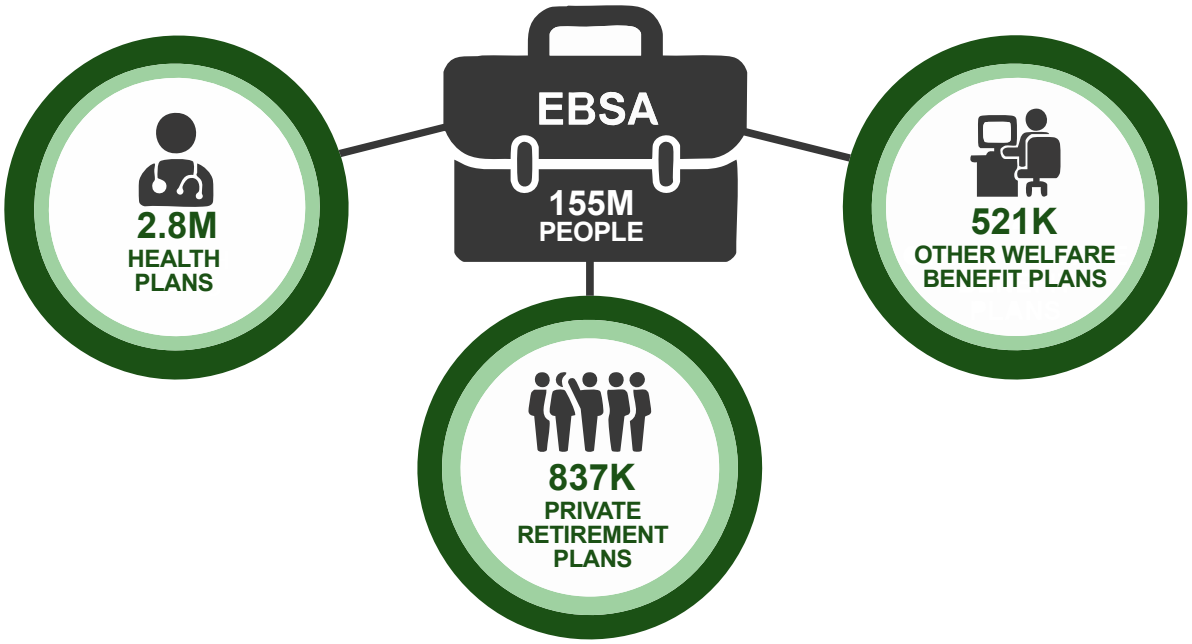
[23] As required of the U.S. Departments of Labor and Homeland Security, according to Executive Order 13940, issued on August 3, 2020.

CHALLENGE:

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

BACKGROUND

The Employee Benefits Security Administration (EBSA) protects the integrity of pension, health, and other employee benefit plans of about 155 million workers, retirees, and their families under the Employee Retirement Income Security Act of 1974 (ERISA).[24] The agency's responsibilities include enforcement authority over approximately 2.8 million health plans, 837,000 private retirement plans, and 521,000 other welfare benefit plans, totaling approximately $14.6 trillion in assets. It also has interpretive and regulatory responsibilities for about $16.8 trillion in Individual Retirement Accounts.

