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Office of Inspector General



Semiannual Report to the Congress
April 1, 2000–September 30, 2000
Volume 44

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13. ABSTRACT (Maximum 200 Words) This Semiannual Report of the Office of Inspector General (OIG) details some of our most significant accomplishments for the period April 1, 2000–September 30, 2000. During this period, the OIG continued to direct its audit, evaluation, and investigation resources to activities that support our strategic plan goals. Our focus has been to effect positive change and reduce vulnerabilities in departmental programs and operations, produce a positive return on invested resources, and provide quality services to stakeholders. ~~OIG audits, investigations, and evaluations conducted~~				
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Inspector General's Message

This Semiannual Report of the Office of Inspector General (OIG) details some of our most significant accomplishments for the period April 1, 2000–September 30, 2000. During this period, the OIG continued to direct its audit, evaluation, and investigation resources to activities that support our strategic plan goals. Our focus has been to effect positive change and reduce vulnerabilities in departmental programs and operations, produce a positive return on invested resources, and provide quality services to stakeholders. OIG audits, investigations, and evaluations conducted during this period resulted in over \$15.7 million in questioned costs; nearly \$18.1 million in recommendations that funds be put to better use; 117 indictments; 110 convictions; and over \$66.4 million in investigative recoveries, restitutions, fines, and penalties.

The following are examples illustrative of our accomplishments during this reporting period. The OIG:

- determined that eligibility was not adequately demonstrated for over one-third of individuals served by the Dislocated Worker program and, moreover, that evidence suggested the program was not serving its intended population;
- continued to identify management and performance issues to assist the Department in improving its administration of grants and contracts;
- identified that miners' failure to use personal protective equipment contributed to a significant number of the fatalities in metal/nonmetal mining;
- assisted the Department in achieving high-quality information technology (IT) management. For example, a follow-up to our audit on Bureau of Labor Statistics (BLS) data security showed that BLS implemented substantial changes recommended by the OIG to improve the security of its IT systems. We also identified weaknesses in the Employment and Training Administration's internal control of embargoed unemployment data and press releases that subject this sensitive information to early release;
- continued to uncover vulnerabilities in DOL worker benefit programs. For example, our crossmatch between FECA rolls and Social Security wage information disclosed millions of dollars in potential program savings over a 10-year period based on the identification of individuals who have earnings while receiving government benefits. From an investigative perspective, we opened 164 worker benefit cases and achieved 66 convictions and almost \$47 million in penalties, fines, and restitutions;
- uncovered numerous instances of fraud in DOL's labor certification program, particularly the H-1B temporary work visa program. Our investigations led to the indictment and conviction of 12 individuals in the last six months;

Inspector General's Message

- combated labor racketeering in unions and the workplace in the areas of employee benefit plans focusing on investment management schemes, labor-management relations, and internal union affairs. We also focused efforts on organized crime and labor racketeering abuses within the transportation, construction, and waterfront industries; and
- called attention to legislative issues impacting the Department in areas such as program evaluation, worker benefit integrity, information technology oversight, and occupational safety and health coverage.

We continue to augment our traditional role by working collaboratively and constructively with the Department to identify, early in the process, possible impediments that may affect DOL's success in administering its programs and in serving the public. Particularly noteworthy are our efforts to assist the Department in complying with the Government Performance and Results Act and other Federal requirements.

I would like to commend all OIG staff members for their diligent work and commitment to providing quality services to our stakeholders. The OIG looks forward to continuing to work effectively with the Secretary, management, and departmental staff at all levels in our common goal of ensuring the effectiveness, efficiency, and integrity of the programs that serve and protect American workers and retirees.

Patricia A. Dalton
Acting Inspector General

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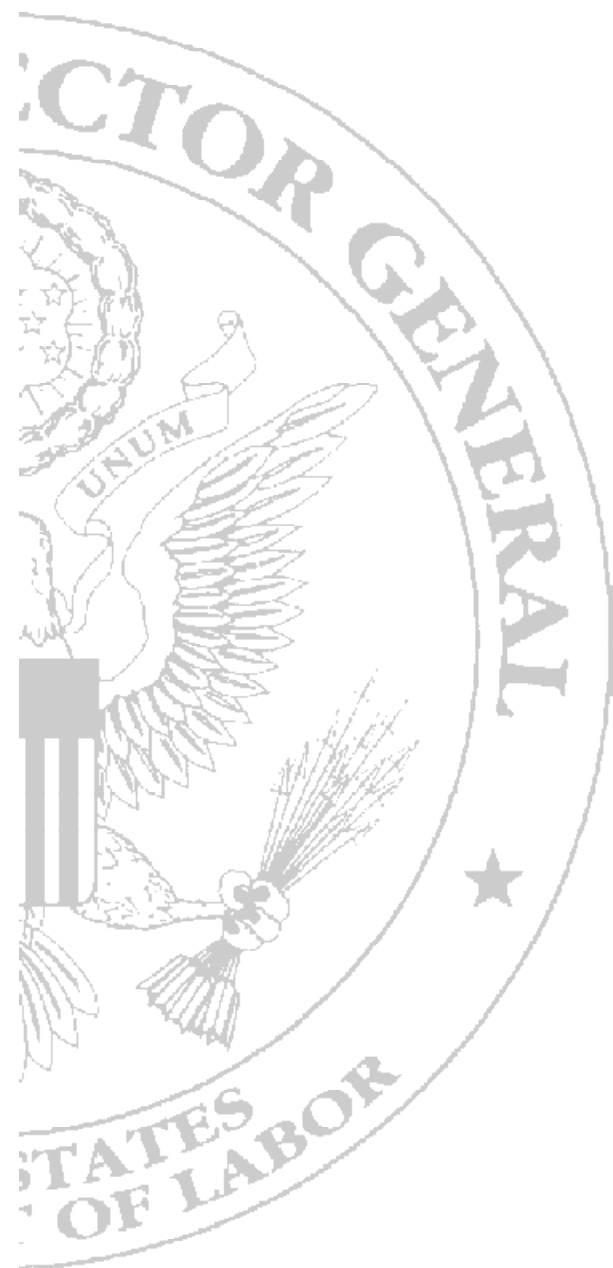
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*Improving
Program
Results*

Significant Management Issues

The OIG works with the Department and Congress to provide information and assistance in achieving efficient and effective management of DOL programs. Our primary goals are to ensure that information provided to DOL and Congress will be useful in their management or oversight of the Department and to focus agency attention on mission-critical management problems and stimulate action to resolve them. The OIG has identified the following areas that we consider to be vulnerable to mismanagement, error, fraud, waste, or abuse: the Dislocated Worker program, performance and accountability of grants, protection of worker benefit funds, the Foreign Labor Certification program, the safety and health of Job Corps participants, departmental resource management, and labor racketeering.

Dislocated Worker Program

The OIG is concerned about the extent to which the \$1.6 billion Dislocated Worker program is serving its intended population. A recent audit found that 35 percent of fiscal year 1997 program participants were ineligible or that documentation was insufficient to establish their eligibility. We also found programs that were not predominantly serving persons who fit the “traditional” definition of a dislocated worker, namely, victims of plant closings or mass layoffs. We are concerned that the program may not be adequately reaching the target population Congress intended to serve. In addition, we are concerned that the program’s allocation process may not distribute funds to areas where they are most needed. Guidance is therefore necessary to ensure that the program concentrates on persons who are unemployed because of reduced demand for specific jobs or the obsolescence of specific skills rather than on the general unemployed. We believe the guidance should be coupled with an allocation process that distributes funds to where they are most needed.

Performance and Accountability of Grants

DOL’s administration of roughly \$9 billion in grant funds continues to be an area of concern. The Department must assure accountability of its existing grant funds while managing several major new grant programs. In our March 2000 Semiannual Report, we reported deficiencies in ETA’s accounting for grant cost reports. In the intervening months, ETA has

intensified its efforts to address those deficiencies. However, we continue to stress the need to ensure that all grantee cost reports are entered in a timely manner into the Department's financial system to ensure accountability over the billions of dollars involved.

In addition, ETA and other agencies, such as the Bureau of International Labor Affairs, have been tasked with implementing major new grant programs. Findings contained in this report related to the Youth Opportunity, Welfare-to-Work, and Child Labor programs identified a number of deficiencies and the need for more attention to grant management. With billions of dollars invested in various grant programs, it is vital for the Department to ensure that grant programs have the necessary financial systems, policies, and monitoring to ensure results-oriented accountability and performance.

Protection of Worker Benefit Funds

The Department administers several programs and statutes designed to provide and protect the benefits of workers, such as the Unemployment Insurance (UI) program, the Black Lung Benefits, Longshore and Harbor Workers' Compensation, and Federal Employees' Compensation Act (FECA) programs, and employee pension plans. Protection of benefits is critically important because these programs affect the lives of millions of workers and retirees and involve billions of taxpayer dollars. We remain concerned about the ease with which these programs continue to be defrauded by claimants and medical providers, as well as about systemic weaknesses that lead to waste of program funds.

For example, the OIG continues to see a significant amount of healthcare fraud in both DOL-related health plans and union-related health plans, resulting in millions of dollars in losses to the Federal government and private insurance companies. Our investigations have also documented that vast sums of money in union-sponsored employee benefit plans remain vulnerable to corrupt plan officials, service providers, and organized crime elements. We also continue to see a multiplicity of schemes used to defraud the UI program, including fraudulent employer schemes, internal embezzlement schemes, and the fraudulent collection of UI benefits by illegal aliens and other ineligible claimants. Finally, a number of systemic weaknesses pose problems for the UI system, such as the loss of contributions due to the inability of states to search for hidden wages by employers who misclassify workers as independent contractors and increased vulnerabilities created by the telephone initial claims system.

Foreign Labor Certification

The OIG continues to identify fraud in the labor certification program, particularly in the H-1B temporary work visa program. These cases involve fraudulent petitions that are filed with DOL on behalf of fictitious companies and corporations; individuals who file petitions using the names of legitimate companies and corporations without their knowledge or permission; and increasing numbers of immigration attorneys and labor brokers who collect fees and file fraudulent applications on behalf of aliens. Based on prior investigative and audit work that found programmatic weaknesses and vulnerabilities in the program, the OIG remains concerned about the potential for increased fraud in this area.

Safety and Health of Job Corps Participants

The OIG is concerned that weaknesses we identified in prior audits of the Department's internal safety and health program still have not been corrected. A followup to a 1997 OIG audit report found that Job Corps had made limited progress in implementing a model safety and health program and in reducing accidents and injuries. The injury/illness rate for new students was the same in FY 1999 as it was in FY 1994. We concluded that Job Corps' safety and health program must be improved to meet its goals of reducing center injuries and illnesses and becoming a model program with exemplary safety and health plans and operations.

Departmental Resource Management

While DOL has taken measures to meet legislative and other mandates established over the past decade to improve accountability in the Federal government, the OIG is concerned about the lack of progress in several areas that are key to the Department's ability to manage its resources for maximum results. DOL now prepares financial statements that withstand audit, and its consolidated financial statements have received an unqualified (clean) audit opinion since FY 1997. However, much remains to be done within the Department to (1) fully implement managerial cost accounting at the agency level; (2) ensure that performance data reported by DOL's recipients and subrecipients are reliable; (3) augment, through OIG audits and program agency monitoring, the oversight achieved through single audits of DOL recipients and subrecipients; and (4) provide secure, high-quality information systems.

- **Implementing Managerial Cost Accounting:**

Implementation of a managerial cost accounting process that routinely matches cost information with program results is a crucial step toward managing for results. DOL's consolidated financial statements include a Statement of Net Cost that provides cost and revenue information by agency for five crosscutting programs in the Department and further allocates costs to the Department's eleven outcome goals. Currently, costs are being allocated by responsibility segment to DOL outcome goals at year-end. Therefore, some DOL organizations must wait until after the close of the fiscal year to learn how well they did in achieving their goals. To become a useful tool in managing for results, specific cost and performance information needs to be provided at the program level on a regular and consistent basis throughout the year. It is also necessary to develop a methodology to update allocation procedures continually at the program level.

The Department is working to develop a cost accounting system that will accumulate the specific costs for each program and link these costs to the program's results. While implementation of managerial cost accounting is ultimately a departmental responsibility, we believe all DOL agencies need to participate in the process to achieve its full benefits. We are concerned that not all agencies are doing this. Of particular concern is the lack of participation from the two largest agencies, the Employment and Training Administration and the Employment Standards Administration.

- **Assuring the Reliability of Performance Data:**

Managing for results requires accurate and reliable performance data at the program level. OIG audits have shown that, because approximately 90 percent of DOL's budget flows to recipients and subrecipients and DOL relies upon data provided by them to determine whether DOL's strategic goals have been achieved, it is critical for the Department to find ways to validate their performance data. Lack of assurance over such data compromises the reliability of DOL's reporting under the Government Performance and Results Act (GPRA) and the quality of the decisions based on such information.

- **Augmenting Single Audits:**

Just as the Department uses performance information reported by recipients and subrecipients to fulfill its own GPRA reporting responsibilities, it also relies on recipient- and subrecipient-

reported financial information to prepare its consolidated financial statements. However, lack of resources and other factors limit the extent to which program agencies monitor such entities. As a result, audits conducted by state auditors and CPAs under the Single Audit Act (SAA) have become the primary mechanism for obtaining assurance that recipients and subrecipients maintain effective internal controls over Federal funds and report reliable financial information on the use of those funds. However, we have identified gaps between SAA audits and the requirements necessary for us to render an opinion on the information received from recipients and subrecipients contained in DOL's consolidated financial statements. The OIG, therefore, is developing an audit approach that would build on single audit results in order to render an opinion. Within its resource constraints, the Department also needs to increase its monitoring and evaluation activities of recipients and subrecipients to obtain the information needed to manage for results.

- **Providing High-Quality Information Systems:**

Managing for results also requires a high-quality information technology (IT) environment to obtain the programmatic and financial information needed. Currently, DOL operates 65 mission-critical IT systems used to carry out a myriad of functions including generating vital statistics of the U.S. economy such as unemployment rates and the consumer price index; providing income security to millions of workers through a variety of benefit programs; administering nationwide employment and training programs and services; and providing vital information to the public on a variety of employment issues including the security of pension plans, occupational injuries and illnesses, and employment rights.

Past OIG audits have reported deficiencies concerning internal controls and security over systems that produce financial and performance data. The Department needs to continue to address deficiencies noted in these areas. In addition, the Department needs to assure that its major systems are secure from threats and loss of assets. The rapidly expanding use of Internet applications exposes DOL systems to an increased risk of computer crimes and other interruptions. DOL needs to assure that services and information provided through the Internet are continuously available and reliable and that individuals' privacy rights and businesses' proprieties are protected.

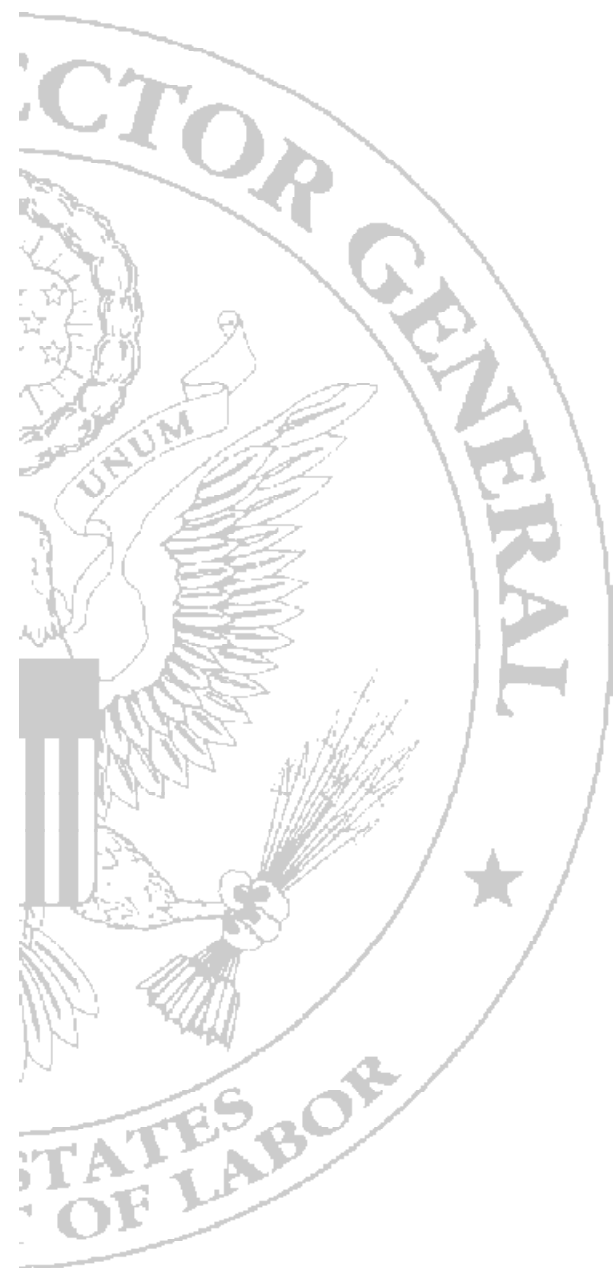
Increase in Traditional Labor Racketeering Noted

This reporting period has shown an increase in the number of ongoing criminal investigations of the more traditional labor racketeering violations, including extortion, bribery, and kickbacks. In the recent past, the OIG has focused its efforts on the shift from traditional labor racketeering occurring internally within unions and between unions and employers to corruption in union employee benefit plans. While the OIG continues to devote resources to investigating union benefit plan fraud, there has been an increase in the number of allegations involving the types of racketeering in which we had seen a significant decrease in activity during the 1990s. In addition, the number of criminal investigations into the influence of organized crime in the nation's labor unions and in labor-management relations is also rising. The OIG's Office of Investigations has seen a six percent increase in the number of organized crime cases in its inventory of open criminal investigations since FY 1998. Consequently, the OIG remains concerned about the continuing influence of traditional organized crime in an area with a long history of corruption.

**Selected Statistics of the OIG
for the Period
April 1, 2000–September 30, 2000**

Audit Reports Issued	68
Evaluation Reports Issued	7
Total Questioned Costs	\$15.7 million
Dollars Resolved	\$21.7 million
Allowed	\$4.8 million
Disallowed	\$16.9 million
Recommendations That Funds Be Put to Better Use	\$18.1 million
Cases Opened	225
Cases Closed	278
Cases Referred for Prosecution	143
Cases Referred for Administrative/Civil Action	23
Indictments	117
Convictions	110
Debarments	15
Investigative Recoveries, Cost Efficiencies, Restitutions, Fines/ Penalties, Forfeitures, and Civil Monetary Action	\$66.4 million

Note: The Office of Investigations conducts criminal investigations of individuals that can lead to prosecutions ("convictions") by criminal complaints, warrants, informations, indictments, or pretrial diversion agreements. Successful prosecutions may carry sentences such as fines, restitutions, forfeitures, or other monetary penalties. The Office of Investigations' financial accomplishments, which include administrative and civil actions, are further detailed and defined in the appendix of this report.



*Enhancing
Opportunities
for
America's
Workforce*

**A Prepared
Workforce**

The Department of Labor is committed to creating an environment where those new to the labor force or those wishing to improve their potential are provided the assistance and tools needed to achieve success in today's job market. The key priorities for this strategic goal are to provide opportunities for individuals to obtain the skills necessary to succeed in the global economy, close the employment gap for out-of-school youth, and increase long-term jobs for people as they move from welfare to work.

In support of the Department's goal, the OIG works to optimize the use of funds appropriated for training and employment programs by enhancing program performance and accountability. This includes providing oversight to ensure overall efficiency and effectiveness of DOL's Welfare-to-Work system in moving welfare recipients away from public assistance and into training, jobs, and self-sufficiency.

Job Training Partnership Act

The Job Training Partnership Act (JTPA) was enacted to establish programs to prepare youth and adults facing serious barriers to employment for participation in the labor force by providing job training and other services. Even though on July 1, 2000, JTPA was superseded by the Workforce Investment Act (WIA), the first major reform of the nation's job training system in the last 15 years, the OIG still has the responsibility for auditing programs that were funded by JTPA.

Dislocated Worker Program

DOL provides retraining and support services to dislocated workers through programs administered under JTPA Title III. The total appropriation for JTPA Title III in fiscal year (FY) 2000 was nearly \$1.6 billion. These services are provided to eligible dislocated workers, including those who have been terminated or laid off, who have received a notice of termination or layoff, who are long-term unemployed or self-employed, or who are displaced homemakers. Although the JTPA expired on June 30, 2000, the Dislocated Worker program will continue under the Workforce Investment Act.

Questions Raised as to Whether the Dislocated Worker Program Is Serving Its Intended Population

The OIG conducted an audit to determine whether the current policies and practices of the Dislocated Worker (DW) program have resulted in the serving of the targeted population. We found programs that were not predominantly serving persons who were victims of plant closings or mass layoffs. We also found that in 35 percent of the cases, program participants were ineligible, documentation was insufficient to establish their eligibility, or available evidence caused us to question whether they were persons that Congress intended the program to serve. The audit disclosed that the standard allocation formula, which is based on various

unemployment measures rather than on the number of dislocated workers in an area, may not distribute dislocated worker funds to where they are most needed. Where funds were allocated to localities with relatively few dislocated workers, we found that some entities relaxed the eligibility criteria in order to spend the available funds. Further, the audit revealed that program data reported by states to the Employment and Training Administration (ETA) were often incomplete or in error. The errors affected key performance measures, including participants' wages, training activities, and successes in obtaining jobs, that are used to evaluate DW program activities.

We recommended that ETA:

- ensure that adequate guidance is provided to states so that the files of participants who are certified for intensive services under WIA contain adequate information to qualify them as dislocated workers;
- determine whether a more equitable method of allocating DW funds can be devised that would result in funds being distributed to areas where the most dislocated workers reside; and
- complete a periodic, comprehensive quality review and oversight of data entered into participant information systems to ensure that placements are valid and that data are entered in accordance with program guidance and are otherwise accurate and complete.

While ETA generally agreed with many of our recommendations, it did not agree with our conclusions regarding who are eligible dislocated workers or the data on which they were based. According to ETA, the report does not adequately consider the authority vested in state and local governments or the need for flexibility in addressing local labor-market conditions. ETA believes that allowing state and local governments the flexibility to use their discretion in establishing eligibility criteria is the key to an effective program.

ETA did agree to work with state and local governments to ensure that files adequately document participants' eligibility, and ETA plans to increase DW program technical assistance and monitoring activities. ETA did not, however, offer specific steps it will take to work with state and local governments. Regarding the accuracy of data, ETA indicates it will increase its efforts to ensure that WIA program data are accurate and believes use of Unemployment Insurance wage data will help eliminate some of the errors identified in our audit. (OA Report No. 04-00-002-03-340, issued June 29, 2000)

**The New York State Department of
Labor Overstated PY 1998 JTPA
Title III Expenditures by \$6 Million**

The OIG performed an audit of the New York State Department of Labor (NYSDOL) JTPA Title III program expenditures covering April 1, 1999, through June 30, 1999. For the three quarters ending March 31, 1999, NYSDOL reported expenses of \$7,526,048. Expenditures in the fourth quarter of program year (PY) 1998 significantly rose by \$15,776,284 and expenditures were \$23,302,332 for the year ending June 30, 1999. The audit objectives were to determine the reason for the large increase in program expenditures during the last quarter of PY 1998 and whether these costs were allowable.

We found that NYSDOL transferred expenses from various cost centers to the JTPA Title III program to avoid recapture of PY 1998 allotments. As a result, expenditures reported on the Title III Worker Adjustment Formula Financial Report for the year ending June 30, 1999, were overstated by \$6,102,478 (personnel services were overstated by \$5,023,129 and expenditures for the Labor Exchange [LEX] system were overstated by \$1,079,349). We recommended that ETA ensure that NYSDOL reduce June 30, 1999, reported JTPA Title III expenditures by \$6,102,478, begin recapture and reallocation procedures (if required), and allocate costs of personnel services and the LEX system based upon relative benefits received.

In response, NYSDOL disagreed with our audit report. NYSDOL stated that it had provided documentation to support both the personnel service and LEX system adjusting entries. We believe that while a portion of the personnel service and LEX system costs may be allocable to the JTPA Title III program, it is NYSDOL's responsibility to document adequately that costs were allocated to a particular cost category to the extent that benefits were received. The transfer of costs from one grant to another should be made consistently among all programs and should not be done for one grant to overcome fund deficiencies or to avoid restrictions imposed by law or the terms of an award. (OA Report No. 02-00-214-03-340, issued September 28, 2000)

Welfare-to-Work

The Welfare-to-Work (WtW) program provides grants to states and local communities to move hard-to-employ welfare recipients into unsubsidized jobs and economic self-sufficiency. States receive 75 percent of the WtW funds through formula distribution. The remaining 25 percent are provided to communities through a competitive grant process designed to encourage communities to develop innovative, results-oriented ways to help long-term welfare recipients gain a secure foothold in the labor market.

Since the WtW program's implementation, the OIG has provided extensive assistance to the Department through our grant surveys and technical assistance. Our efforts have focused on identifying problems early in the process and recommending solutions to help the Department ensure the success of the program. In response to prior work, ETA has taken positive actions, such as providing grantees with additional services and technical assistance, as well as increasing its monitoring of grants. Following are recent examples of our work in this area.

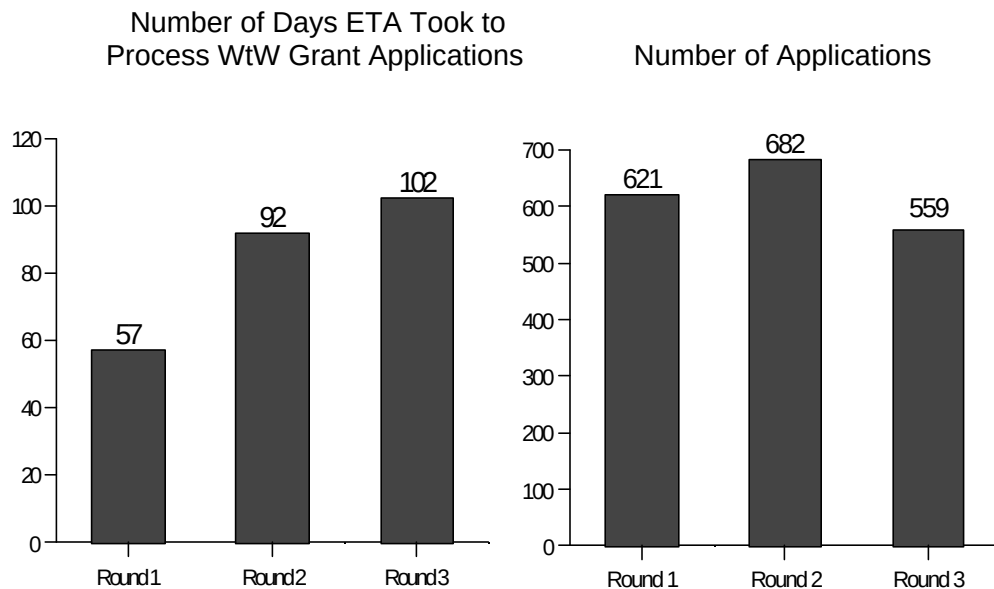
The Welfare-to-Work Grant Awards Process Could Have Been More Effective

The OIG conducted an evaluation in response to a congressional request and as a follow-up to our previous evaluation of the awards process of WtW grants in round one. We found that ETA could have been more timely and could have provided more useful assistance to prospective and actual grantees.

Our examination of the WtW competitive grant processing time disclosed that the number of days between the close of the solicitation for grant applications (SGA) and the award of the WtW grants increased between rounds one, two and three. We believe this increase in ETA processing time ultimately delayed the delivery of services to Temporary Assistance for Needy Families (TANF) recipients.

As shown by the following graphs, we found that in round one it took 57 days for ETA to process WtW grant applications and announce grant awards; in round two, it took 92 days; and in round three, it took 102 days.

This increase in processing time occurred despite the fact that the number of applications processed by ETA decreased between rounds one and three.



ETA attributed this increase in processing time to additional services provided to applicants, an increase in the number of applications received for rounds two and three, new requirements that were added to rounds two and three, multiple and/or overlapping solicitations, and other competing priorities that depleted staff resources. We agree that ETA took positive steps to provide technical assistance to prospective grantees in the preparation of the grant application. However, in our opinion, this should not have caused delay in the processing of completed applications.

As part of our evaluation process, we interviewed grantees to obtain information regarding the effectiveness of the WtW competitive grant awards process. Overall, grantees expressed satisfaction with the services provided by ETA. However, several grantees told us that ETA could have provided more useful assistance during the competitive grant awards process. ETA could have provided additional assistance by:

- continuing to coordinate and develop working relationships with state and local TANF agencies;
- including all WtW legislative requirements in the grant criteria and ensuring that the criteria were clearly defined;

- considering offering bidders' conferences at additional locations and advertising the specific conferences in the solicitation for grant application; and
- adequately defining the role of the grant officer's technical representatives to grantees and instructing them to provide grantees with timely responses to their questions and concerns.

ETA disagreed with some of our recommendations and stated that despite the identified concerns, the grant management process was conducted in an effective manner. (OACE Report No. 2E-03-386-0002, issued September 29, 2000)

Problems Identified in Devereaux Corporation's \$3 Million Welfare-to-Work Grant

The OIG performed a postaward survey of the Devereaux Corporation's \$3 million WtW Competitive Grant program. We examined its financial management and program systems and assessed Devereaux's capability to administer its grant in accordance with applicable regulations.

We found that Devereaux has neither the experience nor the performance record that formed the basis for it receiving the competitive award. Therefore, the award to Devereaux may have deprived a more qualified applicant from receiving a WtW Competitive Grant. We also found a number of areas in which Devereaux was not complying with the WtW regulations. For example, we determined that:

- grant fund drawdowns exceeded actual disbursements by over \$247,000;
- the approved grant budget included excessive costs (\$300,000 for training and contractual services that may have been available as public services) and questionable costs;
- staff salaries appeared unreasonable; and
- Devereaux incurred questionable transportation and travel costs.

The OIG believes that Devereaux does not have the capability to comply with the WtW regulations and administer the grant because Devereaux is not the organization that it presented itself to be in its grant application. We

recommended that ETA take steps to terminate Devereaux's WtW grant. In addition, we recommended that ETA recover the unexpended grant funds, including any interest earned on the excess cash balance, and disallow and recover the incurred questionable costs.

At the completion of the audit, ETA shared the OIG's concerns and expressed its intent to review all relevant information and take appropriate action, including possible termination. ETA removed Devereaux's access to the Advance Payment Management System and put it on a cost reimbursement basis. On August 11, 2000, ETA issued a letter to Devereaux stating its intent to terminate the grant, citing the results of the OIG's postaward survey report and its own review, and requiring Devereaux to return Federal funds totaling \$257,619 to the Department. Devereaux has appealed ETA's decision. (OA Report No. 03-00-006-03-386, issued May 22, 2000)

The Johns Hopkins University Institute for Policy Studies Is Capable of Administering Its Welfare-to-Work Competitive Grant Program

The OIG performed a postaward survey of the Johns Hopkins University Institute for Policy Studies' (JHU-IPS's) WtW Competitive Grant program. The purposes of our survey were to examine JHU-IPS's financial management and program systems and make an assessment of JHU-IPS's capability to administer the recently awarded \$4.9 million WtW Competitive Grant.

Overall, we concluded that JHU-IPS has the capability, including the necessary financial management systems, to administer its WtW Competitive Grant. While quantitative performance measures have not yet been developed, we believe the JHU-IPS WtW model, called the career transcript system (CTS), is innovative in concept with well-organized implementation and monitoring plans. The CTS is unique in developing certified employee skills that can be incorporated in the client's future employment resume. The CTS also utilizes both employee and job skills assessments as well as on-site monitoring of employer and employee requirements and needs. In our opinion, these approaches should enhance the client's probability of success in making the transition from welfare to work.

However, our survey also found that changes must be made in two areas related to reporting financial data in order to comply with WtW regulations. Specifically, JHU-IPS must report WtW costs using the accrual basis of accounting and must comply with WtW's cost allocation requirements.

JHU-IPS officials agreed with the results of our survey. (OA Report No. 03-00-007-03-386, issued July 31, 2000)

Adult Training Program

The adult training program under JTPA was formula-funded and state-operated, and it provided training, related education and employment services to economically disadvantaged adults. It was designed to increase participants' occupational and educational skills, resulting in improved long-term employability, increased employment and earnings, and reduced welfare dependency.

Florida Service Delivery Area Cash Management Practices Caused \$540,000 in Unnecessary Interest Costs

We examined the cash management practices of four Florida Service Delivery Areas (SDAs) that received JTPA grant funds between July 1, 1995, and December 31, 1999. The SDAs we examined had established and deposited grant funds into escrow accounts sufficient to pay the JTPA program participants' anticipated training costs. During our audit period, the monthly balances kept in the escrow accounts averaged about \$2.6 million, and over \$3.4 million remained in the escrow accounts as of December 31, 1999. The funds remained in the accounts until they were needed to pay vendors. However, the deposits were reported as program expenditures, and cash balances were invested. Because the Federal government must borrow funds and pay interest to finance programs, we estimate that the cash balances kept in the escrow accounts unnecessarily cost the Federal government \$540,000 in interest. If the practice continues, the Federal government could incur additional annual interest costs of about \$185,000.

Maintaining escrow accounts is a violation of the Cash Management Improvement Act of 1990, JTPA program regulations, and Florida's JTPA administrative policies, all of which require that cash advances be limited to the minimum amount necessary for immediate needs. The use of escrow accounts has continued despite long-standing concerns raised by state program monitors and notification to the State by ETA that the SDAs were in violation of JTPA requirements.

In addition to the inappropriateness of maintaining escrow accounts, we found lapses in the SDAs' stewardship of the escrow accounts. For example:

- the SDAs incurred unnecessary costs in administering the escrow accounts;
- the SDAs' true administrative costs were masked through offsets of fees against interest earned; and
- investments made by escrow agents were not insured and exposed the funds to risks of loss.

In one instance, an SDA was unable to provide information about the amount of program funds that remained in the accounts. The OIG also determined that the SDAs must better manage cash in their operating accounts to ensure that cash levels maintained in such accounts are minimized. We found that some SDAs had cash balances in their monthly operating accounts during 1999 that exceeded \$1 million. Although some SDAs had invested the balances, they had not credited interest income generated by the investments to appropriate Federal programs.

Poor cash control by Florida's SDAs was the subject of a 1991 OIG audit report. Many of the conditions discussed in that report are still prevalent. In addition, the recent passage of the Workforce Investment Act (WIA) has created new urgency to correct the SDAs' cash management practices. WIA requires that most participant training be provided through "individual training accounts." We noted that at least one SDA continues to use escrow accounts to pay WIA participant training costs. Unless the SDAs discontinue the use of escrow accounts, unnecessary interest costs to the Federal government will continue and may substantially increase.

We recommended that ETA require the Florida SDAs to comply with cash management requirements, direct the SDAs to terminate existing escrow agreements, discontinue using escrow accounts to pay for participants' training, reconcile balances in the escrow accounts, reduce expenditures on Federal financial reports by \$3.4 million, and ensure that escrow balances and interest earned are credited to the appropriate Federal

programs. We also recommended that the State and ETA closely monitor all Florida SDAs' cash management practices to ensure that cash in operating accounts is minimized and that interest earnings are properly treated as program income.

In its response to the report, the State of Florida generally agreed with our recommendations. Florida indicated that all SDAs will be notified that escrow accounts cannot be used to fund participants' training and stated that SDAs' cash management activities will be monitored at least annually to ensure that cash balances are not excessive. We believe the proposed corrective actions along with Federal and State monitoring will go a long way toward resolving the problems identified in the report. (OA Report No. 04-00-004-03-340, issued September 20, 2000)

The Puerto Rico Department of Labor and Human Resources Still Has No Corrective Action Plan for Many Single Audit Recommendations

This report completed the OIG's efforts to assist ETA in resolving and closing 208 findings contained in seven Puerto Rico Department of Labor and Human Resources (DLHR) single audit reports covering the years ending June 30, 1986, through June 30, 1994. The first stage of the audit effort focused on the 45 most critical recurring financial weaknesses identified by audits conducted under the Single Audit Act, and the results were reported in an OIG audit report issued on December 8, 1999 (OA Report No. 02-00-203-03-325). The current report addresses the 163 remaining findings requiring resolution and closure. Of these, six involved questioned costs of \$287,065 that should be resolved. These findings contain either reportable conditions, material weaknesses, or questioned costs in excess of \$10,000.

We recommended that ETA recover the questioned costs of \$287,065. We also recommended that ETA ensure that in the future DLHR submits and implements corrective action plans in accordance with OMB Circular No. A-133. (OA Report No. 02-00-218-03-325, issued September 18, 2000)

**Over \$190,000 of the American
Association of Community
Colleges' Costs Were
Questioned**

We audited costs claimed for reimbursement by the American Association of Community Colleges (AACC) under its DOL grants for the period from May 2, 1996, to December 31, 1999. ETA awarded AACC three grants to enhance the capacity of the nation's community college system in responding to the workforce training needs of dislocated and incumbent workers.

During our audit period, AACC claimed costs of over \$1.5 million under these three grants. We questioned \$198,678 in excessive overhead and general and administrative costs, a subcontractor's indirect costs that were charged to the DOL grant in violation of grant provisions, and charges for which AACC was unable to provide supporting documentation.

The AACC agreed with our findings. (OA Report No.18-00-008-03-340, issued August 4, 2000)

Migrant and Seasonal Farmworker Program

The Migrant and Seasonal Farmworker (MSFW) Program is designed to serve members of economically disadvantaged families whose principal livelihood is derived from migratory and other forms of seasonal farm work. Through training and other development services, the program aims to prepare eligible seasonal farmworkers and their family members for stable, year-round employment. The goal of the program is to increase the self-sufficiency of these farmworkers by increasing their earnings and employability.

\$6 Million in Grant Costs Submitted by the Center for Employment Training Questioned

The OIG audited the Center for Employment Training's (CET's) administration of three PY 1998 ETA grants (MSFW, WtW, and the Replication Project). We expanded the scope to earlier program years in those areas in which we noted problems had occurred in 1998. Overall, we concluded that while CET was meeting the program objectives of the grants audited, its internal controls and financial reporting procedures were not adequate to ensure that grant costs reported to ETA were accurate and allowable under governing regulations, and we questioned \$6,058,825 in costs. For example, CET overstated MSFW and WtW administration costs and did not credit the MSFW program with Pell Grant proceeds received from the Department of Education. Moreover, DOL grant costs totaling \$3,728,512 were misclassified on the Replication Project's cost report.

To correct these deficiencies, we recommended that ETA require CET to improve internal controls and financial reporting procedures for DOL programs and projects. While CET agreed that errors had been made in reporting administration costs and in charging some costs to the grants, CET did not believe that the errors affected actual grant billings. CET agreed to improve procedures for documenting participant eligibility and for submitting indirect cost proposals. (OA Report No. 09-00-006-03-365, issued September 26, 2000)

**The OIG Questioned \$526,728
Because of Inadequacies in the
Central Valley Opportunity
Center's Financial Systems**

The OIG audited the Central Valley Opportunity Center, Inc.'s (CVOC's) administration of its MSFW Program for PYs 1995 and 1996, the costs it reported on financial status reports (FSRs), and its indirect cost rate proposals. CVOC received \$1,250,233 for PY 1995 and \$1,144,818 for PY 1996. We expanded the scope of our audit through September 30, 1998, in those areas in which we noted problems.

Overall, we concluded that CVOC properly met the objectives of the MSFW Program grant. However, we questioned program costs totaling \$526,728. We found that the financial systems CVOC used to report costs on the FSRs and the indirect cost proposals needed significant improvements to reflect allowable costs accurately in accordance with grant provisions, Federal regulations and OMB Circular No. A-122.

We recommended that ETA direct CVOC to:

- improve internal controls by monitoring administrative cost limitations;
- comply with grant provisions and OMB Circular No. A-122 regarding timely submission of final indirect cost rate proposals;
- establish specific internal controls to identify and exclude all unallowable direct and indirect costs; and
- establish written procedures to ensure that employability enhancements are fully supported in its participant files and participant data systems.

We also recommended that ETA disallow inappropriate direct and indirect costs identified in the audit.

CVOC agreed that administrative cost limitations had been exceeded, that unrelated costs had been charged to the MSFW program, and that there had been instances in which lodging rates were exceeded and per diem rates were not calculated correctly. CVOC agreed to make the necessary adjustments for these instances. In addition, CVOC provided additional documentation to support program charges.

Based on CVOC's response, which included additional documentation of its expenditures, we revised our initial questioned cost amounts. However, our basic conclusions and recommendations remained unchanged. (OA Report No. 09-00-003-03-365, issued June 2, 2000)

Youth Opportunity Grants

DOL awarded JTPA Title IV Youth Opportunity demonstration grants to several pilot cities (Chicago, Houston, and Los Angeles). The purpose of the program is to develop a comprehensive approach aimed at improving the labor market prospects of out-of-school youth, ages 16 through 24, with priority given to high school dropouts in high-poverty areas. The initiatives are intended to focus on getting out-of-school youth into long-term employment at earnings levels that would prevent future dependency.

Follow-up Audit Found Grantee Services Still Need to Improve and ETA Should Continue Program Evaluations

On March 22, 2000, the OIG issued "Audit Findings from First 18 Months of the Three Kulick Youth Opportunity Pilot Sites Suggest Additional Innovation Is Needed for Youth Training Undertaken with JTPA Demonstration Grant Funds." (OA Report No. 06-00-002-03-340) This report represented a snapshot of these Youth Opportunity pilot sites in the early stages of the program. The purpose in having these various pilot sites was to learn lessons in order to improve the program progressively. ETA has indicated that lessons learned from these three pilot sites have been used to tighten the structure of the subsequent pilots and the larger operational grants.

We performed a follow-up audit to provide DOL management with additional independent information regarding whether youths' earnings increased or decreased in the year after our initial audit. While the earnings outcomes appear to be improving, grantees' services still need to be improved to lead these youths to self-sufficiency.

As a measure of program accomplishment, we evaluated:

- continuity of employment as measured by (1) sustained employment from quarter to quarter, (2) the number of quarters in which participants had earnings in the four-quarter evaluation period, and (3) the number of different employers participants had in the four-quarter evaluation period; and
- participants' earnings during the last quarter of our evaluation period.

We found that approximately 70 percent of the initial participants in our audit sample (105 participants) had earnings in the follow-up period. Overall, annual earnings of the participants sampled increased from \$4,217 in our initial audit to \$5,482 in the follow-up. For the participant universe, average annual earnings were \$5,982. Tracking the earnings of the participants sampled disclosed that approximately one-third of them showed no significant increase or decrease in their earnings, one-third showed a decrease; and one-third showed an increase.

In our opinion, ETA should continue to evaluate the performance of these grantees and the WIA-funded Youth Opportunity operational grantees. This is necessary to help increase the number of youths who obtain and maintain employment and increase their annual earnings. (OA Report No. 06-00-003-03-340, issued September 20, 2000)

Job Corps

Job Corps is a nationwide network of 119 residential facilities that provides a comprehensive and intensive array of training, job placement, and support services to at-risk young adults. Its mission is to attract eligible young adults, teach them the skills they need to become employable and independent, and place them in meaningful jobs or further education. Participation in the program is voluntary and is open to economically disadvantaged young people ages 16 through 24 who are unemployed and out of school.

Safety and Health Issues Identified in Prior Audit Reports Are Still Not Corrected

In March 1997, the OIG reported on the Department's internal safety and health program. Among our recommendations was clarification of the roles and responsibilities of the Office of the Assistant Secretary for Administration and Management (OASAM) and of Job Corps in ensuring that Job Corps centers comply with the Occupational Safety and Health (OSH) Act.

To implement our recommendations, Job Corps initiated a Memorandum of Understanding (MOU) with OASAM and the Occupational Safety and Health Administration (OSHA) to establish a model safety and health program for its centers and to resolve some of the weaknesses identified in our 1997 audit report. Job Corps also established performance standards aimed at reducing the number of accidents and injuries at its centers.

In September 2000, the OIG issued a follow-up report to determine whether the issues identified in our prior audit had been corrected. To accomplish our objectives, we visited eight Job Corps centers and seven regional offices that have responsibility for oversight over those centers. We found that Job Corps has made limited progress in implementing a model safety and health program and reducing accidents and injuries, and that Job Corps' responsibilities described in the MOU have largely been unfulfilled. The injury/illness rate for new students was the same in FY 1999 as it was

in FY 1994. We found that the center safety officers (CSOs) had taken few of the nine safety and health courses required by the Policy and Requirements Handbook (PRH). In addition, the Job Corps project managers (JCPMs), while not required by the PRH to take safety and health courses, had not taken any of these courses. Also, center inspections were conducted informally and were not always documented. There was no adequate system to ensure that violations were abated properly and in a timely manner and the statistical data accumulated to assist in gauging Job Corps safety and health status were based on incomplete and inconsistent practices.

We concluded that Job Corps' current safety and health program must be improved to meet its goal of reducing center injuries and illnesses and becoming a model program with exemplary safety and health plans and operations. We recommended that ETA and OASAM (DOL's designated agency safety and health coordinator) ensure that Job Corps takes action to improve the safety and health conditions of its centers. Specifically, DOL needs to ensure that:

- CSOs fulfill the responsibilities and inspection requirements described in the PRH, and hazard abatement procedures are formalized;
- center inspections are supplemented by greater supervision of student activities to prevent physical violence and slip/trip and fall injuries;
- CSOs take all required safety and health training courses;
- JCPMs' performance standards are revised to include safety and health as critical elements of performance, and Job Corps contractors evaluate their CSOs and center directors on improvements in center safety and health conditions;
- abatement procedures for evaluations are followed and all violations abated within 30 days;
- standard definitions for reportable injuries and illnesses and lost time cases are established; and
- the Safety and Health Information and Management System reports are reviewed by OASAM for accuracy and completeness.

In response, both Job Corps and OASAM generally agreed with most of our findings. The agencies indicated that they recognize the need to implement changes to the overall safety and health program and are taking steps to address many of our recommendations. (OA Report No. 05-00-007-03-370, issued September 22, 2000)

Veterans' Employment Programs

The Veterans' Employment programs administered by the Veterans' Employment and Training Service (VETS) are designed to meet the employment and training needs of service-connected disabled veterans, veterans of the Vietnam era, and veterans who have recently been separated from military service.

Disabled Veterans' Outreach Specialist Provided Services to Nonveterans

Based on a congressional request, the OIG audited a Disabled Veterans' Outreach Program (DVOP) administered by the Maryland Department of Labor, Licensing, and Regulation (DLLR). It was alleged that a DVOP specialist was directed by the job service office manager to perform services for nonveterans in violation of the law that restricts DVOP services to eligible veterans. It was also alleged that the DVOP specialist was identified as a whistle blower and that he had been subjected to reprisal by the manager as a result of reporting the violations to the State of Maryland and VETS. In an October 1998 evaluation report issued by VETS, VETS stated that it had been brought to the evaluator's attention that a DVOP specialist was serving nonveterans.

Our audit confirmed that the DVOP specialist had provided services to nonveterans in violation of the law. While the DVOP specialist acknowledged that he knew such actions were a violation of the law, we concluded that there was no evidence that the office manager or job service supervisor had directed the DVOP specialist to provide service to nonveterans, as was contended. However, there was evidence to show that they were aware this was occurring.

We also found that:

- DLLR's response to the violations was inadequate;
- the complaint alleging acts of reprisal for reporting violations had not been formally addressed;

- DLLR's calculation of the amount to be reimbursed to the DVOP grant for the costs of providing services to nonveterans was unintentionally understated by \$24,000;
- VETS needs to be more aggressive in ensuring that violations are adequately resolved; and
- VETS needs to change its procedures for local employment service office evaluations to improve its effectiveness in identifying violations.

We recommended that VETS instruct DLLR to implement a proposed corrective action plan to ensure that violations do not reoccur. In addition, we recommended that VETS recover \$24,000, in addition to the \$15,500 originally proposed by the State for refund, for a total recovery of \$39,500. We also recommended that VETS develop policies defining the Federal VETS regional administrator's and state directors' responsibilities in negotiating remedies to state compliance issues. We also recommended that VETS modify its local office evaluation procedures to increase assurances that incidents of serving nonveterans are identified.

VETS disagreed with our recommendation to require DLLR to define the appropriate disciplinary action to be taken against employees involved in the violations because the disciplinary action in this matter is a state function, and VETS has procedures to ensure that violations are adequately resolved. We agreed that disciplinary action against state employees involved in this type of violation is a state function and revised our draft report accordingly.

VETS, in its response to the draft report, agreed to require certifications from DVOP specialists that they are providing services to veterans only. Concerning our recommendation to modify evaluation procedures, VETS stated that it is in the process of updating its evaluation manual and that there are already procedures for the establishment of time frames for corrective action plans and the identification of violations of the prohibition against DVOPs' serving nonveterans at local employment service offices. We believe that, as part of its oversight responsibilities, it is critical for VETS to ensure that Federal DVOP funds are spent according to law and that states are dealing effectively with violations. In our opinion, specific policies are needed to ensure that VETS and state directors adequately resolve these violations. (OA Report No. 03-00-009-02-201, issued September 28, 2000)

A Revised Management Decision Was Issued for the Puerto Rico Migrant and Seasonal Farmworker Program

The OIG conducted a performance and financial audit of the Puerto Rico Department of Labor and Human Resources (DLHR) Migrant and Seasonal Farmworker Program for the period from July 1, 1991, to March 31, 1995, and questioned \$1,764,658 of program expenditures. Subsequently, ETA issued a management decision disallowing all of the questioned costs (reported in the March 31, 1997, Semiannual Report). ETA later withdrew this management decision and issued a revised management decision that disallows \$604,701.