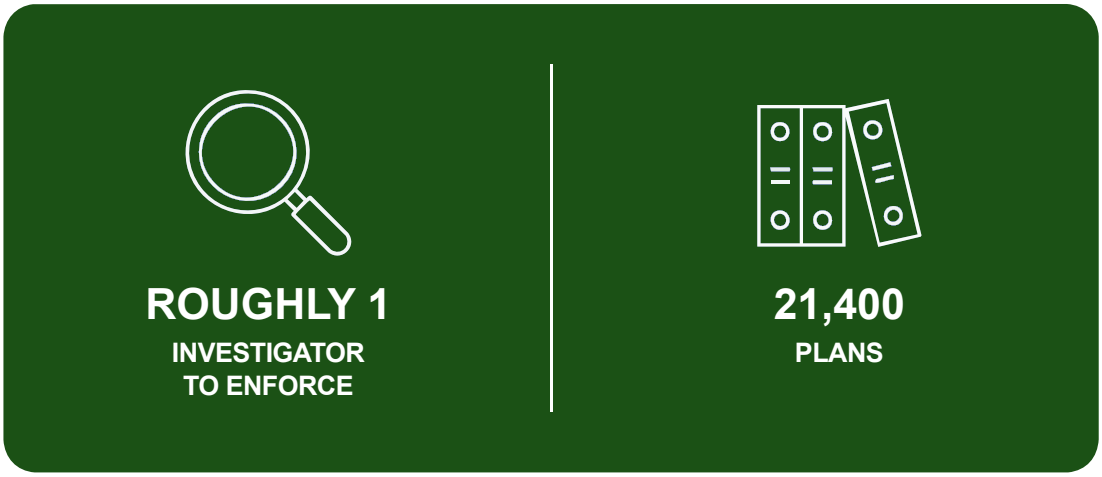


Additionally, EBSA provides oversight of the federal government's Thrift Savings Plan (TSP), the largest defined contribution retirement plan in the United States, with nearly 7.27 million participants and over $1 trillion in assets according to EBSA as of October 2025.

[24] ERISA is a federal law that sets minimum standards for most voluntarily established retirement and health plans in private industry to protect individuals in these plans.

CHALLENGE FOR THE DEPARTMENT

EBSA faces the challenge of how to allocate limited resources in a way that will maximize its efforts. EBSA indicated that with roughly 1 investigator for every 21,400 plans, EBSA cannot audit even a fraction of ERISA-covered plans in a given year.



Further, these staffing levels significantly impact EBSA's enforcement program, including its ability to quickly adapt to fast-paced market conditions, new and emerging retirement investment options, and regulatory changes. Recent regulatory changes affecting ERISA-covered plans include:

- Congress' creation of a new class of plan sponsor (pooled plan providers) in 2019;
- the Consolidated Appropriations Act of 2021's comprehensive amendments to ERISA, which translated into fundamental changes to laws governing:
  - surprise medical bills,
  - price transparency,
  - fee disclosure,
  - prescription drug coverage reporting,
  - air ambulance reporting, and
  - parity in the provision of mental health and substance use disorder benefits; and
- requirements mandated by the SECURE 2.0 Act of 2022 (e.g., establishing new reporting and disclosure provisions for retirement plans).

EBSA also faces the challenge of ensuring private-sector group health plans—which cover approximately 134.7 million current and former workers and their families—comply with federal health insurance regulations. This includes the Mental Health Parity and Addiction Equity Act of 2008, which requires most plans and health insurance companies to cover mental health and substance use disorder benefits in parity with the way they cover benefits for physical health.

This is critical as workers suffering from mental health and substance use disorder conditions could have limited resources to access and pay for care when benefits have been improperly denied or limited. In our February 2025 audit report, we identified that EBSA's efforts to enforce the group health plan requirements of Part 7 of ERISA could improve if the agency: (1) had additional authority to make employers comply (e.g., levying fines and penalties), (2) used all of its available tools, (3) established procedures to use the tools at their disposal, and (4) had sufficient resources to investigate ERISA violations.

EBSA is further challenged because it has no statutory authority to force certain plans to conduct full-scope audits, which provide significantly stronger assurances than limited-scope audits. Past OIG work revealed that approximately $3 trillion in pension assets—including an estimated $800 billion to $1.1 trillion in hard-to-value alternative investments—received only limited-scope audits. According to EBSA, the pension asset amount increased to $6.2 trillion as of 2023. Independent public accountants performing these limited-scope audits generally were not required to audit investment information already certified by certain banks or insurance carriers, which meant the independent public accountants expressed "no opinion" on the valuation of these assets.

Because limited-scope audits provide little to no confirmation regarding the actual existence or value of plan assets, they deliver weak assurance to plan participants while putting retirement plan assets at great risk. According to EBSA, more than 85 percent of plan audits are limited-scope audits. Though this percentage has increased only slightly over the last 10 years, it is markedly higher than in the early 2000s, when closer to half of plan audits were limited-scope.