The revised management decision was based on additional documentation submitted by DLHR to ETA. This included an audit report by an accounting firm that reported that DLHR had incurred \$460,125 in stand-in costs, which were allowed by ETA. Accordingly, \$144,576 of the disallowed costs was established as a debt to the Federal government and is subject to collection. (OA Report No. 18-96-005-03-365, issued February 27, 1996)

Audit of the East Texas Council of Governments' JTPA Program

In a 1992 audit of the East Texas Council of Governments (ETCOG), the OIG questioned \$5.8 million in profits, interest and program income, and expenditures. Nearly \$4.5 million of the questioned amount consisted of profits earned by two subcontractors that operated the JTPA program for ETCOG. Prior to the release of our report, the subcontractors filed a lawsuit against the Service Delivery Area (SDA) and the State of Texas, among others.

On May 11, 2000, ETA finalized a settlement agreement between the Department and the State of Texas, the East Texas Council of Governments SDA, and the SDA's two service providers. The agreement provides for the State, the SDA, and the service providers to repay \$2,030,000 to the Department. To date, the Department has recovered \$1,830,000. (OA Report No. 06-92-010-03-340, issued September 30, 1992)

The Washington Alliance Welfare-to-Work Grant Was Terminated

On August 11, 2000, ETA informed the Washington Alliance that its grant would be terminated effective August 15, 2000. The proposal for termination was based on the OIG's postaward survey report and ETA's review. We had performed the postaward survey to assess the Washington Alliance's ability to administer its \$5 million Welfare-to-Work Competitive Grant in accordance with applicable regulations. The grant application described the Alliance as a collaborative effort of nine organizations with two general partners and seven subcontractors. However, we concluded that the Alliance materially failed to comply with the conditions of the grant and had neither the administrative nor the program capacity to operate the WtW grant.

The Alliance has appealed ETA's decision. (OA Report No. 03-00-004-03-386, issued March 27, 2000)

Audit of the JTPA-Funded Florida Minority Teachers' Education Program

The OIG conducted a compliance audit of JTPA funds spent on the Florida Fund for Minority Teachers, a State of Florida initiative, and found that nearly \$3 million was improperly spent. Instead of being used to operate a JTPA program, the funds were used to provide minority college students with "scholarships" in exchange for their commitment to remain in Florida and teach after graduation. The students who received the scholarships were not dislocated workers, whom the JTPA funds were intended to serve. Florida provided the funds to students without determining their eligibility for JTPA Title III. In addition, the scholarships were provided only to certain ethnic and racial groups, in violation of JTPA requirements.

On August 4, 2000, ETA issued a final determination disallowing almost \$3 million questioned by the OIG. This amount is subject to debt collection. (OA Report No. 04-00-001-03-340, issued January 24, 2000)

Washington Man Ordered to Repay \$1.8 Million for Theft of Government Funds

Wallace Jorgensen, the former lead accountant and bookkeeper for the National Asian Pacific Center on Aging (NAPCA) of Seattle, WA, was sentenced on June 5, 2000, to two and a half years' imprisonment, three years' probation, and was ordered to pay over \$1.8 million in restitution, following his February 2000 guilty plea to charges of theft of Federal funds. On May 15, 2000, Jorgensen's daughter, Gina, was sentenced to one month of home confinement with electronic monitoring, 100 hours of community service, five years' probation, and was ordered to participate in a mental health and financial counseling program for her role in the theft.

NAPCA receives approximately 55 percent of its funding from DOL through grants under the Senior Community Service Employment Program administered by DOL's Employment and Training Administration. An investigation revealed that from July 1994 to March 1999, Jorgensen misappropriated funds by issuing checks drawn on NAPCA's travel and beneficiary payroll accounts to himself and members of his family, including his daughter, who received approximately \$350,000. The absence of internal controls facilitated the embezzlement, as Jorgensen had signatory authority for the checks and was also responsible for reconciling the accounts from which the funds were paid. This investigation also established that Jorgensen owes \$609,000 in Federal personal income taxes on the embezzled funds. The sentencing of Jorgensen concludes the criminal aspects of this investigation, which was conducted jointly with the IRS Criminal Investigation Division, the Environmental Protection Agency (EPA) OIG, and the FBI. The EPA and DOL will proceed with administrative action. *U.S. v. Wallace Jorgensen, U.S. v. Gina Jorgensen* (W.D. Washington)

Company Official Sentenced for Embezzling Funds in Michigan

On June 5, 2000, Michael Finan, the secretary-treasurer of Port Austin Level and Tool Manufacturing Company (PALTMC) of Sandusky, MI, was sentenced to one years' imprisonment, five years' probation, and was placed in a work release program while incarcerated to make restitution payments that total \$374,000. The investigation disclosed that from 1994 to 1996, Finan embezzled over \$27,000 in retirees' health insurance

payments and \$2,300 of JTPA funds paid by the Thumb Area Employment Training Consortium and received over \$194,500 in payments for merchandise belonging to PALTMC, which Finan sold at a discount to Action Tool Company of Florida. Finan committed the fraud by instructing clerical staff he supervised to cash checks and return the money to him. These cash receipts were never entered into PALTMC's books or records, but were used for Finan's personal expenses. This was a joint investigation with the Pension and Welfare Benefits Administration. *State of Michigan v. Finan* (E.D. Michigan)

Foreign Labor Certification Program

The Department of Labor's foreign labor certification (FLC) programs are generally designed to ensure that the admission of aliens to work in the United States on a permanent or temporary basis will not adversely affect the job opportunities, wages, and working conditions of American workers or legal resident aliens. The H-1B Visa Specialty Workers Program, an FLC program, requires employers who intend to employ specialty occupation workers temporarily to file labor condition applications with the Department stating that appropriate wage rates will be paid and workplace guidelines followed. Proper worker documentation must accompany these applications. OIG audits and investigations have routinely shown that the individuals allowed into the United States under this program typically lack the specialized skills necessary for meeting the requirements for H-1B visas.

The OIG continues to identify fraud in the FLC programs, with the majority of cases involving the H-1B temporary work visa program. These cases involve fraudulent petitions that are filed with DOL on behalf of fictitious companies and corporations, individuals who file petitions using the names of legitimate companies and corporations without their knowledge or permission, and an increasing number of immigration attorneys and labor brokers who collect fees and file fraudulent applications on behalf of aliens. During the last six-month period, OIG investigations led to the indictment and conviction of 12 individuals engaged in this type of fraud. In comparison, the OIG has averaged 14 indictments and 11 convictions per year for labor certification fraud over the prior five-year period.

California Health Care Firm Officials Pled Guilty to Alien Smuggling

On September 21, 2000, Matahom "Pearl" Scully of San Francisco, CA, the president of MSSA International as well as an immigration consultant, pled guilty to visa fraud and conspiracy. In addition, on August 4, 2000, Golden State Health Care (GSHC), a California firm specializing in

rehabilitation and convalescent care, and GSHC officer Daniel Reyes pled guilty to charges of alien smuggling. From 1994 through 1997, Scully drafted hundreds of fraudulent petitions for Filipino aliens seeking admission to the United States through the H1-B visa program and pocketed fees of up to \$5,000 from each alien sponsored by GSHC. The petitions signed by Reyes falsely showed that GSHC was seeking workers in specialty occupations such as budget analysis, program management, and engineering, when in fact the company's vacancies were limited to low-skilled, low-paid jobs such as certified nursing assistants, janitors, and maintenance. In addition, in February 2000, Scully's attorney, Mae Lantion of Los Angeles, was indicted on charges of alien smuggling and visa fraud. The investigation found that the defendants transported the aliens to job interviews and helped the aliens find jobs they were not authorized to hold. In order to conceal the fact that the aliens were working for non-H-1B-approved employers, the defendants directed employers to pay the aliens' salaries to MSSA, which in turn paid the aliens, after deducting a portion of their salaries. This was a joint investigation with the Immigration and Naturalization Service (INS) and Department of State. *U.S. v. Reyes, Scully, Lantion* (N.D. California)

Immigration Attorney Sentenced for Visa Fraud in Texas

Justin Ong, an immigration attorney in Houston, TX, was sentenced on June 26, 2000, to four months' imprisonment, four months' home confinement, three years' supervised release, and fined \$7,500, following his November 1999 guilty plea to charges of visa fraud and filing a fraudulent income tax return. He also agreed to surrender his license to practice law, to pay back taxes of over \$90,000, and to cease any employment related to immigration law.

Ong primarily practiced immigration law, and he represented a number of Chinese aliens who were seeking immigration visas and ultimately permanent residence in the United States. In the course of his practice, he gave two aliens false immigration documents to facilitate their admission as students at Houston Community College. He also created shell companies and represented on immigration documents that the aliens were employed. As part of Ong's scheme, he filed with DOL fraudulent alien labor certifications required for the issuance of visas.

This two-year investigation was conducted with the Asian Organized Crime Task Force of the Houston U.S. Attorney's Office, which included the Department of State, the Bureau of Diplomatic Security, the FBI, and the INS. *U.S. v. Ong* (S.D. Texas)

California Immigration Company Owner Sentenced in Visa Fraud Scheme

On October 2, 2000, Juliet Cortez, the owner of Triumph Immigration Service, was sentenced to two years' probation and 300 hours of community service for her role in a labor certification scheme. In addition, on July 31, 2000, disbarred attorney John Heine was sentenced to two months' incarceration, two months' home detention, and three years' probation for representing aliens on over 230 petitions. Heine claimed to be an attorney in good standing, when in actuality he had been suspended in 1993 and disbarred in 1995. On July 17, 2000, Antonina Peralta, the owner of Inter-World Immigration (IWI), pled guilty to false statement charges.

An ongoing investigation of IWI has revealed that, since the early 1990s, multiple co-conspirators were involved in the preparation of fraudulent employment-based petitions that were submitted to DOL, the INS, and the California Employment Development Department (EDD). Peralta contracted with Cortez and Americus Ramos, a consultant to numerous board and care facilities who pled guilty in August 2000. Ramos and Cortez recruited petitioning employers, created fictitious companies, and stole the identities of legitimate companies to be used on at least 100 fraudulent nonimmigrant (H-1B) and immigrant (permanent labor certification) petitions. This is a joint investigation with the INS and EDD. *U.S. v. Cortez, Peralta, Heine, et al.* (C.D. California)

Florida Immigration Attorney Pled Guilty to Visa Fraud

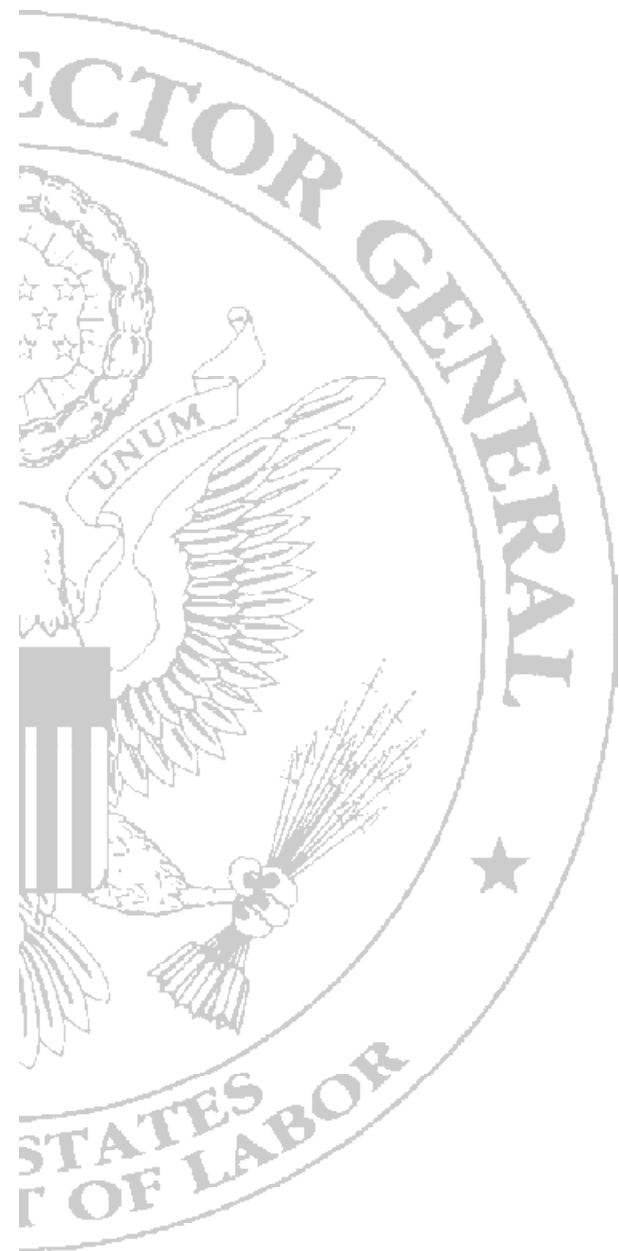
On September 7, 2000, immigration attorney Avi Carmel of Miami, FL, pled guilty to conspiracy to commit fraud in connection with the preparation and filing of employment-based visa petitions. He has agreed to surrender his license to practice law as a condition of the plea agreement. Carmel's immigration law practice specialized in obtaining work visas and skilled worker visas for alien clients. From February 1995

to January 1999, Carmel directed attorneys and paralegals who worked for him to prepare false applications to be submitted to DOL and the INS to obtain legal status in the United States for aliens he represented. The OIG investigation revealed that Carmel misrepresented the work experience and background of the alien petitioner, and falsified the ownership and corporate structure of the sponsoring businesses through fabricated stock certificates. This was a joint investigation with the INS. *U.S. v. Carmel* (S.D. Florida)

Doctor Sentenced for Visa Fraud in Texas

On August 18, 2000, Dr. Demetria Montalvo of Texas was sentenced to six months in a halfway house, five years' probation, and was immediately processed by the U.S. Border Patrol for deportation to the Philippines, following her May 2000 guilty plea to charges of aiding and abetting and visa fraud. The investigation found that from November 1998 to March 2000, Dr. Montalvo worked with Dan Rush, the general manager of Diamond Care, Inc., to obtain a work visa for nurse Annabelle Sevillano of Manila, Philippines. The false affidavit stated that Sevillano was contracted to work at Southern Manor, a Diamond Care nursing home in Lubbock, TX, for a two-year period with an offered wage of \$23,400, when in fact, no nursing position was available. In addition, Montalvo had promised to pay Rush \$500 once Sevillano's visa was granted and she had entered the United States. This case was initiated from schemes uncovered during the investigation of Billy Jewell, Diamond Care, Inc., and related facilities that were previously prosecuted. This is a joint case with the Department of State and the INS Border Patrol. *U.S. v. Montalvo* (N.D. Texas)





*Promoting the
Economic
Security of
Workers and
Families*

A Secure Workforce

The Department of Labor is committed to protecting workers' hours, wages, and other conditions when they are on the job, providing unemployment and compensation benefits when workers are unable to work, and expanding, enhancing, and protecting workers' pensions, healthcare, and other benefits. The key priorities for this strategic goal are to increase compliance with minimum-wage and overtime requirements, enable working Americans to be economically secure when they retire, provide more pensions for women and employees of small businesses, provide better access to healthcare, and facilitate community readjustment in those areas suffering from economic change by shortening periods of unemployment and increasing full-time jobs and wage replacement.

In support of the Department's goal, the OIG works to safeguard workers' and retirees' benefit programs by enhancing program performance and accountability. This includes conducting sufficient activities to assess and make recommendations to enhance significantly the Department's ability to administer and safeguard the billions of dollars in employment, unemployment, and disability compensation benefit programs effectively and to protect employee pension, healthcare, and welfare benefit plans.

Unemployment Insurance

Enacted over 60 years ago as a Federal-state partnership, the Unemployment Insurance (UI) program is the Department's largest income-maintenance program. This multi-billion-dollar program assists individuals who have lost their jobs through no fault of their own and is administered by State Employment Security Agencies (SESAs) in 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands under the oversight of ETA.

Ensuring the integrity of the UI program is the joint responsibility of the Federal and state entities charged with administering and overseeing the program. Only through a comprehensive, integrated approach of oversight and enforcement can the necessary safeguards be institutionalized to assure that UI benefits will be available to unemployed individuals when needed. Although SESAs have investigative branches, they have, in the past, focused mainly on fraudulent claimant cases within their own state borders. This is because of issues of limited enforcement capability, as well as a lack of multi-state jurisdiction, which precludes some states from effectively detecting and investigating more complex fraud schemes or schemes that cross state lines.

As noted in previous reports, OIG investigations into fictitious employer schemes have been increasing over the past five years. The OIG is increasingly concerned with the ability of individuals to file a fraudulent claim over the telephone or Internet and to counterfeit UI benefit checks or alter payroll checks with a state's UI banking code. An example of the use of the Internet to obtain fraudulent UI benefits that occurred in the State of Pennsylvania is highlighted in this section.

OIG investigations have also demonstrated that numerous schemes have been devised by individuals that have resulted in the failure of employers to pay their portion of the UI tax on employee wages. These contractors and employers, who trade in cheap and sometimes illegal immigrant labor, have diverted money from the UI trust fund by underreporting or failing to report real wages of their employees.

Moreover, the OIG has identified Federal contractors who have submitted fraudulent Employer Quarterly Wage Reports to state UI entities, usually by underreporting the numbers of employees on their payrolls, or in some cases by underreporting wages paid to their employees. In both instances, neither the liable state nor the Federal government can properly determine an appropriate unemployment tax on the employer who provides false information.

In addition to the employer schemes, false UI claims by individuals continue to be an area of concern. We have increased our efforts to provide states with assistance in this area, and we continue to place attention on UI fraud involving multiple states or public benefit programs.

Eleventh Defendant Sentenced for UI Fraud Scheme in Massachusetts

On September 25, 2000, James Baker was sentenced for defrauding the Massachusetts Division of Employment and Training (MDET). Baker and his co-conspirators used two fictitious companies, Talk Boston, Inc., and X-Call Corporation, to file 40 fraudulent UI claims between December 1994 and January 1999. To date, 11 of 15 defendants have been sentenced to a total of five years' incarceration, 31 years' probation, and have been ordered to pay nearly \$542,000 in restitution. This joint investigation was conducted with the U.S. Postal Inspection Service, the Social Security Administration OIG, and MDET. *U.S. v. Baker, et al.* (D. Massachusetts)

Guilty Plea from Nevada Man for Multi-State UI Scam

On August 24, 2000, Kenneth Allen of Las Vegas, NV, was sentenced to one and a half years' incarceration, three years' supervised release, and was ordered to pay \$230,500 in restitution. Allen pled guilty in May 2000 to 20 counts of mail fraud arising from fraudulent UI benefits he collected in California, Massachusetts, Texas, and Nevada. The investigation determined that between September 1996 and November 1999, Allen established 13 fictitious companies, submitted fraudulent interstate UI

claims based on false reported wages for 36 fictitious claimants using names and social security numbers of deceased persons, and then collected UI benefit checks based on the claims via the U.S. mail.

This was a joint investigation with the California Employment Development Department, the U.S. Postal Inspection Service, the Nevada Employment Security Division, and the Massachusetts Division of Employment and Training. *U.S. v. Allen* (M.D. Georgia)

Two Defendants Pled Guilty in Fictitious Record Company Scam in Pennsylvania

On September 18, 2000, Terrell Pollard and Mark Davies of Philadelphia, PA, entered guilty pleas to charges of bank fraud and mail fraud in connection with a \$300,000 UI fraud scheme dating back to 1993. The investigation revealed that the defendants submitted phony W-2 wage and tax statements and bogus pay stubs from a fictitious company to obtain benefits fraudulently, as well as deposited a stolen and falsely endorsed U.S. Treasury check and a counterfeit UI check.

The alleged leader of the scheme, Isaiah Ginyard, was indicted with Pollard and Davies (Ginyard's brother-in-law) on April 20, 2000. The investigation found that Ginyard orchestrated the plan to defraud the Pennsylvania Department of Labor and Industry by registering a fictitious record company with false owners. The investigation showed that Pot of Gold Records never paid any money into the State's Unemployment Compensation fund on behalf of its alleged employees. Ginyard was also charged for attempting to deposit two counterfeit checks and for passing himself off as a landlord to obtain Section 8 rental assistance payments from the Philadelphia Housing Authority (PHA) fraudulently. The investigation was worked jointly with the U.S. Department of Treasury, OIG for Tax Administration, the FBI, and the PHA-OIG. *U.S. v. Ginyard, et al.* (E.D. Pennsylvania)

Florida Man Charged in Alleged Multi-State Fictitious Employer Scheme

Allan Fowlds of Fort Myers, FL, was indicted on June 28, 2000, for mail fraud violations and for using a false social security number in connection with an alleged seven-year UI scheme involving multiple fictitious

employers in various states. From December 1990 to May 1997, Fowlds allegedly received workers' compensation benefits in Ohio after claiming an on-the-job injury at his fictitious company, Admiral Sales, Inc. This resulted in his fraudulent receipt of \$113,000 in benefits. In addition, for four years, Fowlds allegedly filed a series of fraudulent employer tax reports with the Florida Department of Labor and Employment Security. These reports represented employment with a fictitious company and allowed him to receive UI benefits from the State of Florida. This investigation is being conducted jointly with the Social Security Administration OIG. *U.S. v. Fowlds* (M.D. Florida)

Washington Woman Agreed to \$71,000 in Restitution for UI Fraud

On April 27, 2000, Cynthia Steward of Seattle, WA, pled guilty to charges of mail fraud and social security number fraud in connection with a fictitious employer scheme and agreed to make restitution totaling \$71,000 to the Washington Employment Security Department and the Washington Department of Social and Health Services. The investigation found that from July 1996 to November 1999, Steward, in conspiracy with her brother Ulysses Steward and friend Barney Terry, filed eight claims that resulted in a total of 180 payments against three fictitious businesses she had created, Sterling Federal Mortgage, Capital Investment and Loans, and Questar Mortgage. With a fourth legitimate employer, First National Mortgage, Steward filed fictitious wage information with the State of Washington, which also allowed her to receive UI benefits fraudulently. In addition, the OIG identified an ongoing scheme in which she obtained \$700 a month in Federally funded childcare assistance, also based on employment at one of the fictitious businesses. This investigation was conducted in conjunction with the State of Washington Office of Special Investigations. *U.S. v. Steward* (W.D. Washington)

Defendants Used Internet in UI Fraud Scheme in Pennsylvania

Craig Levi of Williamsport, PA, pled guilty on May 12, 2000, to charges of wire fraud for his role in a scheme to create and operate a business on the Internet to defraud individuals and the Pennsylvania State UI program of approximately \$188,000. Levi's co-defendant, Frank Nickens, was charged

on April 12, 2000, with 67 counts of wire fraud. The investigation revealed that from January to March 2000, Levi and Nickens used the Internet to file false UI claims as well as to offer for sale high-tech electronic items that they did not possess. This was a joint investigation with the FBI. *U.S. v. Nickens, Levi* (M.D. Pennsylvania)

Missouri Defendants Pled Guilty to Theft of Private Electronic Information

Three defendants from Kansas City, MO, have admitted to their role in the sale of confidential information maintained by the Missouri Division of Employment Security (MDES). On July 10, 2000, Joseph Sublett, a former disabled veterans' representative for MDES, pled guilty to charges of conspiracy to steal property from a government agency. Co-defendants Beverly Race and Teresa Faller pled guilty in June 2000 for their role in the scheme of creating a business called Legal Support Services to conceal cash payments to Sublett. The investigation revealed that from March 1996 to February 1997, Sublett accessed over 1,000 social security numbers per month from the State's wage reporting system. He unlawfully provided the information to Race and Faller in exchange for cash payments of nearly \$65,000. *U.S. v. Sublett, Faller, Race* (W.D. Missouri)

Counterfeit UI Check Scheme Ringleader Sentenced

On May 25, 2000, Jonathan Coleman, the leader of a counterfeiting ring in New Orleans, LA, was sentenced for his part in a scheme to steal \$2 million from the Louisiana Department of Labor (LDOL) using counterfeit payroll and UI checks. The case was initiated when LDOL's Internal Security Unit notified the OIG that individuals were attempting to cash counterfeit checks bearing LDOL's UI bank routing number. To date, Coleman and two associates have been sentenced to a total of four years' incarceration, six years' probation, and have been ordered to pay \$956,000 in restitution. This investigation involved the cooperative efforts of the U.S. Secret Service and the Louisiana Department of Justice. *U.S. v. Coleman, et al.* (E.D. Louisiana)

**New York Man Ordered to Pay
Nearly \$68,000 in Restitution for
UI Scheme**

On April 11, 2000, Ira Malkin of Brooklyn, NY, was sentenced to four years' probation and was ordered to make restitution of nearly \$68,000 for using false names and social security numbers to file fraudulent UI claims in New York and New Jersey. The joint investigation discovered that Malkin collected nearly \$12,000 in benefits from April 1991 to July 1992, claiming he had been employed by Casabiel Steel in Jersey City, NJ. Between November 1992 and March 1999, Malkin received benefits for five additional UI claims in New York and New Jersey using the identities of others. This investigation was conducted with the Social Security Administration. *U.S. v. Malkin* (E.D. New York)

Audits Relating to the Unemployment Insurance Program

In addition to the investigative work that the OIG does related to Unemployment Insurance, we have also performed audits on the UI program as highlighted below.