Cybersecurity breaches pose a significant threat to the over $1 trillion in Thrift Savings Plan assets and potentially trillions of dollars in other ERISA-covered retirement plan assets.

Additionally, EBSA has limited legal authority to enforce its oversight of over $1 trillion in TSP assets and to compel the Federal Retirement Thrift Investment Board (the Board), which administers the TSP, to act on EBSA's recommendations, including significant recommendations related to cybersecurity. While EBSA has worked with the Board to improve the TSP's cybersecurity posture, a significant portion of the TSP's infrastructure was recently transferred to an outside third-party vendor. Accordingly, EBSA may need to take additional action to ensure TSP assets, accounts, and data are adequately protected. Due to the threat cybersecurity breaches pose to the TSP and potentially trillions of dollars in other ERISA-covered retirement plan assets—and due to the technical expertise required to assess plan security—this is a crucial management challenge as well.

DEPARTMENT'S PROGRESS

EBSA is currently reviewing plans for compliance, which include using a service provider approach to correct violations. In addition, to address cybersecurity risks, EBSA developed a red flag analysis tool and investigative plan to identify vulnerabilities to cyberattacks. EBSA also issued extensive guidance aimed at improving cybersecurity in private retirement plans and routinely includes cybersecurity inquiries as part of its investigations of ERISA-covered plans, such as retirement plans. It has also been working with TSP staff to conduct joint cybersecurity reviews, which have strengthened the TSP's cybersecurity posture.

WHAT REMAINS TO BE DONE

Regarding the challenge of protecting retirement, health, and other benefit plans for workers, retirees, and their families, EBSA needs to:

- Continue to explore options to maximize the impact of its constrained resources to carry out the type and number of investigations, audits, reviews, and compliance assistance activities necessary to best protect workers' pensions, health, and other benefits.
- Effectively protect federal employees' retirement assets by seeking amendments to the Federal Employees' Retirement System Act of 1986 that would broaden its enforcement authority and thus compel the Board to implement its audit recommendations regarding the TSP.
- Continue to pursue legislative repeal of the limited-scope audit exemption for meaningful oversight and greater protection of the trillion-plus dollars' worth of assets in retirement plans. Limited-scope audits, as opposed to full-scope audits, offer participants weak assurance of plan asset values. With the proliferation of pension plan assets subject only to limited-scope audits, retirement investments are at much greater risk of loss in value.

CHALLENGE:

Providing a Safe, Secure, and Healthy Learning Environment at Job Corps Centers

BACKGROUND

The Job Corps program provides academic, job, and social skills training—as well as room and board—to its students at more than 120 Job Corps centers across the country. The program is responsible for the safety, security, and health of its on-campus population. The Department's FY 2026 budget proposes to execute an orderly shutdown of the Job Corps program, ending all services provided through Job Corps centers nationwide. The OIG is monitoring litigation related to this proposal and the Department's plans for addressing the needs of the individuals served by this program—youth ages 16 to 24 who are low-income and have a barrier to education and employment—moving forward.

CHALLENGE FOR THE DEPARTMENT

The Job Corps program has historically faced challenges in maintaining a safe, secure, and healthy learning environment for its students and staff. In our February 2015 and March 2017 audits, we found a wide range of safety and security issues at Job Corps centers, including security staff shortages, failure to report and investigate serious student misconduct (such as drug abuse and assaults), and downgrading incidents of violence to lesser infractions.

In Program Year 2024, Job Corps centers reported more than 1,400 on-campus assaults[25]—or approximately 4.7 assaults per 100 students—slightly higher than what was reported in Program Year 2022. Preventing on-campus violence and other potentially criminal behavior remains a significant challenge for Job Corps centers.

In addition to physical security protocols, part of establishing a safe, secure, and healthy learning environment entails Job Corps considering how the program can better serve students facing difficulties, such as those attributed to mental health challenges and substance abuse, which frequently occur in tandem. In a March 2021 audit, we found center personnel frequently attributed student and staff safety issues to mental health challenges or substance abuse, or both. Moreover, the number of students experiencing these issues has steadily increased over time.