Allegation of Misuse of Unemployment Insurance Funds in the State of Maryland

The OIG conducted an audit resulting from a hotline complaint alleging misuse of Federal funds at the State of Maryland's Division of Employment and Training (DET) Office of Unemployment Insurance in Baltimore, MD. Our objectives were to conduct a limited-scope audit to determine whether administrative costs including the payment of rent had been handled appropriately for a Baltimore office building and whether the dismissal of two employees who had been released and rehired had been handled properly.

Our audit determined that the Baltimore office building was purchased with Federal funds. However, the State of Maryland did not use this property as originally authorized, but instead rented a portion of it to non-DET personnel and did not reimburse approximately \$967,426 to DOL for maintenance and operating expenses for the portion of the space occupied by non-DET personnel. We also determined that two UI employees were discharged for various reasons and subsequently rehired. The OIG has no reason to question the handling of one employee. However, the other employee was discharged and rehired, and \$50,525 in salary payments was improperly billed to the UI program.

We recommended that ETA ensure that the Maryland DET:

- obtain the required approval and/or instructions from ETA as to the use of the Baltimore property;
- reimburse DOL \$967,426 for the portion of the maintenance and operating expenses relating to the non-DET personnel occupying space at the property from State FYs 1997 through 2000 and any future costs allocable to non-DET occupants; and
- reimburse UI \$50,525 for wages incorrectly billed on behalf of one employee.

The State of Maryland agreed with most of our recommendations but disagreed with our recommendation on reimbursing the Department \$967,426. (OA Report No. 03-00-010-03-315, issued September 25, 2000)

Office of Workers' Compensation Programs

The Office of Workers' Compensation Programs (OWCP) administers three major disability compensation programs that provide wage replacement benefits, medical treatment, vocational rehabilitation, and other benefits to certain workers or their dependents who experience work-related injury or occupational disease. These programs, the Federal Employees' Compensation Program, the Black Lung Benefits Program, and the Longshore and Harbor Workers' Compensation Program, help to mitigate the financial burden resulting from workplace injury.

Automated Crossmatches Between FECA Rolls and SSA Wage Information Would Result in Program Savings

During FYs 1996 and 1997, OWCP paid \$1.3 billion annually in compensation benefits. During this time, there were about 50,000 claimants annually on the FECA long-term disability roll, of which 27,000 were determined by OWCP to be totally disabled without any regular wage-earning capacity. By law, when a claimant is judged to possess wage-earning capacity, the amount of compensation payments should be adjusted accordingly.

The OIG looked at OWCP internal controls and conducted a crossmatch between FECA rolls and Social Security Administration (SSA) and state wage records to determine:

- whether FECA claimants earned wages while receiving long-term total disability compensation;
- whether automated crossmatches with Federal or state wage records would provide an independent source of information that could assist OWCP in identifying potential claimant fraud or overpayments and in monitoring claimants' continuing eligibility; and
- whether internal controls adequately ensured that claimant wages were detected and benefit amounts were adjusted accordingly.

Using the SSA crossmatch, we found that:

- 905 of the 27,050 claimants in our sample had total earnings of \$2.9 million;
- almost 5 percent of the social security numbers in our sample taken from OWCP's benefit payment system were incorrect; and
- we could only obtain aggregate information for our sample, and therefore could not determine the identity of the 905 claimants and review their claim files to determine whether the earnings were reported and whether there was potential fraud or overpayment.

We also performed a crossmatch of FECA rolls with state wage records. For this survey, our sample included 27,050 and 25,973 FECA claimants for calendar years (CYs) 1996 and 1997, respectively. We used state wage data from six states (Maryland, New Jersey, Oklahoma, Pennsylvania, Texas, and Virginia), which represent about 24 percent of the totally disabled claimants. The audit uncovered a total of 33 potential fraud cases, which were subsequently referred to the DOL OIG Office of Investigations.

The 33 cases represent a potential cost avoidance totaling \$6.1 million over 10 years. Even if the 33 claimants were not convicted of fraud, OWCP could establish overpayment of an additional \$956,000 in compensation paid over the 15-month period in which the claimants falsified their earnings statements (an average of \$29,000 per claimant).

Access to SSA wage data could provide a cost-effective tool to ferret out the small number of dishonest claimants. Moreover, conducting automated crossmatches on an annual basis would be less expensive administratively and would provide better assurance of claimants' continued eligibility. We estimate that if an automated SSA crossmatch were conducted annually (as opposed to the current system of once every three years), OWCP's savings in SSA charges, clerical costs, and postage would be \$347,000 in the first year and at least \$359,000 in subsequent years. An annual crossmatch would also enable OWCP to identify claimants who fraudulently conceal earnings more effectively and remove them from the disability rolls in a timely manner.

We recommended that the Employment Standards Administration (ESA):

- continue to pursue legislation to allow OWCP to conduct a computer crossmatch between the social security numbers of FECA claimants on the periodic roll and earnings reported to SSA;

- take appropriate action(s) such as termination or reduction of benefits, if warranted, on all cases with earnings, including the 33 cases being investigated by the OIG, once the investigative results are returned to the district offices;
- adhere to internal control policies and procedures regarding the mailing, tracking, and reviewing of various forms and the SSA itemized earnings reports;
- comply with the FECA Procedures Manual to ensure that appropriate action is taken on cases with evidence of earnings and that the action taken is documented in the case file; and
- reemphasize appropriate agency procedures for handling cases that contain sporadic earnings.

OWCP agreed with all of our recommendations. (OA Report No. 03-00-008-04-431, issued September 28, 2000)

Division of Coal Mine Workers' Compensation

The Division of Coal Mine Workers' Compensation (DCMWC) administers the Black Lung Benefit Program. The Department of Labor's part of the Federal Black Lung Benefit Program provides about \$460 million annually in monetary and medical benefits to former coal mine workers totally disabled by pneumoconiosis (black lung), a respiratory condition. Monetary benefits are also provided to the survivors of miners who have died because of pneumoconiosis. For most Black Lung Benefits Program recipients, these benefits constitute a substantial component of their support.

SSA and DOL Have Not Yet Agreed to Transfer the Handling of Part B Black Lung Claims to DOL

The OIG completed a second audit of the Memorandum of Understanding (MOU) between the Social Security Administration (SSA) and the Employment Standards Administration (ESA) regarding the handling of Part B Black Lung claims. The audit was performed at the request of Congress.

In FY 1999, the Inspectors General of SSA and DOL concluded that ESA has continued to provide high-quality services in processing Part B Black Lung claims. We could not definitively conclude that the program was operated at a reduced cost because ESA and SSA accumulate cost information differently and are performing different functions.

In this second audit, we recommended that ESA and SSA agree to meet to designate staff to work out the transfer logistics and to establish a timetable for the transfer of Part B to ESA. SSA did not concur with this recommendation; it believes that a feasibility study should be performed. ESA agreed that it can efficiently handle the transfer, and subsequent to the issuance of our report, SSA and DOL met and agreed to a feasibility study. If the results of the study favor the transfer to DOL, the agencies will submit a legislative proposal to Congress. (OA Report No. 17-00-009-04-433, issued April 28, 2000)

In recent years, Congress and the U.S. Department of Justice have increased attention on fraud in the healthcare industry. Consistent with this, we have focused our attention on DOL healthcare programs that provide disability benefits to injured workers, such as FECA, Black Lung, and Longshore. These programs, which are administered by OWCP, are vulnerable to the same schemes used against other healthcare programs such as Medicare and Medicaid.

Medical Provider Fraud

Medical provider and service provider fraud within OWCP programs is being committed by individuals who submit claims for services or goods not delivered. Most service provider fraud cases involve billing for services not rendered, billing for treatment not related to the approved medical condition or disability, double-billing, upcoding (billing under a more expensive treatment service code than the one for the treatment actually provided), or unbundling (breaking out one service into several lesser services and including separate charge codes). The following cases illustrate recent fraudulent activity in this area.

\$35 Million in Restitution Ordered in a Texas Excessive Billing Scheme

On August 25, 2000, Dr. Arthur Bieganowski was ordered to pay over \$23 million in restitution and to forfeit \$11 million and his residence in Whispering Sands, NM, for his role in a scheme to defraud OWCP and other insurance programs by submitting false and excessive billings. Additionally, he was sentenced to 14 years' imprisonment for conspiracy and five years' imprisonment for mail fraud, to run concurrently, and two years' probation. On the same day, Richard Goldberg, CPA (Dr. Bieganowski's accountant), was sentenced to eight years in prison for money laundering and five years' imprisonment for mail fraud, to run concurrently, and two years' probation. He was also ordered to pay \$250,000 in restitution and forfeit \$250,000. Dr. Bieganowski's brother Victor, an attorney, was sentenced on August 10, 2000, to two and a half years' imprisonment, two years' probation, and was ordered to pay \$373,500 in restitution and a \$10,000 fine for his role in the scheme.

The investigation disclosed that Dr. Bieganowski and seven co-conspirators defrauded the Texas Workers' Compensation Insurance Fund, OWCP, and private insurance companies handling personal injury and workers' compensation cases of more than \$23 million. Since 1991, OWCP has paid Dr. Bieganowski approximately \$1.4 million. Dr. Bieganowski owned and operated several medical-related businesses in Texas, Mexico, and the Cayman Islands. This was a joint investigation with the FBI, the IRS Criminal Investigations Division, the U.S. Postal Inspection Service, the Defense Criminal Investigative Service, the Texas Workers' Compensation Commission, the Texas Workers' Compensation Insurance Fund, and the U.S. Marshals Service. *U.S. v. Bieganowski, et al.* (W.D. Texas)

Two Virginia Doctors Pled Guilty to Defrauding Black Lung Program Following Operation Octagon Investigation

Operation Octagon is a continuing Federal-state task force investigation that is looking into healthcare fraud and drug diversion in southwest Virginia. The task force is made up of members from DOL OIG, the Virginia Division of Health Professions, Virginia's Office of the Attorney General Medicaid Fraud Control Unit, the Virginia State Police, the Drug Enforcement Administration, the FBI, the IRS Criminal Investigation Division, and the U.S. Attorney's Office. To date, Operation Octagon has resulted in the conviction of six defendants with sentences totaling three years' imprisonment, eight years' probation, \$1.5 million in restitution, and \$1.1 million in forfeitures.

On April 13, 2000, Dr. Vasu Arora of Grundy, VA, was sentenced to three years' imprisonment and was ordered to pay more than \$100,000 in restitution for engaging in healthcare fraud, mail fraud, money laundering, and illegal distribution of prescription drugs. As part of his October 1999 plea agreement, Dr. Arora agreed never to practice medicine again and to forfeit all assets named in his indictment, including his bank accounts, vehicles, and former clinic. The investigation determined that Dr. Arora habitually prescribed pain medicine for a two-week period, which required a return visit for examination, treatment, and another two-week prescription. He then billed the Federal Black Lung Trust Fund, Medicare, and Virginia Medicaid for these unnecessary additional visits. *U.S. v. Arora* (W.D. Virginia)

In another Operation Octagon case, Dr. Richard Norton, an emergency room physician at Lee County Virginia Community Hospital (LCVCH),

was convicted on August 28, 2000, of embezzlement from a Federally funded organization and of mail fraud for his role in a kickback scheme that ultimately bankrupted the hospital. Former LCVCH administrator James Davis was also convicted, on July 7, 2000. The investigation revealed that Davis leased hospital equipment from Norton's company, Physician's Assess, which in turn paid Davis a kickback disguised as consulting fees. LCVCH was largely funded by Medicare, Medicaid, and the Federal Black Lung Trust Fund. *U.S. v. Norton, Davis* (W.D. Virginia)

Oklahoma Physician Indicted for Alleged \$850,000 Healthcare Fraud

Dr. John Campa of Bartlesville, OK, was indicted on August 22, 2000, on 72 counts of mail fraud, healthcare fraud, and false statements. The investigation disclosed that Dr. Campa was allegedly engaged in billing for supplies not used and in upcoding. At his Nashville, TN, practice, Dr. Campa allegedly overbilled the cost per procedure by \$1,300 for nerve blocks and inflated the list of supplies used by nearly \$1,000. Total fraud in the case has been estimated to be in excess of \$850,000, including approximately \$150,000 in DOL funds. This case was worked jointly with the Tennessee Valley Authority OIG, the Defense Criminal Investigative Service, and the Special Investigations Unit of Blue Cross/Blue Shield. *U.S. v. Campa* (E.D. Tennessee)

Former Vocational Counselor in Virginia Sentenced in False Billing Scheme

On April 27, 2000, Herbert Dockery, a former branch manager and a DOL-certified vocational counselor, was sentenced to two years' incarceration, three years' probation, received a 15-year debarment, and was ordered to pay nearly \$350,000 in restitution for mail fraud and wire fraud related to a false billing scheme. In addition, on April 25, 2000, his employer, Crawford and Company (C&C) of Atlanta, GA, agreed to pay \$700,000 under the False Claims Act for Dockery's involvement in submitting false medical claims to the government and to Newport News Shipyard (a Department of Defense contractor). The investigation revealed that Dockery had arranged a compensation agreement allowing C&C to pay him 40 percent of the net profits produced by his office. This served as an incentive for him to bill for inflated and fictitious medical services. The investigation was conducted with the Department of Defense, Defense Criminal Investigative Service, with audit assistance from the Defense Contract Auditing Agency. *U.S. v. Dockery, U.S. v. Crawford and Company* (E.D. Virginia)

OWCP Claimant Fraud

OWCP claimant fraud is the most common type of OWCP fraud cases that the OIG has worked on in the recent past. It is important to note that the removal of a single fraudulent claimant from Federal benefit rolls creates on average a \$300,000 to \$500,000 savings for the government.

Typically, claimant and beneficiary fraud within OWCP programs is committed by submitting false claims to obtain benefits or services. The majority of claimant fraud cases involve false statements made by the claimant that conceal earned income from gainful employment or self-employment while receiving benefits. Beneficiary fraud frequently involves instances in which the death of a claimant has not been reported and the spouse or other dependents continue to receive benefits to which they are not entitled. The following cases illustrate recent investigative work in this area.

Former Letter Carrier in Delaware Ordered to Repay \$455,000 for 23-Year Fraud Scheme

Former letter carrier Eugene Castroville Jr. of Wilmington, DE, was sentenced on May 18, 2000, to serve the maximum allowable prison term of 21 months, given three years' supervised release, and was ordered to pay full restitution to the Federal government in the amount of \$455,000 for defrauding the FECA program over a 23-year period. The investigation revealed that while receiving FECA benefits, Castroville deliberately concealed from OWCP the earnings that he made from supervising archaeological digs and expeditions and appraising various antique items and Civil War memorabilia for Archaeological Excavations, Inc. This investigation was conducted jointly with the U.S. Postal Inspection Service. *U.S. v. Castroville* (D. Delaware)

**Fort Stewart, Georgia, Project
Targeting FECA Fraud Yields
Additional Sentence**

As part of an ongoing FECA initiative by the OIG into widespread fraud, on April 4, 2000, Dwight Cason of Glenville, GA, was sentenced to five years' probation, 300 hours' community service, restitution of \$111,000, and forfeiture of all future FECA payments for committing benefit fraud. The investigation found that Cason was operating a family farm and failed to report this income while receiving OWCP benefits for an on-the-job injury in 1976. A \$189,000 cost savings was issued as a result of this investigation. The investigation was worked jointly with agents from the U.S. Army Criminal Investigative Division. *U.S. v. Cason* (S.D. Georgia)

**Former Firefighter in Rhode
Island Ordered to Pay \$98,000
in Restitution**

Henry Tarbox, a former civilian firefighter at the naval station in Newport, RI, was sentenced on April 25, 2000, to one year' incarceration, three years' probation, and was ordered to make restitution in the amount of \$98,000 for making false statements to obtain FECA benefits. In 1992, Tarbox began doing business as Excalibur Maintenance, Inc., but from December 1994 to May 1998, he failed to report his income while he was receiving FECA benefits. This was a joint investigation with the Naval Criminal Investigative Service. *U.S. v. Tarbox* (D. Rhode Island)

**Former Postal Carrier in Arizona
Sentenced for FECA Fraud**

Donnie Nutt, a former U.S. Postal Service letter carrier from Phoenix, AZ, was sentenced on June 19, 2000, to one year in prison, three years' supervised release, and was ordered to pay restitution in the amount of \$87,500. Nutt was convicted by a jury trial in October 1999 on three counts of making false statements to obtain compensation. The investigation revealed that Nutt collected FECA benefits from March 1992 to July 1997 for a job-related injury to his neck and left arm while failing to report his employment. He was the business advisor and principal investor of Ceramics Etc., of which his girlfriend was the sole proprietor. This was a joint investigation with the U.S. Postal Inspection Service. *U.S. v. Nutt* (D. Arizona)

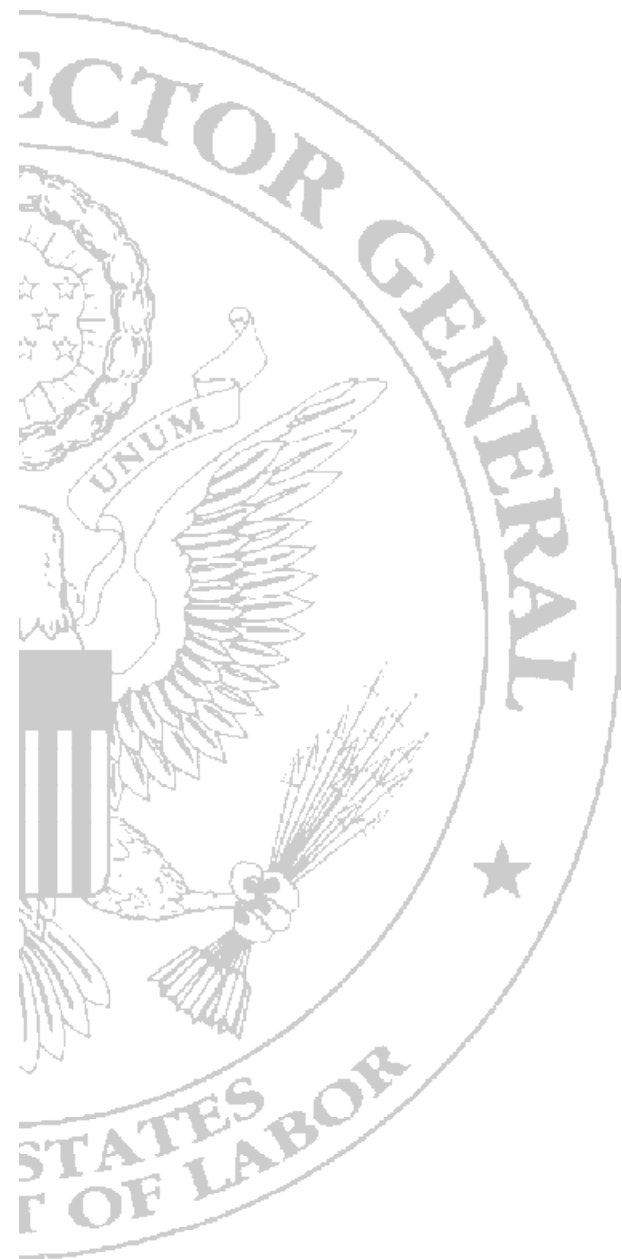
**Florida Father and Daughter
Pled Guilty to Committing Black
Lung Benefit Fraud**

On August 23, 2000, Charles Sanford of Florida entered a plea of guilty to one count of theft of government property. His daughter, Linda, pled guilty to a similar charge on August 22, 2000. The guilty pleas resulted from an investigation that revealed that the Sanfords carried out a scheme to collect \$91,600 in Black Lung survivor benefits for Charles Sanford's mother, Mattie Sanford, after her death. His mother had collected Black Lung survivor benefits following the death of her husband, a coal miner. Mattie Sanford subsequently died in March 1979. The Social Security Administration OIG participated in the investigation. *U.S. v. Charles Sanford, U.S. v. Linda Sanford* (M.D. Florida)

Pension and Welfare Benefits Administration

Evaluation of PWBA's "Prohibited Transactions" Exemptions Process

We evaluated the Pension and Welfare Benefits Administration's (PWBA's) timeliness and efficiency in the processing of applications for individual, class, and expedited exemptions from the prohibited transactions provisions of the Employee Retirement Income Security Act. We concluded that timeliness varies on a case-by-case basis because of factors such as the type of exemption being sought, the complexity of the issue, and the applicant's timeliness in providing any additional information. Therefore, in our opinion, applying rigid deadlines to the exemption process would be counter-productive. Although we did not find evidence of inappropriate delays on the part of PWBA, we identified two areas in which PWBA can be more efficient in the processing of exemption applications to increase overall productivity. Our recommendations included improving its recruitment and retention of pension law specialists and developing a case tracking system as a management tool to maximize timeliness and efficiency. The agency agreed with our findings and recommendations. (OACE Report No. 2E-12-001-0003, issued September 21, 2000)



*Fostering Quality
Workplaces That
Are Safe, Healthy,
and Fair*

Quality Workplaces

The key priorities for this strategic goal are to foster safe and healthy workplaces; influence international bodies addressing core labor standards and international child labor issues; increase the representation, advancement, and promotion of women, people of color, veterans, and the disabled in jobs; promote increased compliance with Family and Medical Leave Act requirements; and increase the number of workers with access to quality childcare outside the family.

In support of the Department's goal, the OIG works to optimize the use of funds appropriated for worker protection and workplace safety programs by enhancing program performance and accountability. This includes conducting sufficient activities to assess and make recommendations to enhance significantly DOL's effectiveness and efficiency in ensuring workplace protections, safety, and health for more than 100 million workers in more than 6 million workplaces.

Occupational Safety and Health Administration

The Occupational Safety and Health Administration (OSHA) is charged with administering safety and health standards under the Occupational Safety and Health (OSH) Act of 1970. The Act authorizes OSHA to set mandatory occupational safety and health standards applicable to businesses affecting interstate commerce. OSHA safety standards are designed to reduce on-the-job injuries, and its health standards are designed to limit workers' risk of developing occupational disease.

OSHA's Use of Contractors in Ergonomics Rulemaking

In response to a congressional committee request, the OIG audited OSHA's use and payment of contractors in the ergonomics rulemaking process. The committee expressed concern that the rule "is the broadest, most complicated, and most expensive regulation ever pursued by the agency." In addition, the committee believed that if OSHA was using outside contractors to review and summarize the ergonomics docket, "potential issues of credibility could arise and compromise the integrity of the rulemaking process." We found that:

- OSHA has long used contractors to review comments and testimony in other rulemakings;
- there are quality controls and checks in place to ensure that the contractors are not working without OSHA oversight;
- competitive procedures were generally used to select these contractors;
- there were no instances in which individuals were working as OSHA employees while working for an outside contractor;
- contractors, including expert witnesses, had task orders and purchase orders worth \$1,720,010;
- 28 expert witnesses received a total of \$197,552; and
- expert witnesses were typically paid up to \$10,000 each, depending upon the work performed.

OSHA generally agreed with the results of the audit. In accordance with the congressional committee's request, the OIG made no conclusions or recommendations in connection with this work. (OA Report No.05-00-008-10-001, issued September 20, 2000)

Audit of OSHA Policies and Procedures Applicable to the Home Workplace Letter

On November 15, 1999, OSHA issued a letter of interpretation (LI) in response to an employer's inquiry of August 21, 1997. The employer asked for guidance on applying OSHA standards to employees working at home. This LI was posted on OSHA's Internet homepage and drew reaction from the public as well as the Congress. As a result of these concerns, the LI was withdrawn.

In response to a congressional request, the OIG provided an analysis of the circumstances that led to OSHA's issuance of its LI, commonly referred to as the "Home Workplace Letter." In its request, the congressional committee expressed concern over the guidance and clearance from DOL with regard to the events that led to the drafting and issuance of the LI.

OSHA obtains information and guidance from its staff of specialists and follows two methods when responding to requests from employers and other outside interests. A directive is required when issuing new policy. An LI may be used when clarifying existing policy from a regulation, standard, or directive. OSHA stated that the Home Workplace Letter was not designed to set new policy; therefore, it deemed an LI to be the appropriate method of communicating its response.

Our audit of OSHA's procedure for issuing LIs disclosed that stronger processing controls are necessary to ensure that such letters do not imply or communicate new policy to recipients or to the public. We recommended that OSHA:

- develop written procedures that specifically govern the preparation and processing of LIs;
- clarify language in OSHA directives that cloud the policy role of LIs;
- establish common rules to guide all staff in consistently distinguishing responses that provide interpretations of the OSH Act, interpretations on applying standards to specific work environments, and interpretations representing a significant expansion of existing policies;
- eliminate inordinate clearance delays in consultation with the Solicitor's Office and ensure that all documents and comments

germane to the LI response are shared among all those responsible for clearing the document; and

- ensure that key staff in the clearance process are sensitive to the policy implications of interpretations made in LIs and that executive-level management is consulted as appropriate.

In responding to our draft report, OSHA stated its intentions to improve internal procedures with respect to policy pronouncements and interpretations as a result of the experience with the Home Workplace Letter and our audit recommendations. Further, OSHA stated that it agreed with our findings in principle and will strive to incorporate them into revised agency procedures that are currently being developed. OSHA's response adequately addresses and resolves our audit recommendations. (OA Report No. 05-00-005-10-001, issued April 27, 2000)

Mine Safety and Health Administration

The Mine Safety and Health Administration (MSHA) helps to reduce deaths, injuries, and illnesses in the nation's mines. The agency develops and enforces safety and health rules that apply to all U.S. mines, helps mine operators who have special compliance problems, and makes available technical, educational, and other types of assistance.

Review of Fatal Accidents in Metal/Non-Metal Mining

The OIG conducted a review of fatal accidents in metal/non-metal (M/NM) mining. This review was intended to assist MSHA in analyzing factors that influence fatal accidents in the M/NM sector of the mining industry because fatal accidents in M/NM reached a ten-year high in 1997. We found that in a significant number of the fatalities that occurred, the miner's failure to use personal protective equipment (PPE) contributed to the fatal accident. In a majority of the cases in which the miner had not used PPE, the mine operator had supplied the appropriate equipment and had often provided the required MSHA training regarding its use.

Based on our recommendations, MSHA agreed to:

- utilize occupational safety psychologists to develop training and educational programs that specifically target risk-taking behavior and PPE use;

- pursue engineering controls (such as passive safety equipment and enhanced restraint systems) to combat the problem of miners not using PPE and to enhance PPE effectiveness;
- review whether special and regular assessments for PPE violations can be pursued more effectively; and
- track and monitor the number of miners killed while not using PPE in order to determine whether MSHA needs to pursue other measures to increase PPE use by miners. (OACE Report No. 2E-06-001-0004, issued June 2, 2000)

Bureau of International Labor Affairs

Evaluation of ILAB's Implementation of Its International Child Labor Projects

The OIG conducted an evaluation of the Bureau of International Labor Affairs' (ILAB's) implementation of its child labor projects. The evaluation was designed to gather information on lessons learned from child labor projects during FYs 1995 through 2000, and to provide recommendations for any necessary improvements in ILAB's current child labor activities.

The evaluation found that ILAB appears to be making significant progress toward effective implementation of its child labor projects. However, we identified several areas in which implementation of our recommendations would further increase ILAB's effectiveness in carrying out its high-impact programs designed to eliminate child labor worldwide.

We recommended that ILAB:

- adopt a two-stage funding process (initially fund and conduct a needs-and-requirements assessment of the target population, then determine appropriate funding for implementation of the child labor elimination project);
- ensure that specific, well-defined, measurable, time-bound, and outcomes-oriented goals, objectives, and indicators are developed and included for each project proposal;

- ensure that project verification and inspection allegations are thoroughly investigated and followed up, appropriate corrective actions are taken, and steps taken in reference to the allegations are adequately documented;
- obtain written agreements from project partners that clearly delineate each partner's role in capacity building and project sustainability; and
- expand and strengthen its "draft" General Guidelines for Review of Project Documents into an operations manual for staff use.

Although ILAB expressed concerns regarding the accuracy of information in our report, it generally agreed with our recommendations and implemented several of them prior to the issuance of our report. (OACE Report No. 2E-01-070-0001, issued September 28, 2000)

The OIG has supported the Secretary's Quality Workplaces goal through our investigation of worker protection law violations. Recent investigative work in this area has demonstrated how workers are affected when contractors fail to pay the prevailing wage as mandated by the Davis-Bacon Act. The Act mandates that prevailing wages and benefits be paid to laborers working for contractors and subcontractors engaged in Federal construction. It applies to contracts of over \$2,000 for construction, alteration, or repair of Federally funded projects. In addition to the harm caused by this practice to individuals, legitimate companies that pay the prevailing wage can be hindered in the competitive bid process by contractors who underbid jobs with the intention of not paying the proper wage rate. The following cases illustrate recent investigative work in this area.

Coast Guard Contractor in New York Ordered to Repay \$150,000 in Back Wages

On May 23, 2000, Ribar Contracting Company and three defendants were sentenced for submitting false certified payrolls to the U.S. Coast Guard (USCG) for repair work on a dock at Battery Park, NY. Ribar Contracting and Company officials Moshe Avni (the vice president for operations), Benny Riven (the owner/project director), and Anton Stackhow (the owner of Rip Marine Systems, doing business as T&A Specialty Contracting) of New York City, were sentenced to a total of eight years' probation, were fined \$254,000, and were ordered to restore nearly \$155,000 to DOL. The restitution represents back wages owed to employees of Ribar Contracting who were not paid the prevailing wage rate.

After being awarded a \$1.2 million contract in 1995, Ribar hired Rip Marine, later known as T&A, as a subcontractor to perform work on the project. The subcontract required the company to pay prevailing wage rates under the Davis-Bacon Act. The investigation found that the defendants pressured T&A employees to retract complaints they had registered with the USCG that they had not been paid the prevailing wage. Stackhow was also charged with threatening to kill a worker if he refused to retract a letter requesting an investigation of T&A that was sent to a Coast Guard officer. *U.S. v. Ribar Contracting, Inc., U.S. v. Avni, et al.* (S.D. New York)

Washington Contractor and Two Officers Sentenced for Wage Violations at Navy Submarine Base

On July 21, 2000, David Pifer, the former president of Contemporary Framing Contractors, Inc. (CFC), of Anaheim, CA, was sentenced to three years' probation and was ordered to pay a \$7,500 fine. CFC and its owner and vice president, James Harrison of Placentia, CA, were sentenced on June 21, 2000, for underpaying CFC employees. CFC was ordered to pay \$70,000 as restitution of unpaid wages, and a fine of \$105,000 and was placed on probation for a period of five years. Harrison received one years' probation and was ordered to pay a \$10,000 fine, the maximum for a violation of the Fair Labor Standards Act. In 1995, Hunt Building Corporation received a \$59 million U.S. Navy contract and awarded a \$3.3 million subcontract to CFC for framing and rough carpentry work on 690 housing units at the Bangor Submarine Base. The investigation revealed that from 1995 to 1997, CFC did not pay all employees the applicable wage rates as required by the Davis-Bacon Act and falsified the certified payrolls to conceal its conduct.

In a related matter, on September 20, 2000, Daniel Broadbent, the owner of Modular Component Systems, Inc. (MCS), of Utah, was indicted on charges of making false statements. The investigation revealed that Broadbent allegedly aided CFC in the submission of false certified payrolls by paying some CFC employees with checks drawn on MCS's account. This investigation was conducted jointly with the Naval Criminal Investigative Service. *U.S. v. Pifer, U.S. v. Harrison, U.S. v. Contemporary Framing Contractors, Inc., U.S. v. Broadbent* (W.D. Washington)

California Company President Sentenced in Wage Fraud Conspiracy

On August 18, 2000, Krikor Diramerian, the president of T.D. Engineering and Construction, Inc. (TDEC), of California, was sentenced to five months' incarceration, five months' home detention, two years' probation, and was ordered to pay nearly \$114,000 in restitution, following a March 2000 guilty plea to conspiracy charges. The joint investigation revealed that Diramerian conspired with Edmond Thomas (the vice president of TDEC) to induce 26 employees to kick

back a portion of their salaries on a weekly basis. Each employee received \$200 in exchange for signing a statement that they had been paid the prevailing wage. These employees worked on three Federal Emergency Management Agency (FEMA) and Federal Highway Administration projects that involved a total of over \$1.5 million to restore earthquake-damaged walls in Simi Valley. As previously reported, Thomas was sentenced in September 1999 to two months' imprisonment, three years' probation, and was ordered to pay over \$90,000 in restitution for his role in collecting the kickbacks on a weekly basis. This investigation was conducted jointly with the FEMA OIG and the DOL Wage and Hour Division. *U.S. v. Diramerian* (C.D. California)

Ex-Owner of Asbestos Removal Company in New York Sentenced to Jail

Kreso Bezmalinovic, the former owner of PC&J Contracting Company, Inc., of New York City, was sentenced on May 8, 2000, to three and a half years' imprisonment and two years of supervised release for his part in a scheme to obtain Federal contracts for millions of dollars fraudulently. From January 1988 to September 1992, PC&J fraudulently procured contracts for more than \$8 million from the U.S. Army and the U.S. Postal Service in the name of National Abatement Contracting Corp. (NACC), an asbestos-abatement and insulating company that Bezmalinovic surreptitiously controlled. His scheme made it appear that NACC bid for the contracts when, in fact, he used PC&J's credit, equipment, and employees to fulfill the contracts. Bezmalinovic used NACC because he and PC&J had been issued a three-year suspension from procuring Federal government contracts for his December 1988 conviction for giving a gratuity to an inspector from the Environmental Protection Agency. As previously reported in June 1997, a jury found Bezmalinovic guilty of conspiracy, major fraud against the government, and obstruction of justice. The investigation was conducted jointly with the IRS. *U.S. v. Bezmalinovic* (S.D. New York)



*Maintaining a
Departmental
Strategic
Management
Focus*

Departmental Management Focus

The Government Performance and Results Act (GPRA) demands a more focused, unified management approach to accomplish the goals established in the Department's Strategic Plan. Therefore, the Department has established an overarching strategic management focus to link strategic planning, resource allocation, and operational activities with program strategies effectively and to improve services provided to its customers.

In support of the Department's goal, the OIG assists DOL in maintaining an effective management process. This includes conducting sufficient activities and providing appropriate technical assistance to DOL management to ensure the effectiveness and efficiency in the management of DOL, the integrity of financial management systems, and the effective management of information technology.

During this reporting period, we continued to focus on helping the Department maintain an effective management process. This section highlights the audits, evaluations, and investigations conducted to this end.

Minnesota Department of Economic Security Research and Statistics Office

The OIG received a hotline complaint alleging misuse of Bureau of Labor Statistics (BLS) and ETA funds by the Minnesota Department of Economic Security (MDES) Research and Statistics Office (RSO). The complainant alleged that BLS and ETA labor market information (LMI) funds were being charged for nonprogram activities. As a result, we performed a limited audit of LMI programs funded by BLS and ETA for the period from July 1, 1996, through September 30, 1999.

Our audit addressed five specific complaints but found no substantiation of the claims. The audit did reveal, however, that the labor hours for RSO employees working on multiple activities or programs charged to the various activities or programs were based on estimates. The practice of using estimated labor hours to charge Federal grants is not in compliance with the Federal cost principles of OMB Circular No. A-87.

We recommended that BLS, in cooperation with ETA, require the RSO to strengthen its financial management system by ensuring that personnel costs are reported based either on actual activities performed or on an equivalent personnel activity reporting system in compliance with OMB Circular No. A-87.

In general, MDES concurred with our finding and recommendation. It has indicated its intention to modify its accounting system and cost allocation methodology in order to provide a pool of general RSO support costs. The pool of costs will be allocated among BLS and ETA programs based on the identifiable direct personnel costs associated with these projects. (OA Report No. 05-00-004-50-598, issued August 10, 2000)

DOL Needs to Broaden the Existing Standards for Employees Seeking Approval for Outside Employment

The OIG conducted an evaluation to determine whether the Department needs to broaden the existing standards of ethical conduct for employees seeking approval for work outside of their agencies. Our evaluation found:

- there are inconsistencies in DOL regarding when and how employees seek approval for work outside the agency;
- there is no central repository for information pertaining to outside work;
- while employees who are required to file financial disclosure reports provide information pertaining to outside financial interests as part of their filing, this information is reviewed only within each agency;
- there are positions that fall outside the requirement to file financial disclosure reports that are sensitive enough to warrant approval before outside work occurs;
- there is a greater risk of the appearance of a conflict of interest without a mechanism in place to verify whether a conflict exists; and
- the list of DOL ethics agency contacts should be updated.

The Solicitor's Office has agreed to survey DOL agencies and officials to determine whether the requirement for approval of outside work should be broadened to cover employees who are financial filers and other specified groups of employees. The Solicitor's Office will also update its list of agency ethics contacts and ensure its distribution to appropriate agency officials. (OACE Report No. 2E-08-001-0001, issued September 29, 2000)

DOL Needs to Provide Additional Guidance and Monitoring of Its Procurement, Debarment, and Suspension Program

The OIG conducted an evaluation to determine whether DOL is adhering to required debarment and suspension policies and procedures in its awarding of Federal contracts and grants. The evaluation found that DOL

needs to provide additional guidance and monitoring of its procurement, debarment, and suspension program and that the Office of the Assistant Secretary for Administration and Management (OASAM) needs to increase its emphasis of the debarment and suspension program throughout the Department. We found that there is a lack of information sharing between agencies that can ultimately have a negative impact on DOL. For example, we identified a contractor debarred by DOL. The name of the contractor, however, was never sent to the General Services Administration (GSA) to be added to its government-wide debarment list. As a result, this contractor continued to receive multiple Federal contracts from other agencies. We recommended that OASAM ensure that all contracting and grant officers are fully aware of their responsibilities and obligations under Federal regulations and procedures, which includes reviewing the GSA list for debarred contractors prior to awarding a contract or grant and developing procedures to track and share information from DOL agencies on all proposed and final debarment and suspension actions. OASAM agreed with our recommendations. (OACE Report No. 2E-07-740-0001, issued September 28, 2000)

DOL Is Paying \$5 Million Annually for Building Space That Is Underutilized

The OIG conducted an evaluation to determine whether DOL conforms with regulations on space utilization in DOL headquarters and other DOL-occupied buildings in the Washington, D.C., area. We found that DOL is not enforcing targeted space utilization rates. As a result, we estimate that DOL is paying \$3.5 million in rent annually for space that is underutilized in its headquarters building. Our review of leased space in other buildings revealed that underutilization of space is costing DOL approximately \$1.5 million annually. We recommended that OASAM:

- reemphasize DOL's space management program to all DOL agencies;
- inform agency heads of the need to obtain accurate staffing information and conduct quarterly analyses on space utilization for each agency and sub-agency; and
- reevaluate the proposals for realignment of agencies within DOL-occupied buildings.

OASAM agreed with our recommendations and is currently proceeding to implement corrective action. (OACE Report No. 2E-07-731-0001, issued September 27, 2000)

Technical Assistance Provided to DOL in Its Implementation of GPRA

The OIG has continued to assist the Department in implementing the Government Performance and Results Act (GPRA) as part of our continuing effort to assist the Department in “managing for results.” During this period, we met with the Department to discuss the development, refinement, and reporting of performance in the consolidated financial statement and performance reports. In addition, we started detailed performance audits of the dislocated worker/NAFTA/TAA and FECA programs. The audits focus on the adequacy of the measures to report outcome results and the systems used to compile the measures. We plan to continue to assist the Department in achieving an outcome-based performance plan with detailed reviews of each program’s measures and systems.

Several Impediments Identified During Pilot to Develop a Cost- Based Program Results Statement

To meet GPRA reporting and budgetary submission requirements, costs must be linked to program activities and agency- or program-specific performance measures and strategic goals. By linking costs to results, the Department and Congress can assess the value of past expenditures and chart the future direction of Federal programs based on reported results and their costs. This new level of informed oversight will finally provide accountability and will allow a more reasoned guidance of Federal efforts.

During FY 1999, the OIG and the Mine Safety and Health Administration (MSHA) began a joint effort to develop a “Cost-Based Program Results Statement” that would attach the actual costs to each program’s results. In addition, the Department’s Office of the Chief Financial Officer is working on pilot projects with the Veterans’ Employment and Training Service (VETS) and the Occupational Safety and Health Administration (OSHA) to develop a cost methodology that can be applied to program results. These pilot projects represent the first steps the OIG and the Department are making toward implementing managerial cost accounting at the agency and program levels. Our work on these pilot projects has identified several impediments to rapid progress.

In order to meet the requirements outlined in GPRA and the Statement of Federal Financial Accounting Standards No. 4, the Department must now develop the capacity to identify the specific costs for each of its programs. In addition, OMB Bulletin No. 97-01, "Form and Content of Agency Financial Statements," requires preparation of a "statement of net cost," that includes the full costs of responsibility segments.

Paramount among the impediments to implementing cost accounting identified thus far during the MSHA pilot project is the lack of information systems that capture and report full costs at the program activity level. In addition, other obstacles have been encountered in attempting to determine:

- how allocations supporting cost accounting will be updated on a regular basis;
- how to allocate activity costs that impact two or more performance measures;
- how to account for costs of activities not covered by current performance measures;
- the level at which costs should be allocated to satisfy multiple users;
- how to measure and report on external influences that limit management's decision-making capabilities; and
- each DOL component's understanding of the mandate and usefulness of managerial cost accounting.

Currently, in accordance with OMB Bulletin No. 97-01, costs are being allocated by responsibility segment to DOL outcome goals at year-end based on percentages determined by the agencies. Cost information must be provided at the program level on a regular and consistent basis throughout the year to enable cost accounting to support program management decisions. This will require a methodology to assess and update allocation procedures continually at the program level. (OA Report No. 12-00-010-06-001, issued September 28, 2000)

A high-quality information technology (IT) environment is critical to obtaining the programmatic and financial information needed to manage for results. As the Department continues to expand IT in areas such as procurement, payroll, benefit payments, labor market information, enforcement, and training, auditing the life cycles of system development efforts to ensure that they meet their intended objectives at reasonable costs becomes increasingly important. In addition, the importance of protecting these systems, applications, and information assets (including privacy rights) grows significantly. The OIG will be involved in auditing the IT system development life cycles, general and application controls, and consultative projects to improve departmental IT assets. Following are highlights of our work in the IT area.

Bureau of Labor Statistics Data Security Follow-up

On July 20, 1999, the OIG issued an audit report to the Bureau of Labor Statistics (BLS) entitled "BLS Information Technology, Survey Processing, and Administrative Controls Must Be Improved." The audit was initiated as a result of a BLS prerelease of employment data in November 1998. The purpose of the audit was to determine whether adequate and effective internal controls were in place to prevent the premature or unauthorized disclosure or use of sensitive economic data.

We performed a follow-up audit to determine whether BLS had implemented the recommendations in the previous audit report. Our audit covered BLS National Office operations and focused on the time period from June 5, 2000, through August 21, 2000. We reviewed written policies and procedures and identified controls related to the findings from the prior audit report. We also made observations and performed tests to determine whether BLS policies, procedures, and internal controls were adhered to, in place, and effective. In addition, we performed access control tests to determine whether password strength was adequate. We discussed our observations and findings with BLS officials during the course of the fieldwork.

BLS has worked cooperatively to implement our recommendations. Overall, we found that BLS has sufficiently implemented all except two of the 41 recommendations. The follow-up audit generated an additional recommendation that has since been resolved but not closed. These

three recommendations remain open because control deficiencies still exist that need to be corrected in order to provide the appropriate level of security over sensitive BLS data. (OA Report No. 03-00-012-11-001, issued September 22, 2000)

OFCCP Region IX Information System Security Needs Improvement

The OIG conducted a computer security controls review of the Office of Federal Contract Compliance Programs (OFCCP), Region IX. Our review was limited to general controls, including security plan development, risk assessment, and contingency planning. We recommended that ESA assign security responsibility to a management official and require users to obtain security training. In addition, we recommended that the agency complete the security program development as soon as possible. The agency generally agreed with our findings and stated that corrective actions either had been or would be taken. (OA Report No. 09-00-005-04-001, issued September 22, 2000)

Unemployment Insurance Weekly Claims Press Release Process Contains Internal Control Weaknesses

The Unemployment Insurance (UI) Weekly Claims Press Release contains the national total of initial claims for UI and is one of the leading economic indicators that may affect the financial and monetary markets. Thus, the data in the Press Release are sensitive and are embargoed from the time the Press Release is first compiled on Tuesday afternoon until the official release time on Thursday morning. The OIG performed a limited scope audit to assess the internal controls used to ensure the accuracy and completeness of the data, the internal controls over issuing the Press Release, and the safeguards in place to protect the embargoed information against unauthorized use or early release to the public.

We found that:

- the embargoed data and the Press Release itself are processed and produced in an unsecured office environment;

- there are security vulnerabilities in the procedures used to deliver advance copies of the Press Release package to four high-level DOL officials the day before the Press Release is officially issued;
- a library management system is not used to track multiple versions of software production programs used to compile the data;
- there is no security clearance policy for individuals with access to embargoed data, and situations can occur in which one person controls the entire Press Release process;
- there are no formal procedures for responding to security incidents;
- the ETA network server used to store the Press Release and supporting documents has several weaknesses that compromise the security level needed for embargoed documents; and
- periodic security evaluations using a security software package are not performed.

We recommended that ETA:

- create a restricted access office area for processing the embargoed data and producing the Press Release;
- strengthen the procedures used to deliver the advance copies of the Press Release package;
- develop and implement a security clearance policy for individuals with access to embargoed data; and
- use a stand-alone computer located in a secure area to store the embargoed Press Release and supporting documents before the official release time.

Overall, ETA responded that it did not consider the findings in the report to be significant control weaknesses and that it has already taken action on some of the report recommendations. In addition, ETA will implement a policy to require a background investigation for any new employee who has access to the embargoed data.

We disagree with ETA's conclusion that the findings in the report are not significant control weaknesses. The Press Release contains embargoed data, and it is critical that the data be protected until the prescribed release time. In managing the security of sensitive information, the associated

risks should be identified and reduced. ETA further stated that the space in which the embargoed data and the Press Release are processed and produced is scheduled to be reconfigured in 2002 and that the current space plans will be reviewed to see whether alterations can be made to isolate the area. Concerning security clearances, ETA stated that the Federal staff currently working on the UI Weekly Claims Press Release process have been doing so for a long time. Therefore, ETA does not believe that a security clearance investigation is warranted for them. However, ETA will implement a policy to require a background investigation for any new employee who has access to the embargoed data. Unauthorized use and disclosure of the embargoed data or the Press Release could affect the financial markets and damage DOL's reputation for managing sensitive information. We believe it is necessary that ETA take appropriate measures to protect the embargoed data and Press Release and minimize the risk of unauthorized use and disclosure. By failing to recognize the significance of the report findings and the need for timely corrective action, ETA is accepting more risk than is necessary. (OA Report No. 03-00-011-03-315, issued September 28, 2000)

The OIG is charged with the responsibility for conducting investigations into possible criminal activities within DOL's programs as well as by employees of the Department.

The OIG works to fulfill the expectation that Government programs will be administered fairly and ethically. OIG investigations help identify instances in which a DOL program is defrauded by those entrusted with its administration. Criminal acts can involve the fraudulent issuance of benefit checks or medical payments, or the embezzlement of funds for personal benefit. The increased use of electronic filing for benefits and for payments for services rendered in connection with programs funded or administered by the Department has also increased the opportunity for internal, as well as external, fraud to take place. The following cases illustrate examples of recent fraudulent activity in this area.

Former Workers' Compensation Employee in Washington Ordered to Repay Nearly \$862,000

On June 30, 2000, Bonifacio Garcia, a former Workers' Compensation assistant in Seattle, WA, was sentenced to two and a half years' imprisonment, three years' supervised release, and was ordered to pay nearly \$862,000 in restitution after pleading guilty to the theft of OWCP funds, wire fraud, and Federal tax fraud. During a DOL OIG audit, an unusually large number of supplemental electronic funds transfer (EFT) payments to certain claimants, and subsequent cancellations of those payments, were discovered. The funds were not deposited into the claimants' usual bank accounts but to three bank accounts owned by Garcia. As a result of this case, the OWCP procedures regarding EFT payment access and U.S. Treasury reconciliation of funds have been changed. The joint investigation involved the efforts of the FBI and the IRS. *U.S. v. Garcia* (W.D. Washington)

DOL Employee Pled Guilty in Colorado

On June 16, 2000, Linda Elbeck of Parker, CO, a former OWCP claims examiner and former Wage and Hour Division investigator, entered a guilty plea to charges of theft of government property and obstruction of justice for diverting approximately \$161,000 in FECA payments of a deceased claimant to her own bank account. After a claimant's death in July 1995, Elbeck changed the EFT payment address from the claimant's bank account to her own account. As a result of this investigation, OWCP is rewriting the procedures for inputting payment address changes into its computers. This case was worked jointly with the FBI. *U.S. v. Elbeck* (D. Colorado)

Utah Job Corps Receptionist Charged with Theft of Student Pay Checks

On May 25, 2000, charges were filed against Job Corps receptionist Helen Ochoa and co-defendant Denise Whitaker of Salt Lake City, UT, on violations of forgery and theft. The investigation disclosed that from August 1998 to December 1998, Ochoa allegedly enlisted the aid of Whitaker and others to cash student checks valued at \$8,000 that she had stolen from the office. It was alleged that to assist in the fraud, Ochoa provided false identification cards and verified the false identities when contacted by local check-cashing businesses. This is a joint investigation with the South Salt Lake City Police and Fire departments and the Bureau of Alcohol, Tobacco, and Firearms. *U.S. v. Ochoa, et al.* (D. Utah)





*Ensuring That a
Union or Benefit
Plan Is Operated
for the Benefit of
Its Members*

Labor Racketeering

The OIG at the Department of Labor has a unique "external" program function to conduct criminal investigations to combat the influence of labor racketeering and organized crime in the nation's labor unions. Labor racketeering is the infiltration, domination, and use of a union or employee benefit plan for personal benefit by illegal, violent, or fraudulent means. Although labor racketeering can be conducted by anyone, the history of the labor movement shows that the most substantial corruption of unions is conducted by organized crime families and syndicates.