[25] Job Corps defines an assault as "taking a physical action with the intent to cause immediate bodily harm to another person unless taken in immediate response to another person taking such an action with the intent to prevent its continuation."

The use of fentanyl and other dangerous drugs is also a concern. In Program Year 2022, six Job Corps students died of suspected unintentional drug overdoses, including three on campus. The OIG continues to monitor various safety initiatives and actions taken by Job Corps to keep students and staff safe.

DEPARTMENT'S PROGRESS

In response to our audits, Job Corps has taken steps to improve center safety and security by establishing stronger internal controls and security measures, which included the installation of security cameras, perimeter fencing, and better lighting at centers.

Job Corps has also been performing an ongoing assessment of centers for safety and security risks to allow it to prioritize and address those risks. It is seeking to align its center security standards with the standards of college campuses, which include installing video surveillance, access control, and emergency notification systems. Job Corps officials indicated the program is seeing fewer security-related incidents, while its center entry screening process has been successful in catching students who attempt to bring unauthorized goods, including weapons, on campus.

To help prevent opioid overdoses, Job Corps developed an emergency response strategy in 2023 requiring that Narcan[26] and other life-saving devices be readily available on campus. Additionally, it requires all staff and students to be trained in how to identify an opioid overdose and administer Narcan.

[26] Narcan (generic Naloxone) is a lifesaving emergency treatment that can reverse the effects of an opioid overdose if administered quickly.

WHAT REMAINS TO BE DONE

To advance health, safety, and security measures for its students and staff on-site at its centers should center operations continue, Job Corps needs to:

- Ensure existing policies and procedures are periodically reviewed and monitored for compliance.
- Ensure center operators and regional office personnel fully enforce Job Corps safety and security policies to improve campus security and control violence.

To inform agency decision-making and assess the impact of proposed, planned, and implemented security reforms, Job Corps needs to continue to:

- Timely identify and remediate non-compliance.

CHALLENGE:

Managing Medical Benefits in the Office of Workers' Compensation Programs

BACKGROUND

The Department's Office of Workers' Compensation Programs (OWCP) provides compensation and medical benefits to workers for employment-related injuries or occupational diseases. During FY 2024, OWCP paid medical benefits in the amounts of $843 million under the Federal Employees' Compensation Act (FECA) and approximately $1.52 billion for home and residential[27] health care under the Energy Employees Occupational Illness Compensation Program Act (Energy).

CHALLENGE FOR THE DEPARTMENT

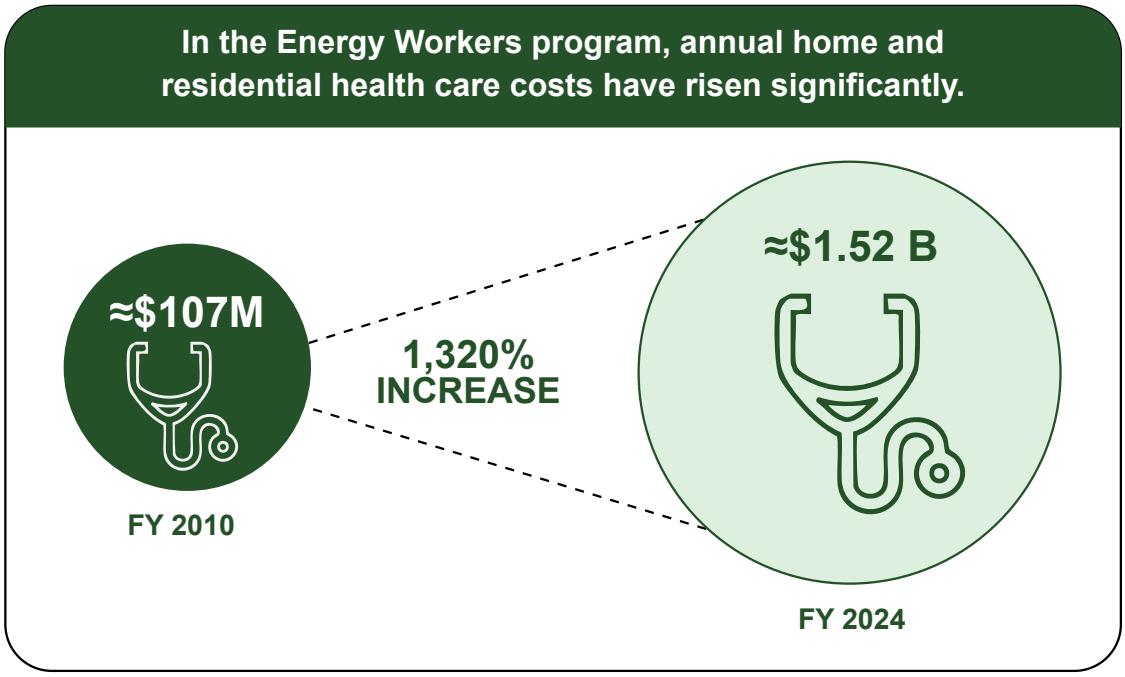
OWCP is challenged to address the inherent high risk of fraud, waste, and abuse as it manages medical benefits in its workers' compensation programs. This challenge includes effectively managing the use and cost of pharmaceuticals in the FECA program. In the Energy program, similar to agencies DOL-wide, OWCP is hampered by flat budgets and rising costs that reduce available resources. Other challenges relate to ensuring timely claims processing and determining the necessity and appropriateness of home and residential health care costs.