Since its inception, the OIG's Labor Racketeering Program has conducted criminal investigations that have uncovered millions of dollars of workers' dues and benefit monies siphoned off by organized crime through embezzlement or more sophisticated devices, such as loans or excessive fees paid to corrupt union and benefit plan service providers. However, union members are not the only group that is impacted by organized crime. Because organized crime's exercise of market power is usually concealed from public view, millions of consumers unknowingly pay what amounts to a tax or surcharge on a wide range of goods and services. By controlling a key union local, organized crime can control the pricing in an entire industry. The public also suffers when organized crime orchestrates illicit strikes and work slowdowns or resorts to violence to maintain its operation of labor rackets. In the end, labor racketeering undermines the collective bargaining system and compromises the interests of working men and women.

While the government has made great advances in reducing the influence of traditional organized crime in the labor racketeering arena, the OIG remains concerned over the strength of traditional La Cosa Nostra crime groups in the labor union area as well as in union-related employee benefit plans. In addition, the OIG is increasing its scrutiny of newly emerging nontraditional organized crime groups and their potential influence on the nation's labor unions.

During FY 2000, the OIG carried a total of 358 open labor racketeering investigations and has seen a six percent increase in the number of organized crime investigations since FY 1998. Several of the significant racketeering cases that are highlighted below support this trend, and many of our current investigations that are still open demonstrate the continued influence of organized crime members and their associates in the labor arena. Of particular interest in the Internal Union Investigations section is a series of cases involving the influence of the Winter Hill Irish Organized Crime group in the transportation industry in Boston, MA.

Internal Union Investigations

Our typical internal union cases involve instances of corruption that range from union officers' abuse of their positions of authority for their own benefit to embezzlement of money from union accounts. Investigations in this area also focus on situations in which organized crime groups control or influence a labor organization, frequently in order to exercise influence in an industry for corrupt purposes or to operate traditional vice schemes.

Irish Organized Crime Leader Pled Guilty to Racketeering Charges in Boston

On July 20, 2000, Kevin Weeks of West Quincy, MA, an Irish Organized Crime lieutenant, pled guilty to racketeering charges. Weeks' guilty plea resulted from a joint investigation into a wide variety of schemes that included helping crime bosses James "Whitey" Bulger and Stephen Flemmi commit five murders, extort money from businesspeople, shake down drug dealers and bookmakers, and launder money. Weeks also admitted to helping kidnap underworld figure Arthur "Bucky" Barrett in 1983 and to abducting John McIntyre, a purported drug and weapons smuggler, in 1984. Although Weeks did not admit to participating in Barrett's and McIntyre's murders, he pled guilty to helping move their bodies after the murders.

The investigation uncovered a criminal enterprise that lasted from 1975 to 1999 involving Irish Organized Crime members who used murder, kidnapping, extortion, drug dealing, bookmaking, and control of area

unions in and around Boston to carry out these crimes. Forfeiture of several pieces of real estate and over \$1 million in illegal revenues is being sought as proceeds from the enterprise's unlawful activities. The criminal organization was led at various times by Bulger and Flemmi, with Weeks functioning as their principal deputy, representing them while they were incarcerated or fleeing from justice. The investigation is being pursued with the FBI, the DEA, the IRS, and the Special Services Unit of the Massachusetts State Police. *U.S. v. Weeks* (D. Massachusetts)

Boston Attorney Sentenced in Murder-for-Hire Scheme

In a parallel labor racketeering investigation, Fred Ford, a former U.S. probation officer and a Massachusetts defense attorney, was sentenced on May 31, 2000, to eight years' imprisonment, three years' probation, and was fined \$15,000 for charges stemming from a murder-for-hire scheme. Ford paid an undercover DOL OIG agent \$11,000 to kill James McCormack and another former client, believing that he would be implicated in the kidnapping of drug dealer James Carter if his former clients were not killed. *U.S. v. Ford* (D. Massachusetts)

Three Irish Organized Crime Associates Indicted

On August 24, 2000, three Charlestown, MA men were indicted for the April 1998 kidnapping and beating of James Carter, an Irish Organized Crime associate who supplied narcotics to members of the International Brotherhood of Teamsters (IBT). The following individuals were indicted for taking part in the kidnapping: James McCormack, Jeff Buckley, and Richard Hagerty. McCormack, a convicted bank robber, was also indicted for conspiracy to steal six kilograms of cocaine with IBT member Philip Myers, a convicted bank robber and murderer. The investigation discovered that the defendants allegedly snatched Carter from his home at gunpoint, at which point he was beaten, blindfolded, and held for \$1 million ransom.

The investigation of this kidnapping is part of an ongoing investigation of the Winter Hill gang's involvement in labor racketeering in the Boston transportation industry. This is a joint investigation with the DEA, the Massachusetts State Police, and the Everett Police Department. *U.S. v. McCormack* (D. Massachusetts)

Four Men Pled Guilty to Cocaine Distribution Scheme Directed at Members of Teamsters Local 25

On July 12, 2000, Christopher Thornton, David Cameron, David Smith, and Scott Owens pled guilty in Boston to possession with intent to distribute cocaine and conspiracy to distribute cocaine. These individuals maintained and operated a cocaine distribution ring within the membership of the International Brotherhood of Teamsters Local 25 in the Charlestown section of Boston, under the control of the Winter Hill Irish Organized Crime group. The cocaine was to be distributed mainly on movie sets and other locations by members of Local 25. The ring operated from within the offices of Local 25 in Boston. The OIG assisted the Drug Enforcement Administration in the investigation. *U.S. v. Thornton, et al.* (D. Massachusetts)

New Jersey Former Union Officer Pled Guilty to Theft of Local's Funds

Eugene G'Sell, a former executive vice president of International Longshoremens's Association (ILA) Local 1588 in New Jersey, entered a guilty plea on June 6, 2000, to charges of theft of union funds. G'Sell was indicted in June 1999 with John Angelone (the president of Local 1588) and Denise Bohn (the office manager). The investigation found that from January 1994 to December 1998, the defendants conspired to embezzle, steal, and unlawfully convert to their own use at least \$800,000 of Local 1588 funds, generated improper disbursements from Local 1588 by allowing service providers to inflate their costs significantly, provided kickbacks, and improperly charged nearly \$24,000 in goods and services for personal use. This is a joint investigation with the New Jersey State Police. *U.S. v. G'Sell, et al.* (D. New Jersey)

Former Union Financial Secretary in California Charged with Embezzling Funds

Teresa Sanchez, a former financial secretary of the International Longshoremens and Warehousemen Union (ILWU) Local 20A in Los Angeles, CA was indicted on July 11, 2000, on charges of embezzling

over \$210,000 of union funds and making false union reports. The investigation revealed that since 1993, Sanchez had allegedly presented a list of expenses each month to the executive board listing checks paid to companies and individuals when in fact she had written the checks to herself. In December 1999, Sanchez resigned from her position as financial secretary upon discovery of the embezzlement. This is a joint investigation with DOL's Office of Labor Management Standards. *U.S. v. Sanchez* (C.D. California)

Former Executive Director of Union Subsidiary Indicted for Alleged Fraud

On July 27, 2000, Roderick Rodriguez, the former executive director of Unity House, Inc. (UHI), of Honolulu, HI, and Roberta Cabral, a former UHI consultant, were indicted on eight counts of wire fraud and aiding and abetting wire fraud in a scheme to defraud UHI of \$150,000. UHI is a nonprofit organization that administers in excess of \$50 million in assets for the benefit of more than 20,000 active and retired members of the Hotel Employees and Restaurant Employees Local Union 5 and the IBT Local Union 996, both located in Honolulu.

It is alleged that Rodriguez and Cabral devised a scheme to defraud UHI by having it fund a one-hour television movie entitled *Heavenly Road*, which was to be used as the basis for a proposed television series called *Blue Hawaii*. Cabral allegedly received a kickback of \$150,000 from the funding of the project without disclosing that information to the organization. Rodriguez failed to appear for arraignment on the indictment and on August 8, 2000, he was found dead, an apparent suicide, at his apartment in Honolulu. This is a joint task force investigation with the FBI, the IRS, the PWBA, and the OLMS. *U.S. v. Rodriguez, Cabral* (D. Hawaii)

In a parallel investigation, on October 4, 2000, current UHI director Linda Carpenter pled guilty to 65 counts of obtaining money through fraudulent means, following her August 2000 indictment. From October 1991 to March 1995, Carpenter devised a scheme to obtain more than \$125,000 in UHI monies and funds under the custody and control of First Hawaiian Bank and Central Pacific Bank. In some cases, she took checks written on these accounts made out to legitimate vendors, obtained the appropriate signatures, and then changed the names of the payees, and in other cases, she forged the required signatures. *U.S. v. Carpenter* (D. Hawaii)

Benefit Plan Investigations

In addition to investigating corruption involving general union funds, the OIG is responsible for combating corruption involving the monies in union-sponsored benefit plans. These pension and benefit plans control hundreds of billions of dollars in assets. Our investigations have shown that these vast sums of money remain vulnerable to corrupt union officials and organized criminal elements.

An area of concern for the OIG is the proliferation of cases involving corrupt individuals who provide services to union pension plans, including lawyers, accountants, and investment advisors. Currently, the OIG is pursuing over 28 cases involving service providers. The total assets for the pension plans in these cases amount to over \$1.5 billion. The OIG remains concerned that with such large amounts of money and limited oversight, union-affiliated benefit plans remain vulnerable to fraud and corruption. The cases summarized in this section include examples of both health plan and pension plan corruption.

The first case which involves Fidelity Group, illustrates the damage that can be done by unscrupulous health providers who evade state insurance regulation by claiming Employee Retirement Income Security Act (ERISA) preemption as a multiple-employer welfare arrangement (MEWA), creating a bogus labor union to do so. Such schemes involve multi-state marketing operations that are difficult for state authorities to prosecute. In the Fidelity case, thousands of people were left with over \$8 million in unpaid claims. A similar case in Chicago shows that such schemes, although diminished in frequency from the early 1990s, still victimize unwary and desperate people seeking affordable health insurance.

Also, a significant pension plan corruption case that involved soft dollars and trade execution by brokers and dealers working as service providers for a large Teamsters Union pension plan in Chicago is discussed. The indictment charged that kickbacks to plan officials were laundered through offshore bank accounts.

**New York Service Providers
Pled Guilty to Role in \$8 Million
in Healthcare Fraud**

On September 22, 2000, Eugene Duncan and Dwayne Samuels, the former president and vice president of Fidelity Group, Inc., in Great Neck, NY, pled guilty to violating the healthcare fraud provision of the Health Insurance Portability and Accountability Act (HIPPA). They were charged in April 2000 with embezzling nearly \$8 million from the health and welfare fund of the International Workers Guild (IWG), a bogus union created to evade state insurance regulation by spuriously claiming preemption under the MEWA provisions of ERISA. IWG was a paper union that provided no bona fide collective bargaining or grievance handling services to its "members." Fidelity served as the third-party administrator for the IWG health and welfare fund, providing administrative services in the processing of healthcare claims submitted by the participating "union members."

Thousands of employers in approximately 20 states had entered into sham collective bargaining agreements between the National Association of Business Owners and Professionals (NABOP), a fictitious employer representative, and IWG, a fictitious employee representative. Entering into this agreement enabled these "members" to participate in the IWG health and welfare fund and to receive health care benefits. Although it appeared that the IWG health and welfare fund and NABOP were operating independently, it was revealed that Duncan and Samuels controlled and managed them by placing persons with close family ties and business relationships in key positions.

Duncan and Samuels exercised complete discretionary control over the management and disbursement of fund assets, and from June 1996 to December 1998, they executed a scheme to defraud the fund by causing excessive amounts of money to be deducted as administrative and service fees. At times, these monthly service fees represented more than 30 percent of the total monthly contributions made by participants, twice the amount permitted. Because of the excessive fees charged by the defendants, the fund was depleted to the point at which there were insufficient monies left to pay the healthcare claims submitted. The total amount of unpaid claims is in excess of \$8 million and involves at least 13,000 victims. The admitted loss to the fund due to the actions of Duncan and Samuels is between \$800,000 and \$1.5 million. Sentencing has been scheduled for November 17, 2000. This was a joint investigation with the U.S. Postal Inspection Service. *U.S. v. Duncan, Samuels* (E.D. New York)

Former Fund Administrator Charged with Embezzlement

John Wolfe, the former fund administrator and chairman of the board of trustees of the International Professional Craft and Maintenance Employees Association Trust (IPCMEAT) of Chicago, IL, was indicted on July 13, 2000, for allegedly embezzling more than \$100,000 from IPCMEAT's health and welfare fund, which suffered a financial collapse in August 1996. IPCMEAT was a multiple-employer trust, a specific type of health and welfare plan that included participation from multiple small to midsize industry employers, was governed by a collective bargaining agreement, and was operated by a board of trustees consisting of both union and employer representatives. The collapse of IPCMEAT resulted in approximately \$5 million in unpaid health care bills for several thousand participants throughout the country. Wolfe allegedly embezzled the funds from 1993 to 1996, using them for personal expenses and medical and dental services for himself and his wife. It is alleged that Wolfe also used more than \$15,000 in embezzled funds to pay for his unsuccessful 1995 campaign for business manager and financial secretary of the International Brotherhood of Electrical Workers Local 134. This investigation is being conducted with PWBA. *U.S. v. Wolfe* (N.D. Illinois)

Chief Operating Officer and CPA Sentenced in Pension Plan Embezzlement and Bankruptcy Fraud

On September 14, 2000, Robert McCarthy, the former chief operating officer of Lloyd's Shopping Centers, Inc., of Middletown, NY, was sentenced to six and a half years in prison for the theft of approximately \$2.1 million from the Lloyd's employees' pension plan and the Lloyd's employees' 401(k) savings plans. McCarthy was also ordered to make \$1.6 million in restitution to the Pension Benefit Guaranty Corporation, the Federal agency that insures defined benefit plans. On October 13, 1999, a jury found McCarthy guilty of three counts of theft of retirement funds and 18 counts of money laundering for the subsequent financial transactions involving the proceeds of the thefts. In addition, McCarthy was convicted for his role in the distribution and maintenance of false earnings statements to the participants of the 401(k) plans.

In 1994, Lloyd's was in bankruptcy and retained McCarthy, a CPA, for financial consultation. From January 1995 through December 1995,

McCarthy embezzled a total of \$2.1 million from Lloyd's pension and 401(k) plans. He used the stolen retirement monies to pay down a mortgage on Lloyd's property in Newburgh, NY, to pay Lloyd's other corporate debts, and to purchase medical equipment in order to start a new company, Med Ox Technologies. McCarthy's theft of pension and 401(k) funds left both funds effectively bankrupt. At trial, Lloyd's employees testified that in response to their inquiries, McCarthy falsely told them that their retirement savings had been moved into new funds where they were making higher earnings. McCarthy was also convicted of the theft of \$402,000 from the bankruptcy estate of a New Jersey corporation, Discount Harry, Inc. McCarthy transferred the funds, intended for Discount Harry's creditors, to his own personal account, and then used the money to pay a tax lien that stood in the way of Lloyd's emergence from bankruptcy.

PWBA and the IRS Criminal Investigation Division also participated in this investigation. *U.S. v. McCarthy* (S.D. New York)

Doctor in West Virginia Agreed to Pay \$1.3 Million for Fraudulent Billing

Dr. Robert Miller, a Princeton, WV, physician, agreed in a May 4, 2000, settlement to pay the Federal government \$1.3 million for fraudulent billing that affected the United Mine Workers' health benefit fund, multiple Federal healthcare programs, and private insurers. A False Claims Act complaint had been filed earlier against Dr. Miller and associated entities for alleged fraudulent billing practices for reimbursement to Federal healthcare programs. Miller agreed to be excluded from all Federal healthcare programs and Federally sponsored healthcare plans, including FECA, in which Miller assisted Federal mine inspectors in obtaining scheduled awards for hearing loss.

The settlement is related to a criminal case in which, on March 2, 2000, a sealed indictment was opened following the arrest of Dr. Miller for 22 counts of mail fraud in connection with a scheme to defraud government healthcare programs, including Medicare, Medicaid, the Government Employees' Health Association, West Virginia Workers' Compensation, the United Mine Workers of America, Nationwide Insurance, and Mountain State Blue Cross and Blue Shield. The investigation revealed that Dr. Miller billed these programs for medical consultations when no consultation was ordered. The indictment also alleged that the scheme involved Dr. Miller's billing of these programs for hearing tests he did not

perform and billing two or more times for hearing tests he did perform. Finally, the indictment alleged that he billed for office visits when the only services provided were routine hearing aid checks. *U.S. v. Miller* (S.D. West Virginia)

Illinois Teamsters Union Pension Trustee Pled Guilty to Receiving Kickbacks

On June 2, 2000, William Close, a trustee for the funds of IBT Locals 710 and 701 in Chicago, IL, pled guilty to charges of receiving kickbacks, money laundering, and aiding and abetting. Close accepted \$1 million in payoffs through a money laundering operation that was conducted in the Cayman Islands, Great Britain, and the Isle of Man from 1994 to 1997. In return for the payoffs, Close and now-deceased associate Robert Baker (a former Local 710 official) used their positions as trustees to select investment advisors who would direct pension fund trades for the benefit of East West Institutional Services (EWIS), a brokerage firm in Harper Woods, MI.

Also indicted with Close in April 2000 were EWIS owners Christopher Roach and Richard Tringale, on charges of receiving kickbacks and of RICO conspiracy, including international money laundering, witness tampering, interstate and foreign travel in aid of racketeering, and extortion allegations concerning threats of physical violence. The investigation alleged that Shawmut Investment Advisors, Inc., a Boston based investment firm holding a \$600 million account with Local 710's pension plan to invest funds and change the portfolio, gave Roach kickbacks for assisting the company in securing the Teamster account. The investigation is being pursued jointly with the FBI, PWBA, and the U.S. Attorneys' for the Northern District of Illinois and the District of Massachusetts. *U.S. v. Close, Roach, Tringale* (N.D. Illinois)

Ohio Business Agent Debarred for Committing Perjury in Grand Jury Investigation

On September 15, 2000, David Poland, a business agent and trustee for IBT Local 20 in Toledo, OH, was sentenced to two years' probation, was fined \$2,000, and was debarred from holding any position of trust in a labor organization following his March 2000 guilty plea to perjury. The investigation revealed that Poland had negotiated a collective bargaining

agreement with Toledo Pipe Transport (TPT), a hauling company owned and operated by James S. Anderson and his three sons, and lied about ownership of the company when questioned before a grand jury investigating TPT. Poland had discussed with Anderson means by which he could conceal his family's ownership of TPT. This deception allowed the Andersons to become members of IBT Local 20 and receive medical benefits from the Central States Health and Welfare Plan, even though this was in conflict with the provisions of the collective bargaining agreement.

In addition to the labor violations mentioned above, a related investigation revealed that the Anderson family engaged in the international transportation and smuggling of narcotics and currency and in money laundering for Colombian drug cartels. In April 2000, the family agreed to forfeit property, currency, and assets totaling over \$1.5 million to the Federal government. This was a joint investigation with U.S. Customs and the IRS. *U.S. v. Anderson* (N.D. Ohio)

Connecticut Defendants Embezzled \$1 Million from ERISA Fund

On September 14, 2000, MRCA Information Services, Inc., a market research company in Stamford, CT, and MRCA officials David Learner (the owner and president), and Michael Hay (the vice president of finance) were charged with and pled guilty to theft of employee benefit funds. Per their plea agreements, the defendants have agreed to pay back approximately \$1.5 million. Sentencing is set for December 2000. The investigation revealed that from 1991 to 1998, the defendants, as trustees of MRCA's shared savings growth plan, failed to deposit \$795,000 in payroll deductions into the plan's account and embezzled nearly \$250,000 in assets for their personal use. This was a joint investigation with PWBA. *U.S. v. Learner, Hay* (D. Connecticut)

Pension Trustee in New York Pled Guilty to Embezzlement of Plan Funds

Anthony Montesano III, the owner of three private New York sanitation and carting companies, pled guilty on April 14, 2000, to embezzlement from the companies' pension plan, of which he was the sole trustee. Sentencing is scheduled for later this year. This case resulted from a civil

racketeering complaint filed in 1989 (*U.S., et al, v. Lucchese Organized Crime Family, et al*). The complaint alleged that Montesano's companies, Monbro Sanitation Services, Inc., and Associated Waste, Inc., were under the influence or control of organized crime. These companies participated in a common pension plan, known as the Affiliated Companies Pension Plan, which was victimized by Montesano's scheme. The investigation found that in 1994 and 1995, Montesano wired over \$500,000 from the pension fund to corporate checking accounts to make loans to business associates and pay for various personal expenses. The three companies are currently in Chapter 11 bankruptcy proceedings. *U.S. v. Montesano* (E.D. New York)

Union Trustees Indicted for Embezzlement from Pension and Benefit Funds

Frank Ervolino and his wife, Anna May, of Buffalo, NY, were charged on May 16, 2000, with embezzlement from an employee benefit fund, embezzlement of union assets, and conspiracy to enrich themselves unlawfully with nearly \$250,000 at the expense of union members. From May 1990 to December 1995, the Ervolinos each held multiple high-level positions in the AFL-CIO Hospital and Nursing Home Council and its pension fund and benefit plan; the Hotel Employees and Restaurant Employees International Union Local 4 and its pension and insurance funds; as well as Laundry Workers Union Local 168-39 and its pension and health and welfare trust funds. The joint investigation found that the Ervolinos allegedly embezzled \$183,000 from the Council and over \$52,000 from its pension fund to purchase annuities, pay personal insurance premiums, and pay salary to Anna May Ervolino. The indictment also alleges that the Ervolinos induced the Council to provide loans improperly to Local 168-39 for their personal benefit, prevented members of the Council's executive board from learning its true financial condition by concealing relevant financial statements and reports, and maintained a climate of intimidation to discourage opposition to their numerous acts of embezzlement. This is a joint investigation with the FBI. *U.S. v. Ervolino* (W.D. New York)

**Former New Jersey Union
Advisor Lost CPA License for
Role in Kickback Scheme**

On June 9, 2000, Thomas Leddy, a former accountant to Retail, Wholesale, Department Store Union Local 29 of Hackensack, NJ, was sentenced to three years' probation and 250 hours of community service, for his plea of guilty to paying kickbacks in a complex scheme involving former union officials and service providers. In addition, Leddy was fired from his \$200,000 per-year job as financial manager for the Service Employees International Union Local 32E, was barred from all union and fund activities for 13 years, and will lose his CPA license. The investigation revealed that Leddy paid \$125,000 to former Local 29 consultant John Kraemer in order to be hired by Local 29 and its affiliated funds.

Leddy, Kraemer, Frances Fitzpatrick (a former Local 29 administrator and Kraemer's sister), and Judith Kraemer (a former Local 29 consultant and Kraemer's wife) pled guilty in December 1999 to charges of conspiracy to embezzle funds from Local 29's health and welfare fund. The investigation showed that Leddy falsified reports to conceal the illegal disbursements from Local 29 to the union and fund officials. This investigation was conducted jointly with the U.S. Attorney's Office and PWBA. *U.S. v. Leddy, et al.* (E.D. New York)

**Father and Son Union Officials
Convicted in Embezzlement
Conspiracy in New Jersey**

Victor Garcia Sr., the former president of the National Union of Hospital and Health Care Employees District 1199J of the AFL-CIO's American Federation of State, County, and Municipal Employees, and his son, Victor Garcia Jr., the former pension fund assistant executive director, were found guilty on September 28, 2000, of embezzling \$200,000 from the union's employee benefit plan. Victor Garcia Sr. was also found guilty of conspiring to receive \$200,000 in cash kickbacks from a general contractor who, from 1994 to 1997, made \$6 million in renovations to the union's pension fund building in Newark, NJ. In addition, the general contractor paid for repairs to Victor Garcia Sr.'s car in order to retain the union renovation contract. PWBA also participated in the investigation. *U.S. v. Garcia* (D. New Jersey)

Labor-Management Relations Investigations

Labor-management relations cases differ from internal union cases in that they involve improper relationships between management and union officials rather than abuse of trust involving union assets. Typical labor-management cases range from collusion between representatives of management and corrupt union officials to the use of the threat of “labor problems” to extort money or benefits from employers.

Pennsylvania State Representative, Three Bridge Inspectors, and Bridge Contractor Sentenced on Corruption Charges

A series of guilty pleas have resulted from a two and a half year joint investigation of the bridge-painting industry in western Pennsylvania. The probe targeted bribes paid to union officials for labor peace and to State and local officials conducting oversight and management of Federally funded bridge-painting and rehabilitation projects. Key defendants include Frank Gigliotti, a member of the State of Pennsylvania House of Representatives and a member of the board of the Allegheny County Sanitary Authority (ALCOSAN); bridge-painting contractor Ernest Smalis; and bridge inspectors Charles Schweinberg, Robert Loughner, and Victor Stivason. Total restitution in this case is more than \$2.9 million.