Our audit work in the FECA program has identified numerous concerns with OWCP's management of pharmaceuticals. Most recently, in March 2023, we reported OWCP did not effectively manage pharmaceutical spending in the FECA program from FY 2015 through FY 2020. We found OWCP did not pay the best available prices for prescription drugs, which resulted in up to $321 million in excess spending during the audit period. We also found OWCP did not timely identify and address emerging issues, which resulted in OWCP spending hundreds of millions of dollars on drugs that may not have been necessary or appropriate for FECA claimants.

For the Energy program, in May 2024, we reported OWCP could enhance its medical claims processing. For example, we found OWCP did not use complete information to measure and publicly report how long it took to make claims decisions, from start to finish. This distorted the perception of how long claimants waited for decisions needed to receive compensation and medical expense coverage. Our analyses showed wait times for final decisions increased from an average of 182 days in FY 2018 to 207 days in FY 2022, even though the volume of final decisions dropped. In addition, annual home and residential health care costs have risen

[27] Home and residential health care includes medically appropriate care from qualified providers either in the home or in an authorized facility (e.g., nursing or assisted living facilities, hospice).

from almost $107 million in FY 2010 to approximately $1.52 billion in FY 2024. With an aging claimant population and a significant increase in OWCP spending for home and residential health care costs, there is a higher risk of improper payments and misuse of public funds.