On June 21, 2000, Gigliotti was sentenced to nearly four years' incarceration, three years' probation, and a \$6,000 fine. The sentencing judge imposed a higher sentence than called for by the sentencing guidelines because of what the judge described as Gigliotti's “perversion of his office” through the extortion of money from painting contractors. Gigliotti pled guilty to using his position for extortion, mail fraud, and making and subscribing false income tax returns. The investigation revealed that from 1996 to 1998, Gigliotti solicited bribes from contractors, demanded a 10 percent cut of a contractor's profits, and demanded tickets and plane fare for him to vacation in Disney World in exchange for his influence on the ALCOSAN board. Gigliotti received \$15,000 from Ernest Smalis, a disqualified painting contractor and defendant in this investigation who cooperated with the government, in exchange for Gigliotti's influence in having the Pennsylvania Department of Transportation (PennDOT) reinstate Smalis as a prequalified bridge

rehabilitation contractor. In spite of Gigliotti's efforts, PennDOT officials warned Gigliotti of Smalis's history as a bad contractor and a threat to public health and safety, and refused to reinstate him.

On August 25, 2000, Smalis, the owner and operator of E. Smalis Painting Company in Shadyside, PA, was sentenced to three and a half years' incarceration, three years' probation, and was ordered to pay over \$2.7 million in restitution on charges of mail fraud, tax evasion, and filing false tax returns. He was ordered to pay nearly \$3.5 million in back taxes plus interest and penalties. Smalis pled guilty in December 1999 to charges that stemmed from a scheme to defraud the Liberty Mutual Insurance Company, the Pennsylvania State Workers' Insurance Fund, and the Ohio Bureau of Workers' Compensation by underreporting the number of workers on Federally funded bridge-painting projects and by not submitting premiums owed to these entities for workers' compensation insurance coverage.

On September 6, 2000, Charles Schweinberg, an inspector for the City of Pittsburgh, was sentenced to one and a half years in prison, two years' probation, and \$100,000 restitution following his May 2000 guilty plea to conspiracy to commit theft, bribery, and mail fraud, and conspiracy to extort property. Robert Loughner, a privately employed inspector acting on behalf of PennDOT, was also sentenced in September 2000, to five months' community service, five months' home detention, and was ordered to pay \$100,000 restitution following his guilty plea in January 2000 to conspiracy charges. The charges against Schweinberg and Loughner involved their acceptance of \$5,000 bribes from Smalis to overlook contract specifications while they were inspectors on the Schenley Park Bridge in Pittsburgh. Shortcuts taken by Smalis in painting the bridge have been estimated to shorten the life span of the paint on the bridge from 20 years to 12 years and will cost the City of Pittsburgh hundreds of thousands of dollars to correct. Schweinberg was also involved as a co-conspirator in the payoffs to Gigliotti.

On September 21, 2000, Victor Stivason, also a privately employed inspector acting on behalf of PennDOT, was sentenced to five months' incarceration, five months' home detention, and three years' probation. On June 14, 2000, Stivason pled guilty to charges of bribery concerning a program receiving Federal funds. The charges against Stivason involve his acceptance of things of value from Smalis while Stivason was assigned to inspect Smalis's work on the Graff Bridge in Kittanning, PA, a PennDOT rehabilitation project. In exchange, Stivason approved fraudulent extra work claims, resulting in excessive payments of approximately \$36,000 to Smalis.

The investigation was conducted jointly with the FBI and the IRS Criminal Investigation Division. *U.S. v. Smalis*, *U.S. v. Gigliotti*, *U.S. v. Stivason*, *U.S. v. Schweinberg*, *U.S. v. Loughner* (W.D. Pennsylvania)

Marine Company Pled Guilty to Making Illegal Payments to a Union Official in Florida

Hvide Marine, Inc., a Port Everglades, FL, marine company, was sentenced on September 22, 2000, to a \$60,000 fine, five years' probation, and was ordered to undergo a government training program in labor management. This sentence was the result of a June 2000 guilty plea of making unlawful payments to Walter "Buster" Browne, a former Port Everglades commissioner and the president of the National Federation of Public and Private Employees (NFPPE), a former affiliate of the Marine Engineers Beneficial Association District One (MEBA District 1) (AFL-CIO). The investigation found that from January 1995 to December 1995, father and son Hans and Erik Hvide, former officials of Hvide Marine, made prohibited payments to Browne while the company was seeking favorable labor terms from MEBA District 1 through Browne to help it obtain financing for double-hulled tankers. The company was not successful in its negotiations with MEBA District 1 and eventually negotiated a collective bargaining agreement with another union.

In a related development, on September 7, 2000, Debra Weiler, a former business representative of NFPPE, was indicted on 20 counts of theft of employee benefit funds, mail fraud, and making false statements in ERISA-related documents. The investigation revealed that Weiler had allegedly embezzled funds from the MEBA District 1 medical and benefits plan.

In an additional spin-off of the Hvide Marine case, on May 12, 2000, William Coleman, the president and owner of Coleary Transport, Inc., pled guilty to charges of making prohibited payments to Browne in October 1995 and December 1995. His sentencing is scheduled for November 2000. The investigation found that during this time, Coleman tried to develop a cargo-loading operation at Port Everglades to supplement his trucking business. This is a joint investigation with the FBI. *U.S. v. Hvide Marine*, *U.S. v. Weiler*, *U.S. v. Coleman* (S.D. Florida)

Businessman Indicted for Illegal Payments to High- Ranking Union Official in Florida

On June 29, 2000, Joseph Casella, the senior vice president of Harborside Refrigerated Services, Inc. (HRS), of Tampa, FL, was indicted and charged with Taft-Hartley Act violations of making illegal payments to a union official, Perry Harvey, a vice president of the International Longshoremen's Association (ILA) in New York and the president of ILA Local 1402 in Tampa. The investigation revealed that Casella allegedly made campaign contributions toward Harvey's unsuccessful 1996 race for county commissioner. At the same time, Casella was representing HRS in contract negotiations with Harvey on a new collective bargaining agreement with Local 1402. The subsequent agreement called for substantial cuts in management payments into Local 1402's pension, welfare, vacation, and holiday funds, with a two-dollar-per-hour loss in benefits to rank-and-file members. *U.S. v. Casella* (M.D. Florida)



*Strengthening
Departmental
Programs*

Legislative Issues

Section 4(a) of the Inspector General Act of 1978 requires the Inspectors General to review existing or proposed legislation and regulations and to make recommendations in the Semiannual Report concerning the impact of the economy and efficiency of the administration of the Department's programs and on the prevention of fraud and abuse. The most important legislative items of concern to the OIG are:

- *authorizing the Department to access unemployment insurance and social security wage records for purposes of program evaluation;*
- *ensuring the integrity of the Federal Employees' Compensation Act;*
- *ensuring that DOL's information technology oversight is adequate;*
- *amending the Occupational Safety and Health Act to provide specific coverage for all state and local government employees; and*
- *granting the Inspectors General statutory law enforcement authority.*

Authorize the Department to Access Unemployment Insurance and Social Security Wage Records for Purposes of Program Evaluation

The Department of Labor needs the authority to access wage records for various purposes. These include measuring the long-term impact of employment and training services on job retention and earnings and identifying individuals who are receiving workers' compensation disability benefits from the Department but who are actually working. With respect to measuring the long-term impact of DOL employment and training programs, we have been concerned with the Department's inability to provide critical outcome information. Our experience has been that outcome information is very difficult to obtain, especially if agencies cannot access Unemployment Insurance (UI) and Social Security Administration (SSA) wage records.

The OIG has the authority to issue subpoenas to obtain UI wage records. However, the OIG is not always able to obtain UI wage records in a timely manner, as states often invoke Federal UI policies and/or state nondisclosure statutes to hinder our access. We are hopeful that some clarification will be forthcoming that will help us gain unimpeded access (i.e., without having to issue a subpoena). However, even if there were no

Federal impediments, states may still invoke their own nondisclosure statutes, in which case we would be forced to issue subpoenas and perhaps litigate to have them enforced. The OIG has worked with the Department with respect to its policies and guidelines regarding the confidentiality and disclosure of UI records.

Ensure the Integrity of the Federal Employees' Compensation Act

There are three areas in the Federal Employees' Compensation Act (FECA) in which legislative changes would result in significant savings for the Federal government. These issues include changing benefits for older beneficiaries, returning a three-day waiting period to the beginning of the claims process, and providing the OIG and the Office of Workers' Compensation Programs (OWCP) the authority to access the SSA's wage records in order to identify claimants defrauding the program.

- Move people into a form of retirement (FECA annuity or Office of Personnel Management retirement) after a certain age if they are still injured:

Currently, FECA beneficiaries are not required to "retire" at any age. Consequently, a large percentage of FECA beneficiaries have effectively retired on workers' compensation and continue to receive tax-free compensation beyond the normal retirement age.

The OIG is concerned that there is an unintended incentive for claimants to remain on the disability rolls because their tax-free benefits may be greater than their taxed benefits in a Federal retirement program. This type of legislative change would ultimately deter beneficiaries from "retiring" on FECA and would result in cost savings for the Federal government.

- Require a three-day waiting period before the continuation of pay (COP) period begins following injury:

FECA currently has a provision that allows employees who sustain disabling job-related traumatic injuries to receive continuation of their regular pay for a period not to exceed 45 calendar days after the injuries. This COP period was included in the statute to overcome any temporary income loss due to delays in adjudication of claims. Prior to a 1974 legislative change, FECA required employees to use accrued sick leave or leave without pay for a period of three days *before* the COP period began. This three-day period was established in order to limit the number of

frivolous claims coming into the Office of Workers' Compensation Programs. The 1974 change placed the three-day period *at the end* of the COP period. Following this legislative change, OWCP experienced a significant increase in new claims. We believe that the FECA statute should be changed back to requiring a three-day waiting period at the beginning of the compensation process.

- Obtain access to SSA records to identify those individuals whose benefits need to be reduced or who need to be removed from the FECA rolls:

This is fully discussed under the proposal to authorize the Department to access UI and SSA wage records for purposes of program evaluation.

Ensure That DOL's Information Technology Oversight Is Adequate

The OIG is concerned about the need for a long-term oversight strategy in the area of information technology (IT). The IT area is a high-cost, critically important function of the Department. Many of the Department's programs are dependent on the data they collect and maintain. Among the issues that should be reviewed are:

- information security, integrity, and reliability;
- major system acquisitions;
- disaster recovery;
- IT cost reduction and increased efficiency; and
- Internet/intranet usage and management.

The OIG is also concerned about the security of DOL's computer systems and the data they contain. We recognize that a unified approach to computer system security and integrity is vital and would be more effective than a piecemeal approach.

We believe that the Inspectors General should play an important role in helping to ensure computer security and integrity through annual evaluations of agency information security programs and practices. To this end, we support legislative provisions such as those contained in S. 1993 to:

- provide a comprehensive framework for establishing and ensuring the effectiveness of controls over information resources that support Federal operations and assets;

- recognize the highly networked nature of the Federal computing environment, including the need for Federal government interoperability, and, in the implementation of improved security management measures, assure that opportunities for interoperability are not adversely affected;
- provide effective government wide management and oversight of the related information security risks, including coordination of information security efforts throughout the civilian, national security, and law enforcement communities;
- provide for development and maintenance of the minimum controls required to protect Federal information and information systems; and
- provide a mechanism for improved oversight of Federal agency information security programs.

Amend the Occupational Safety and Health Act to Provide Specific Coverage for All State and Local Government Employees

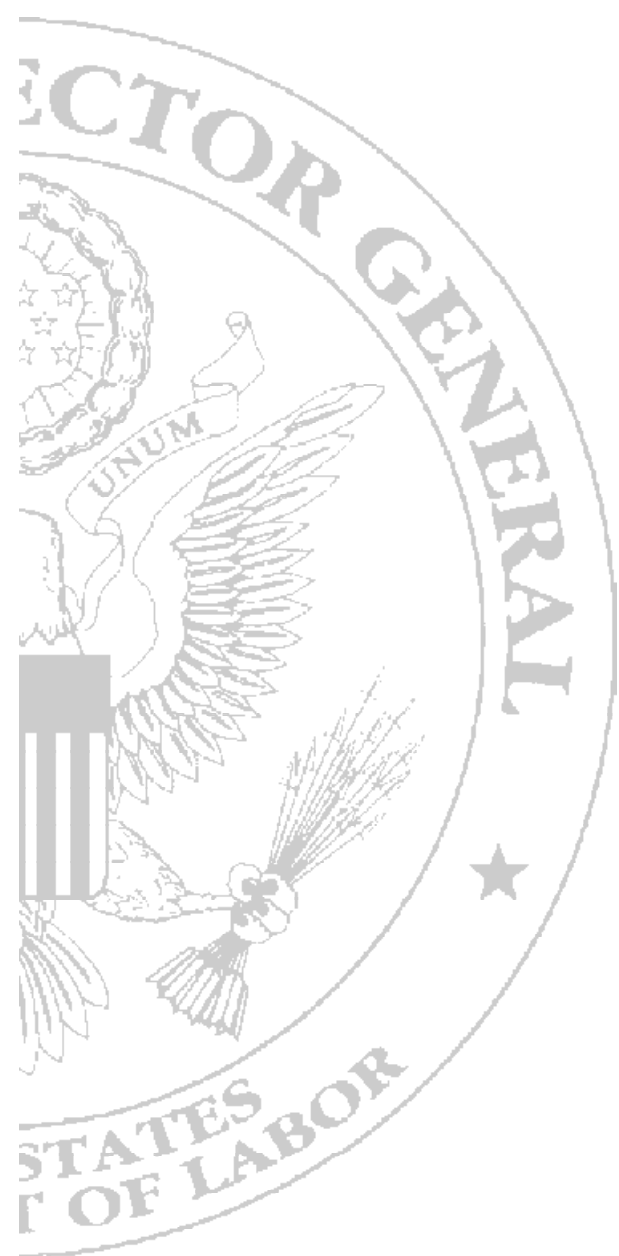
Responsibility for the nation's occupational safety and health program is divided between the Federal government, through the Occupational Safety and Health Administration (OSHA), and those states that have DOL-approved Occupational Safety and Health (OSH) plans. Those state-run programs are administered and operated with Federal approval and generally cover both private- and public-sector employees. In states in which safety and health enforcement is Federally run, state and local government employees are excluded from coverage. Consequently, some state and local government employees do not have adequate safety and health protections in the workplace.

Therefore, we recommend that OSHA seek to amend the OSH Act to provide specific coverage for all public-sector workers, regardless of whether safety and health rules are enforced by the Federal or state government. This would help ensure that all workers are afforded a safe and healthy workplace.

Legislative Proposal to Grant Inspectors General Statutory Law Enforcement Authority

For many years, the OIG has operated with temporary law enforcement authority, first with case-by-case deputation and later with an organizational blanket deputation through a memorandum of understanding (MOU) with the Department of Justice (DOJ). Throughout those years, we have advocated permanent law enforcement authority through legislation.

The Administration submitted a legislative proposal to Congress, which was subsequently introduced in the Senate, to grant the statutory Inspectors General law enforcement authority. The Department of Labor OIG would support such legislation. It is our understanding that the bill virtually mirrors the framework under which our agents are currently deputized under the MOU with the DOJ and will not change the authorities we use. Under the bill, we would continue to follow DOJ operational guidelines; conform to DOJ's training and qualification requirements; and coordinate extensively through the cognizant U.S. Attorney's Office.



*Reports and
Statistics*

Appendix



Requirements Under the Inspector General Act of 1978

Section 4(a)(2) - Review of Legislation and Regulation	105
Section 5(a)(1) - Significant Problems, Abuses, and Deficiencies	All
Section 5(a)(2) - Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	All
Section 5(a)(3) - Prior Significant Recommendations on Which Corrective Action Has Not Been Completed	126-130
Section 5(a)(4) - Matters Referred to Prosecutive Authorities	12
Section 5(a)(5) and Section 6(b)(2) - Summary of Instances Where Information Was Refused	None
Section 5(a)(6) - List of Audit Reports	131-137
Section 5(a)(7) - Summary of Significant Reports	All
Section 5(a)(8) - Statistical Tables on Management Decisions on Questioned Costs	117
Section 5(a)(9) - Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	115
Section 5(a)(10) - Summary of Each Audit Report over Six Months Old for Which No Management Decision Has Been Made	126-130
Section 5(a)(11) - Description and Explanation for Any Significant Revised Management Decision	34
Section 5(a)(12) - Information on Any Significant Management Decisions with Which the Inspector General Disagrees	None

Senate Report No. 96-829

Resolution of Audits	131-137
Money Owed to the Department	119

House Report No. 106-370

Summary of Monetary Audit Finding Resolution	120-125
Questioned Costs	121-123
Funds Put to Better Use	124-125

Note: This page cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, Senate Report No. 96-829 (Supplemental 1980 Appropriations and Rescissions Bill), and House Report No. 106-370 (FY 2000 Labor, HHS, Education, and Related Agencies Appropriation Bill) to the specific pages where they are addressed. The amount of "delinquent debts" owed to the Department can be found in the annual Consolidated Financial Statement Audit.

Questioned Costs

This schedule shows the extent to which DOL management has taken steps, during the six-month reporting period, to resolve the costs questioned as having been improperly expended. Audit resolution occurs when management either agrees with the auditor's finding and disallows those costs that were questioned or decides that the expenditure should be allowed. (This schedule is required by Section 5(a)(8) of the Inspector General Act, as amended.)

Disallowed Costs

This schedule presents the activity for costs that have been disallowed during the six-month period. This schedule is included in the OIG Semiannual Report to demonstrate the flow of information to the Secretary's Semiannual Management Report, which is issued by the Secretary as required by Section 5(b)(2) of the Inspector General Act, as amended.

Recommendations That Funds Be Put to Better Use

These schedules depict the activity during the six-month reporting period for those funds that were recommended by the auditor to be put to better use. These schedules are included in the OIG Semiannual Report to demonstrate the flow of information to the Secretary's Semiannual Management Report, which is issued by the Secretary as required by Section 5(b)(3) of the Inspector General Act, as amended.

Unresolved Audits over Six Months Old

This schedule presents a summary of all audit reports that continue to remain unresolved for more than six months. For these reports, a management decision is still outstanding. (This schedule is required by Section 5(a)(10) of the Inspector General Act, as amended.)

Reports Issued by the OIG

This schedule is a listing, subdivided according to subject matter, of all reports that were issued by the OIG during the six-month reporting period, as required by Section 5(a)(6) of the Inspector General Act, as amended. This listing also provides for each report, where applicable, the total dollar value of questioned costs and the total dollar value of recommendations that funds be put to better use.

Note: The schedule that lists the significant audit recommendations that have not been resolved for over one year and on which corrective action has not been completed is reported in the Secretary's Semiannual Management Report.

	Number of Reports	Dollar Value (\$ millions)
A. For which no management decision had been made as of the commencement of the reporting period	5	6.5
B. Which were issued during the reporting period	<u>4</u>	<u>13.1</u>
Subtotals (A + B)	9	19.6
C. For which a management decision was made during the reporting period	5	
• Dollar value of recommendations that were agreed to by management		10.8
• Dollar value of recommendations that were not agreed to by management		0.9
D. For which no management decision had been made as of the end of the reporting period	<u>4</u>	<u>7.9</u>
E. For which no management decision has been made within six months of issuance	<u>2</u>	<u>1.7</u>

Appendix

Funds Put to Better Use (Implemented by DOL)

	Number of Reports	Funds Recommended for Better Use (\$ millions)
A. For which final action had not been taken as of the commencement of the reporting period	4	9.4
B. For which management decisions were made during the reporting period	5	10.8
C. For which appeals were filed during the reporting period	<u>2</u>	<u>6.9</u>
Subtotals (A+B-C)	7	13.3
D. For which final action was taken during the reporting period	1	
• Dollar value of recommendations that were actually completed		0.1
• Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		<u>0.0</u>
E. For which no final action had been taken by the end of the period*	<u>6</u>	<u>13.2</u>

* Does not include 3 audits with recommendations that funds be put to better use in the amount of \$7.1 million, which are currently under appeal.

	Number of Reports	Questioned Costs (\$ millions)
A. For which no management decision had been made as of the commencement of the reporting period (as adjusted)	67	59.4
B. Which were issued during the reporting period	<u>24</u>	<u>15.7</u>
Subtotals (A + B)	91	75.1
C. For which a management decision was made during the reporting period	36	
• Dollar value of disallowed costs		16.9
• Dollar value of costs not disallowed		4.8
D. For which no management decision had been made as of the end of the reporting period	<u>55</u>	<u>53.4</u>
E. For which no management decision has been made within six months of issuance	<u>34</u>	<u>37.8</u>

Appendix

Agency Final Actions Related to OIG Issued Audit Reports (Disallowed Costs)

	Number of Reports	Disallowed Costs (\$ millions)
A. For which final action had not been taken as of the commencement of the reporting period (as adjusted)	75	13.1
B. For which management or appeal decisions were made during the reporting period	16	16.9
C. For which appeals were filed during the reporting period	8	5.2
Subtotals (A+B+C)	83	24.8
D. For which final action was taken during the reporting period*		
• Dollar value of disallowed costs that were recovered		4.5
• Dollar value of disallowed costs that were written off by management		4.3
E. For which no final action had been taken by the end of the reporting period	<u>63</u>	<u>16.0**</u>

*Partial recovery/write-offs are reported in the period in which they occur. Therefore, many audit reports will remain open awaiting final recoveries/write-offs to be recorded.

**Does not include \$28.2 million of disallowed costs which are under appeal.

**Delinquent Debts Owed to DOL
(As of September 30, 2000)**

Appendix

Agency/ Program	Accounts Receivable Current (\$ millions)	Accounts Receivable Delinquent (\$ millions)	Accounts Receivable Total (\$ millions)
BLS	0.0	0.0	0.1
ESA:			
Black Lung	31.7	3.1	34.8
FECA	21.2	17.4	38.6
Longshore	1.1	0.6	1.7
Back Wage	2.8	2.7	5.5
Civil Monetary Penalties	1.4	5.3	6.7
ETA	0.9	12.6	13.5
MSHA	3.9	8.4	12.3
OSHA	10.3	38.7	49.0
PWBA	<u>2.0</u>	<u>10.0</u>	<u>12.0</u>
Total	<u>75.3</u>	<u>98.9</u>	<u>174.2</u>

Note: These figures are provided by Departmental agencies. They are unaudited and may represent estimates. Amounts due to the Unemployment Trust Fund (interagency receivables, state unemployment taxes, and benefit overpayments) are not included. Amounts due from other Federal agencies for FECA workers' compensation benefits paid are not included. Data from MSHA reflects amounts owed as of August 31, 2000.

Appendix- Summary of Monetary Audit Finding Resolution

Fiscal Year of Issuance	Number of Reports with Questioned/ Unsupported Costs or FPBU ¹ Recommendations	Total Questioned/ Unsupported Costs or FPBU Recommendations (\$)	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Management Concurrence (\$)
1992	135	128,854,297	76,153,492	53,468,499	18,831,025	3,853,968
1993	107	30,750,412	11,497,060	4,383,610	5,499,007	1,614,443
1994	84	36,750,685	14,558,875	4,753,271	5,267,804	4,537,800
1995	74	11,075,810	4,025,013	1,441,427	1,853,854	729,732
1996	80	77,774,604	70,997,209	18,689,907	50,899,627	1,407,675
1997	81	51,617,420	36,552,389	18,025,668	5,318,577	13,208,144
1998	25	27,903,776	24,849,382	10,144,659	262,596	14,442,127
1999	38	77,002,711	90,058,845 ²	81,949,763	150,154	7,958,928
2000	54	62,869,790	15,238,581	13,625	0	15,224,956

¹ Funds Put to Better Use

² Includes concurrence with \$65,196,587 of audit questioned/unsupported costs or FPBU recommendations, plus \$23,234,396 of additional costs disallowed by DOL Contracting Officers as a result of audit resolution.