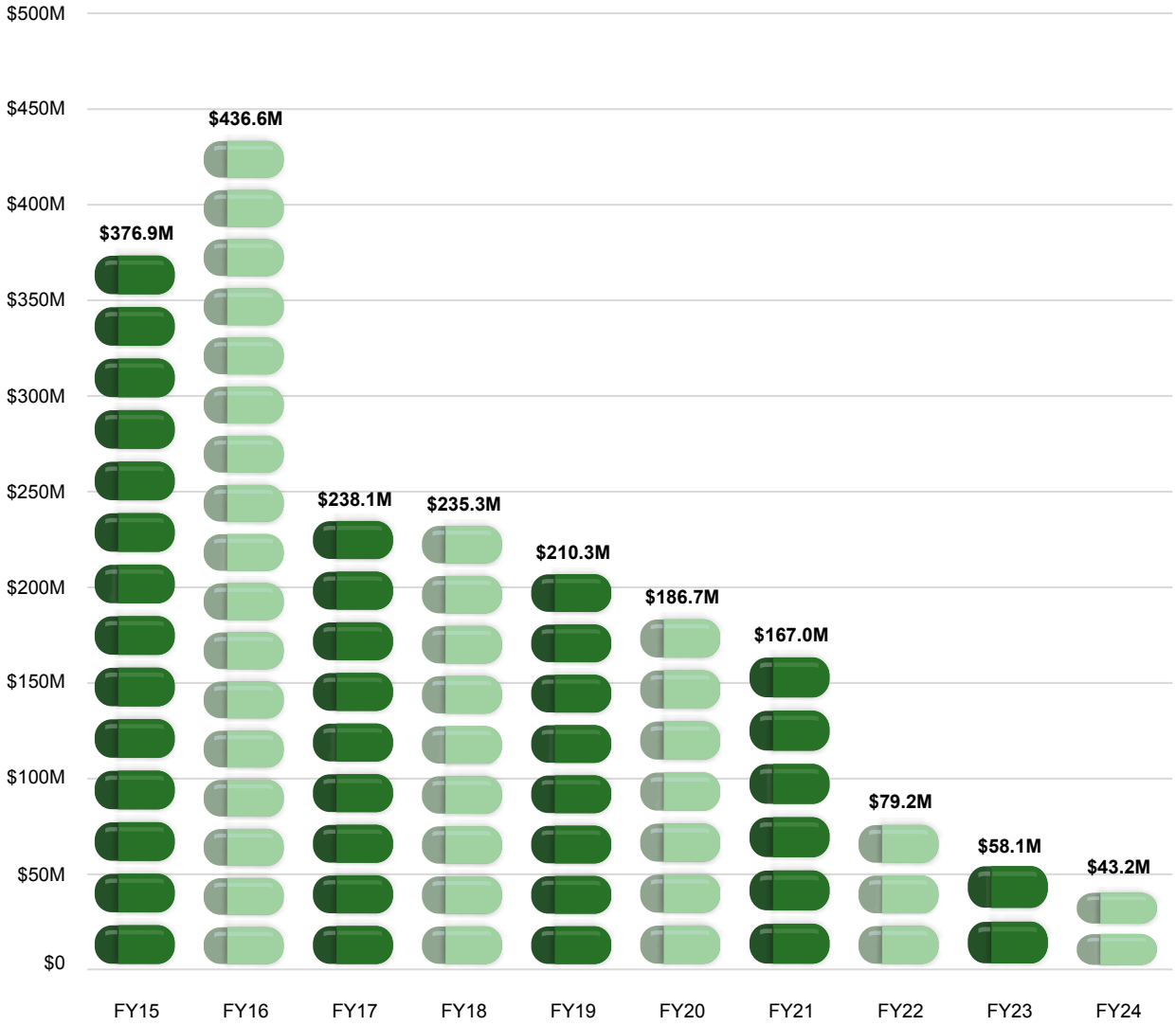


DEPARTMENT'S PROGRESS

OWCP has addressed all of the OIG's prior audit recommendations to improve its management of pharmaceuticals in the FECA program. In addition to strengthening controls over compounded drugs and opioids, OWCP improved the capability of its Program Integrity Unit to proactively identify potential fraud through the use of data analytics and data science. Most significantly, in 2021, OWCP contracted with a pharmacy benefit manager[28] that is responsible for pharmaceutical transactions, including pricing for prescription drugs. These actions have resulted in a significant reduction to overall pharmaceutical spending—from over $436 million in FY 2016 to approximately $43 million in FY 2024 (see Figure 2).

[28] Pharmacy benefit managers are third-party administrators of prescription drug programs, primarily responsible for: (1) developing and maintaining formularies, which include an approved listing of prescriptions; (2) negotiating discounts and rebates with drug manufacturers; and (3) processing and paying prescription drug claims.

Figure 2: FECA Pharmaceutical Spending, FY 2015–FY 2024



Source: OIG analysis of FY 2017–FY 2024 FECA pharmaceutical data as of April 10, 2025; Data for FY 2015–FY 2016 provided by OWCP.

For the Energy program, OWCP is working to improve the timeliness of its claims processing. In addition, OWCP continues to analyze and audit home and residential health care billing practices in the Energy program so it can revise billing rules and policies when it uncovers abusive practices.

In 2023, OWCP contracted with another pharmacy benefit manager to cover pharmaceutical transactions for both the Energy and Black Lung programs. In 2025, OWCP plans to award a comprehensive contract for pharmacy benefit services—covering prescription drugs, durable medical equipment, and diagnostic services—for all four of its programs: FECA, Energy, Black Lung, and Longshore.

WHAT REMAINS TO BE DONE

To more effectively manage medical benefits in its workers' compensation programs, OWCP needs to:

- Determine the best practices insurance providers and other federal, state, and local agencies have adopted to successfully manage medical costs and identify those that might be most suitable for its own programs.
- Expand its use of data analytics to monitor medical costs and identify risks, trends, and emerging issues before they become critical issues.
- Monitor closely the performance of its pharmacy benefit services contractor(s) to ensure appropriate prices and savings.

For the FECA program, OWCP needs to continue to:

- Analyze and monitor FECA costs to promptly detect and address problems given the high risk of fraud and abuse related to prescription payments.
- Evaluate alternate pricing methodologies and other sources regularly and update its pricing methodology as appropriate to ensure competitive prices.
- Monitor the effectiveness and implementation of policy and process changes related to claimant prescriptions.

For the Energy program, OWCP needs to:

- Regularly analyze home and residential health care billings for unethical practices and refer instances involving potential fraud or abuse to the OIG for further investigation.

CHALLENGE:

Managing and Securing Data and Information Systems

BACKGROUND

The Department and its program agencies depend on reliable and secure IT systems to perform their mission critical functions. These systems maintain critical and sensitive data related to financial activities, enforcement actions, job training services, pensions, welfare benefits, and worker safety and health. In FY 2025, DOL invested an estimated $762 million in IT to implement services and functions needed to safeguard the U.S. workforce.

CHALLENGE FOR THE DEPARTMENT

The Department continues to be challenged in securing and managing data and information systems, particularly in the following areas: (1) maintaining an effective information security program, (2) providing effective oversight of third-party IT systems and services, and (3) IT governance.

DOL remains challenged to adequately implement information security controls and technology tools required to manage and monitor IT security. In our 2025 audit of DOL's information security program,[29] the Department's IT security program was assessed overall as not effective according to the CyberScope rating.[30] This rating is based on the Department's challenges implementing cybersecurity governance, identifying security weaknesses, and recovering from incidents.

As DOL becomes increasingly reliant on contracted systems and services to meet its mission requirements, DOL continues to be challenged in providing effective oversight of these third-party IT resources. Effective oversight demands specialized expertise along with greater diligence and coordination across multiple mission teams. Our audits continue to identify weaknesses in DOL's oversight of its third-party IT systems and services, including contracted cloud systems and DOL's partially serviced systems.

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[29] Under the Federal Information Security Modernization Act of 2014 (FISMA), the OIG is required to perform annual independent evaluations of the Department's information security program and practices.

[30] CyberScope, operated by the U.S. Department of Homeland Security on behalf of the Office of Management and Budget, is a web-based application designed to streamline IT security reporting for federal agencies. It gathers and standardizes data from federal agencies to support FISMA compliance. The rating of "not effective" was based on a calculated score of the individually assessed maturity levels for the FY 2025 Core Inspector General Metrics and Supplemental Metrics.

In addition, we have renewed our past concerns about the Department's IT governance. The Department's Office of the Chief Information Officer has experienced significant staffing changes. Future audit work will evaluate the impact of these staffing changes on the Department's ability to provide the governance and oversight required to sufficiently secure DOL's data and information systems.

DEPARTMENT'S PROGRESS

In an effort to better manage resources and projects by modernizing, securing, and consolidating IT, DOL previously reorganized and continues to manage some of its IT resources and capabilities within a shared services environment under the Office of the Assistant Secretary for Administration and Management. This effort included realigning information processes and personnel.

WHAT REMAINS TO BE DONE

The Department needs to improve its governance and management over DOL agencies' IT and systems. To improve the security of its information systems, the Department needs to:

- Strengthen its oversight through the implementation of information security policies, procedures, and controls.
- Focus on recurring information security deficiencies.
- Ensure the implementation of security requirements with its third-party cloud systems and IT services.

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