Appendix- Monetary Audit Finding Resolution: Questioned or Unsupported Costs

Fiscal Year of Issuance	Number of Reports with Questioned/Unsupported Costs	Questioned/Unsupported Costs (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
1992	129	86,650,803	1992	17,593,752	1,052,295	2,051,481	14,489,976
			1993	5,356,209	4,507,998	824,770	14,513,417
			1994	3,563,743	1,425,039	2,739,341	13,912,780
			1995	1,716,599	359,057	5,651,533	9,618,789
			1996	0	121,685	1,379,310	8,117,794
			1997	0	1,353,640	1,302,337	5,461,817
			1998	0	5,000	852,803	4,604,014
			1999	0	4,682	0	4,599,332
			2000	5,660,319	2,376,233	4,029,450	3,853,968
YTD* Totals	129	86,650,803		33,890,622	11,205,629	18,831,025	3,853,968
1993	102	30,486,668	1993	7,157,258	141,040	965,848	6,050,370
			1994	3,862,476	522,238	93,549	9,297,059
			1995	53,229	292,241	1,450,938	7,607,109
			1996	33,904	1,310,561	41,051	6,289,401
			1997	280,493	492,803	99,593	5,977,498
			1998	0	1,128,721	2,063,315	2,785,462
			1999	0	384,891	0	2,400,571
			2000	0	1,415	784,713	1,614,443
YTD Totals	102	30,486,668		11,387,360	4,273,910	5,499,007	1,614,443

Appendix- Monetary Audit Finding Resolution: Questioned or Unsupported Costs

Fiscal Year of Issuance	Number of Reports with Questioned/Unsupported Costs	Questioned/Unsupported Costs (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
1994	83	34,850,685	1994	2,234,529	281,554	38,534	1,914,441
			1995	8,182,628	635,826	1,153,093	8,308,150
			1996	507,762	518,590	1,241,750	7,055,572
			1997	467,029	57,052	1,038,501	6,427,048
			1998	1,266,927	1,211,207	732,756	5,750,012
			1999	0	107,472	201,789	5,440,751
			2000	0	41,570	861,381	4,537,800
YTD Totals	83	34,850,685		12,658,875	2,853,271	5,267,804	4,537,800
1995	74	11,075,810	1995	1,423,617	31,522	2,384	1,389,711
			1996	663,335	216,896	331,436	1,504,714
			1997	1,394,126	136,805	3,235	2,758,800
			1998	433,559	626,905	1,381,297	1,184,157
			1999	52,750	39,280	30,769	1,166,858
			2000	57,626	390,019	104,733	729,732
YTD Totals	74	11,075,810		4,025,013	1,441,427	1,853,854	729,732
1996	77	11,490,160	1996	966,308	350,404	602	615,302
			1997	1,403,519	799,321	6,771	1,212,729
			1998	1,030,269	175,833	84,578	1,982,587
			1999	346,508	470,309	230,855	1,627,931
			2000	1,318,789	994,040	576,821	1,375,859
YTD Totals	77	11,490,160		5,065,393	2,789,907	899,627	1,375,859

Appendix- Monetary Audit Finding Resolution: Questioned or Unsupported Costs

Fiscal Year of Issuance	Number of Reports with Questioned/Unsupported Costs	Questioned/Unsupported Costs (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
1997	72	28,028,226	1997	3,890,134	1,544,155	814,113	1,531,866
			1998	2,219,981	2,156,581	90,098	1,505,168
			1999	2,998,677	1,130,676	968,701	2,404,468
			2000	4,357,335	649,467	45,665	6,066,671
YTD Totals	72	28,028,226		13,466,127	5,480,879	1,918,577	6,066,671
1998	21	23,611,939	1998	6,114,199	5,182,808	0	931,391
			1999	14,348,256	1,120,018	28,699	14,130,930
			2000	270,090	1,409,084	233,897	12,758,039
YTD Totals	21	23,611,939		20,732,545	7,711,910	262,596	12,758,039
1999	30	65,154,720	1999	2,454,668	1,446,468	131,992	876,208
			2000	77,812,234 ³	71,398,179	18,162	7,272,101
YTD Totals	30	65,154,720		80,266,902	72,844,647	150,154	7,272,101
2000	48	45,442,557	2000	4,583,703	13,625	0	4,570,078
YTD Totals	48	45,442,557		4,583,703	13,625	0	4,570,078

³ Includes concurrence with \$53,068,626 of audit questioned costs, plus \$23,234,396 of additional costs disallowed by DOL Contracting Officers as a result of audit resolution.

Appendix- Monetary Audit Finding Resolution: Funds Put to Better Use

Fiscal Year of Issuance	Number of Reports with Funds Put to Better Use Recommendations	Funds Recommended for Better Use (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
1992	6	42,203,494	1992 1993	42,262,870 0	452,391 41,810,479	0 0	41,810,479 0
YTD Totals	6	42,203,494		42,262,870	42,262,870	0	0
1993	5	263,744	1993 1994 1995	29,700 80,000 0	29,700 0 80,000	0 0 0	0 80,000 0
YTD Totals	5	263,744		109,700	109,700	0	0
1994	1	1,900,000	1994 1995	1,900,000 0	0 1,900,000	0 0	1,900,000 0
YTD Totals	1	1,900,000		1,900,000	1,900,000	0	0
1995	0	0	1995	0	0	0	0
YTD Totals	0	0		0	0	0	0

Appendix- Monetary Audit Finding Resolution: Funds Put to Better Use

Fiscal Year of Issuance	Number of Reports with Funds Put to Better Use Recommendations	Funds Recommended for Better Use (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
1996	3	66,284,444	1996	15,900,000	0	0	15,900,000
			1997	0	8,000,000	0	7,900,000
			1998	50,031,816	0	50,000,000	7,931,816
			1999	0	7,900,000	0	31,816
			2000	0	0	0	31,816
YTD Totals	3	66,284,444		65,931,816	15,900,000	50,000,000	31,816
1997	9	23,589,194	1997	769,831	769,831	0	0
			1998	18,779,304	3,206,513	0	15,572,791
			1999	3,537,127	8,568,445	3,400,000	7,141,473
			2000	0	0	0	7,141,473
YTD Totals	9	23,589,194		23,086,262	12,544,789	3,400,000	7,141,473
1998	4	4,291,837	1998	582,608	582,608	0	0
			1999	3,534,229	1,850,141	0	1,684,088
			2000	0	0	0	1,684,088
YTD Totals	4	4,291,837		4,116,837	2,432,749	0	1,684,088
1999	8	11,847,991	1999	5,043,293	4,356,466	0	686,827
			2000	4,748,650	4,748,650	0	686,827
YTD Totals	8	11,847,991		9,791,943	9,105,116	0	686,827
2000	6	17,427,233	2000	10,654,878	0	0	10,654,878
YTD Totals	6	17,427,233		10,654,878	0	0	10,654,878

Appendix- Unresolved Audits Over Six Months Old

Agency/Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs
Nonmonetary Recommendations and Questioned Costs:					
Resolution of Single Audits Being Evaluated by OIG:					
ETA/OJC	04/02/96	Puerto Rico Volunteer Youth	02-96-208-03-370	21	219,435
ETA/OJC	04/02/96	Puerto Rico Volunteer Youth	02-96-209-03-370	13	1,716
ETA/OJC	05/23/96	Puerto Rico Volunteer Youth	02-96-248-03-370	6	0
ETA/OJC	05/23/96	Puerto Rico Volunteer Youth	02-96-249-03-370	6	0
Being Resolved in Conjunction with DOL Consolidated Financial Statement Audit:					
ESA/ADMIN	08/18/94	ESA Salaries & Expenses	03-94-008-04-001	2	0
ETA/OJC	08/19/96	Job Corps Combining Schedules	12-96-004-03-370	3	0
OASAM/Admin	09/02/94	FY 93 DOL Consolidated Financials	12-94-012-07-001	2	0
OASAM/Admin	06/15/95	FY94 DOL Consolidated Financials	12-95-004-07-001	2	0
CFO/Admin	08/19/96	DOL FY95 Management Comments	12-96-016-13-001	2	0
CFO/Admin	05/01/96	FY95 DOL Consolidated Financials	12-96-007-13-001	1	0
CFO/Admin	02/28/97	FY96 DOL Consolidated Financials	12-97-005-13-001	3	0
CFO/Admin	02/27/98	FY97 Consolidated Financials	12-98-002-13-001	11	0
CFO/Admin	10/19/98	FY97 Management Advisory Comments	12-99-001-13-001	4	0
CFO/Admin	02/26/99	FY98 Consolidated Financials	12-99-002-13-001	4	0

Appendix- Unresolved Audits Over Six Months Old

Agency/Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs
Working with U.S. Department of Education to Resolve:					
ETA/STW	05/09/97	School to Work	05-97-002-03-385	17	16,821
ETA/STW	05/09/97	School to Work	05-97-003-03-385	21	34,847
Pending Indirect Cost Negotiations:					
OASAM/OPGM	11/04/94	Homebuilders Institute	18-95-001-07-735	1	628,158
OASAM/OPGM	11/04/94	Homebuilders Institute	18-95-002-07-735	2	748,379
OASAM/OPGM	11/04/94	Homebuilders Craft Skills	18-95-003-07-735	7	353,479
OASAM/OPGM	08/14/97	Consulting & Program Management	18-97-025-07-735	4	604,510
ETA/OJC	02/19/99	Advantage Resource Group	18-99-008-03-370	1	23,036
Under Litigation or Alternative Dispute Resolution:					
ETA/OJC	09/10/96	National Plastering Industries	18-96-024-03-370	2	145,344
Audit Under Appeal at State Level:					
ETA/JTPA	02/26/96	City of Chicago JTPA	05-96-001-03-340	3	679,773
Management Decision Not Yet Issued by Agency:					
OSEC/ILAB	03/24/00	Review of ILAB	17-00-008-01-070	4	0
ETA/ADMIN	11/29/99	Xpand Corporation	18-00-001-03-001	2	106,757
ETA/UIS	09/26/97	Virgin Island UI	02-97-220-03-315	8	269,404
ETA/UIS	03/27/98	Iowa Workforce Development	05-98-003-03-315	1	0
ETA/UIS	09/21/99	Administrative Charges to the Unemployment Trust Fund	06-99-012-03-315	2	0

Appendix- Unresolved Audits Over Six Months Old

Agency/Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs
ETA/UIS	10/19/99	Single Audit: State of Indiana - 1997	18-00-501-03-315	10	161,548
ETA/UIS	10/19/99	Single Audit: State of Indiana - 1998	18-00-502-03-315	7	311,872
ETA/UIS	01/10/00	Single Audit: State of Minnesota - 1998	18-00-517-03-315	3	0
ETA/UIS	01/10/00	Single Audit: State of Nevada - 1997	18-00-520-03-315	2	0
ETA/UIS	02/28/00	Single Audit: State of Alaska - 1998	18-00-525-03-315	3	0
ETA/USES	10/26/99	Single Audit: State of Ohio - 1998	18-00-516-03-320	6	0
ETA/SESA	01/17/96	Proposed FY 96 Rental Rates	06-96-001-03-325	5	344,822
ETA/SESA	03/21/97	DOL Equity in SESA Real Property - Colorado	06-97-010-03-325	1	79,346
ETA/SESA	08/13/97	DOL Equity in SESA Real Property - New York	06-97-051-03-325	1	3,952,692
ETA/SESA	08/21/97	DOL Equity in SESA Real Property - Oregon	06-97-053-03-325	1	739,444
ETA/SESA	08/22/97	DOL Equity in SESA Real Property - Idaho	06-97-054-03-325	1	542,465
ETA/SESA	09/30/97	DOL Equity in SESA Real Property - Roll-up Report	06-97-056-03-325	7	0
ETA/SESA	12/08/99	Puerto Rico Department of Labor and Human Resources	02-00-203-03-325	9	15,814,678
ETA/JTPA	09/25/98	Cherokee Nation	06-98-009-03-340	9	529,272
ETA/JTPA	09/07/99	Atlanta PIC PY 1996 JTPA Contracts	04-99-007-03-340	3	543,117
ETA/JTPA	09/22/99	New Mexico Service Delivery Area	06-99-008-03-340	13	360,106
ETA/JTPA	10/20/99	Single Audit: State of West Virginia - 1998	18-00-505-03-340	1	0
ETA/JTPA	10/21/99	Single Audit: State of Louisiana - 1998	18-00-507-03-340	2	109,566
ETA/JTPA	01/10/00	Single Audit: Commonwealth of Kentucky - 1998	18-00-519-03-340	1	60,546

Appendix- Unresolved Audits Over Six Months Old

Agency/Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs
ETA/JTPA	01/10/00	Single Audit: State of Nevada - 1998	18-00-521-03-340	1	0
ETA/JTPA	01/11/00	Single Audit: State of North Carolina - 1997	18-00-522-03-340	3	0
ETA/JTPA	01/11/00	Single Audit: State of North Carolina - 1998	18-00-523-03-340	3	0
ETA/JTPA	03/06/00	Single Audit: State of Iowa - 1998	18-00-529-03-340	4	0
ETA/JTPA	03/06/00	Single Audit: State of Nebraska - 1998	18-00-531-03-340	1	0
ETA/DINAP	09/24/99	Phoenix Indian Center	09-99-008-03-355	4	0
ETA/DOWP	09/24/99	NCSC/NSCERC	18-99-011-03-360	10	2,778,260
ETA/DOWP	03/29/00	National Senior Citizens Education and Research Center	18-00-006-03-360	8	5,684,923
ETA/OJC	07/23/99	Keystone Job Corps Center	04-99-006-03-370	1	0
ETA/OJC	09/22/99	Talking Leaves Job Corps Center	06-99-010-03-370	12	1,052,574
ETA/OJC	03/30/00	National Plastering Industry's Joint Apprenticeship Trust Fund	18-00-005-03-370	4	536,359
ETA/STW	09/28/98	STW Opportunities Program in Iowa	05-98-006-03-385	2	0
ETA/STW	05/14/99	School-to-Work Sustainability Roll-up	05-99-012-03-385	2	0
ETA/STW	09/23/99	Hawaii Department of Education	18-99-501-03-385	1	50,000
ETA/WIA	02/08/00	Vermont's One Stop Readiness	02-00-205-03-390	4	0
ETA/WIA	02/22/00	Connecticut's One Stop Readiness	02-00-206-03-390	5	0
ETA/WIA	02/22/00	New York's One Stop Readiness	02-00-207-03-390	6	0
ETA/WIA	03/14/00	Illinois' One Stop Readiness	02-00-209-03-390	3	0
ETA/WIA	03/14/00	California's One Stop Readiness	02-00-210-03-390	6	0

Appendix- Unresolved Audits Over Six Months Old

Agency/Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs
ETA/WIA	03/22/00	Florida's One Stop Readiness	02-00-211-03-390	3	0
CFO/ADMIN	09/02/99	FY 1998 Management Advisory Comments	12-99-009-13-001	10	30
CFO/ADMIN	02/29/00	FY 1999 DOL Consolidated Financial Statement	12-00-003-13-001	16	0
DOL/MULTI	09/16/99	Milwaukee Area American Indian Manpower	05-99-009-50-598	25	352,693
DOL/MULTI	09/20/99	SER Corporation of Kansas	05-99-021-50-598	3	3,783
Total Nonmonetary Recommendations and Questioned Costs:				377	37,839,755
Total Funds Recommended for Better Use:					
Management Decision Not Yet Issued by Agency:					
ETA/DOWP	09/24/99	NCSC/NSCERC	18-99-011-03-360	2	900,000
ETA/WTW	03/24/99	Policy & Technical Assistance to Improve WTW	05-99-008-03-386	1	800,000
Total Funds Recommended for Better Use:				3	1,700,000
Total Nonmonetary Recommendations, Questioned Costs, and Funds Recommended for Better Use:				<u>380</u>	<u>39,539,755</u>

Final Audit Reports Issued by the OIG

DOL Strategic Goal Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendation s	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
<i>A Prepared Workforce</i>						
Veterans' Employment and Training Service						
Alleged Violations at a Maryland Job Service Local Office	09/28/00	03-00-009-02-201	5	24,000	0	0
Employment & Training Administration						
Single Audit: State of California - 1998	06/08/00	12-00-541-03-001	1	0	0	0
United States Employment Service						
Single Audit: State of Ohio - 1999	07/31/00	12-00-503-03-320	5	0	0	0
Single Audit: State of Oklahoma - 1999	07/31/00	12-00-505-03-320	0	205,000	0	0
Single Audit: Commonwealth of Pennsylvania - 1999	07/31/00	12-00-507-03-320	1	13,236	0	0
Single Audit: District of Columbia, Department of Employment Services - 1997	09/07/00	12-00-517-03-320	5	0	0	0
Single Audit: State of North Carolina - 1999	06/08/00	12-00-540-03-320	1	0	0	0
Trade Adjustment Assistance						
Single Audit: State of Tennessee - 1999	07/31/00	12-00-512-03-330	1	0	0	0
Job Training Partnership Act						
New York State Dept of Labor Job Training Partnership Act Title III Expenditures	09/28/00	02-00-214-03-340	2	0	6,102,478	0
Dislocated Worker Program in a Growing Economy	06/29/00	04-00-002-03-340	3	0	0	0

Final Audit Reports Issued by the OIG

DOL Strategic Goal Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendation s	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
Florida Cash Management Practices Have Increased the Federal Government's Interest Costs	09/20/00	04-00-004-03-340	2	3,438,078	185,000	0
Analyses of Participant Earnings for Three Kulick Youth Opportunity Pilot Sites	09/20/00	06-00-003-03-340	0	0	0	0
Single Audit: State of New Mexico - 1999, 1998	07/31/00	12-00-500-03-340	12	0	0	0
Single Audit: State of Oregon -1999	07/31/00	12-00-501-03-340	4	0	0	0
Single Audit: State of Montana - 1999	07/31/00	12-00-502-03-340	0	11,857	0	0
Single Audit: State of West Virginia - 1999	07/31/00	12-00-504-03-340	2	563,178	0	0
Single Audit: State of Iowa - 1998	07/31/00	12-00-509-03-340	3	0	0	0
Single Audit: National Alliance of Business - 1998	08/31/00	12-00-516-03-340	1	0	0	0
Single Audit: State of Maine - 1997	09/18/00	12-00-521-03-340	2	0	0	0
Single Audit: OIC of America - 1997	09/18/00	12-00-522-03-340	1	0	0	0
Single Audit: National Center on Education - 1999	09/26/00	12-00-526-03-340	1	267,251	0	0
Single Audit: Commonwealth of Kentucky - 1998	09/29/00	12-00-528-03-340	6	613,950	0	0
Single Audit: State of Florida - 1998	06/08/00	12-00-535-03-340	11	0	0	0
Single Audit: Ironton-Lawrence County - 1998	06/08/00	12-00-537-03-340	0	10,768	0	0
Single Audit: Government of Guam - 1998	06/08/00	12-00-539-03-340	4	0	0	0
American Association of Community Colleges	08/04/00	18-00-008-03-340	0	198,687	0	0
Indian & Native American Programs						
Seneca Nation of Indians	05/15/00	02-00-208-03-355	0	32,117	0	0

Final Audit Reports Issued by the OIG

DOL Strategic Goal Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendation s	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
Confederated Tribes of Warm Springs	07/31/00	12-00-513-03-355	1	34,883	0	0
Seneca Nation of Indians	08/28/00	12-00-515-03-355	1	0	0	0
Single Audit: United Sioux Tribe of South Dakota - 1999	09/14/00	12-00-519-03-355	1	0	0	0
Single Audit: Leech Lake Reservation - 1999	09/15/00	12-00-520-03-355	2	0	0	0
Single Audit: Puyallup Tribe of Indians - 1998	09/25/00	12-00-525-03-355	5	0	0	0
Single Audit: Ho Chunk Nation - 1999	09/26/00	12-00-527-03-355	1	0	0	0
Older Workers Program						
Single Audit: State of Arizona - 1998	06/08/00	12-00-538-03-360	1	0	0	0
Seasonal Farmworkers Program						
Central Valley Opportunity Center	06/02/00	09-00-003-03-365	7	535,579	0	0
Audit of Center for Employment and Training	09/26/00	09-00-006-03-365	11	5,797,229	0	0
Single Audit: Center for Employment and Training - 1999	07/31/00	12-00-510-03-365	5	0	0	0
Single Audit: Portable, Practical Education Preparation - 1999	07/31/00	12-00-511-03-365	3	0	0	0
Single Audit: Central Valley Opportunity Center - 1998	08/08/00	12-00-518-03-365	5	0	0	0
Job Corps						
Career Systems Development Corporation Indirect Cost Proposal for the Year Ended December 31, 1999	09/15/00	02-00-216-03-370	0	0	0	0
Audit of DESI's Placements	08/10/00	05-00-006-03-370	4	13,625	0	0

Final Audit Reports Issued by the OIG

DOL Strategic Goal Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendation s	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
Followup Audit of Job Corps' Safety and Health Program Reveals that Additional Efforts are Needed to Achieve a Model Program	09/22/00	05-00-007-03-370	19	0	0	0
Welfare to Work Program						
Post Award Survey of Devereaux Corporation	05/22/00	03-00-006-03-386	1	1,995	3,209,953	0
WTW Survey of Johns Hopkins	07/31/00	03-00-007-03-386	2	0	0	0
Single Audit: Rise, Inc.	09/20/00	12-00-523-03-386	1	0	0	0
Workforce Investment Act						
One-Stop Readiness Under the Workforce Investment Act	05/04/00	02-00-213-03-390	0	0	0	0
Bureau of Labor Statistics						
BLS Data Security Followup Audit	09/22/00	03-00-012-11-001	1	0	0	0
Goal Totals		47	144	11,761,433	9,497,431	0
A Secure Workforce						
Unemployment Insurance Service						
Allegation of Misuse of Unemployment Insurance Fund	09/25/00	03-00-010-03-315	1	1,017,951	0	0
Survey of Office of Workforce Security Unemployment	09/28/00	03-00-011-03-315	15	0	0	0
North Carolina Y2K Conversion Expenditures	09/12/00	04-00-003-03-315	0	39,690	0	0
Single Audit: State of Delaware - 1998	07/31/00	12-00-506-03-315	4	0	0	0

Final Audit Reports Issued by the OIG

DOL Strategic Goal Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendation s	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
Single Audit: Michigan Consumer and Industry - 1998 and 1999	09/22/00	12-00-524-03-315	4	0	0	0
Single Audit: State of Idaho - 1998	06/08/00	12-00-536-03-315	0	148,414	0	0
Single Audit: State of Louisiana - 1999	04/17/00	18-00-534-03-315	4	2,429,691	0	0
State Employment Security Agency						
Puerto Rico Department of Labor and Human Resources Single Audit Requiring Resolution and Closure	09/18/00	02-00-218-03-325	3	287,065	0	0
Single Audit: State of Washington - 1999	07/31/00	12-00-508-03-325	3	20,955	0	0
Single Audit: State of Florida - 1999	08/23/00	12-00-514-03-325	10	0	0	0
Federal Employees' Compensation						
Crossmatching with the Social Security Administration Saves Money	09/28/00	03-00-008-04-431	2	0	3,600,000	7,121,668
Coal Mine Workers' Compensation						
Second Audit of MOU Between SSA and DOL/ESA/ DCMWC	04/28/00	17-00-009-04-433	1	0	0	0
Goal Totals		12	47	3,943,766	3,600,000	7,121,668
A Quality Workplace						
Mine Safety and Health Administration						
MSHA Managerial Cost Accounting Pilot	09/28/00	12-00-010-06-001	0	0	0	0
State of Nevada MSHA Grantee	09/11/00	09-00-004-06-601	2	0	0	0

Final Audit Reports Issued by the OIG

DOL Strategic Goal Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendation s	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
Occupational Safety and Health Administration						
Audit of OSHA's Policies and Procedures Applicable to the Home Workplace Letter	04/27/00	05-00-005-10-001	5	0	0	0
Response to Senate Committee on Small Business Request-Audit of OSHA Ergonomics Contracting	09/20/00	05-00-008-10-001	0	0	0	0
Bureau of International Labor Affairs						
Worldwide Strategies, Inc.	06/28/00	18-00-007-01-070	0	0	0	0
Office of Federal Contract Compliance Programs						
OFCCP Information Security Needs Improvement	09/22/00	09-00-005-04-001	3	0	0	0
OFCCP Region IX Information System Security Needs Improvement	09/26/00	09-00-007-04-001	2	0	0	0
Goal Totals		7	12	0	0	0
Departmental Management Focus						
Office of the Chief Financial Officer						
Fiscal Year 99 Management Advisory Comments	07/20/00	12-00-006-13-001	22	0	0	0
Multiple Agencies						
Limited Audit of MN Department of Economic Security Research and Statistics Office – BLS and ETA Labor Market Information Programs for the Period 7/1/96 - 9/30/99	08/10/00	05-00-004-50-598	1	0	0	0
Goal Totals		2	23	0	0	0

Final Evaluation Reports Issued by the OIG

DOL Strategic Goal Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
<i>A Prepared Workforce</i>						
Evaluation of Outside Work Issues for DOL Employees	9/2/9/2000	2E-08-001-0001	2	0	0	0
Evaluation of the Welfare to Work Competitive Grant Award Process (Rounds Two and Three)	9/29/2000	2E-03-386-0002	5	0	0	0
Evaluation of DOL's Policies and Procedures to Debar or Suspend Federal Contractors	9/28/00	2E-07-740-0001	6	0	0	0
Evaluation of PWBA's "Prohibited Transactions" Exemptions Process	9/21/00	2E-12-001-0003	2	0	0	0
Goal Totals		4	15	0	0	0
<i>Quality Workplaces</i>						
Review of Space Utilization in the Frances Perkins Building	9/27/00	2E-07-731-0001	7	0	5,000,000	0
Evaluation of Program Implementation ILAB's Child Labor Projects	9/28/2000	2E-01-070-0001	5	0	0	0
Review of Fatal Accidents in Metal/Non-Metal Mining/MSHA	6/2/00	2E-06-001-0004	4	0	0	0
Goal Totals		3	16	0	5,000,000	0
Report Totals		75	257	15,705,199	18,097,431	7,121,668

Appendix

Investigations: Detail of Accomplishments

	Division Totals	Totals
Cases Opened:		
Program Fraud	177	
Labor Racketeering	48	225
Cases Closed:		
Program Fraud	221	
Labor Racketeering	57	278
Cases Referred for Prosecution:		
Program Fraud	96	
Labor Racketeering	47	143
Cases Referred for Administrative/Civil Action:		
Program Fraud	23	
Labor Racketeering	0	23
Indictments:		
Program Fraud	72	
Labor Racketeering	45	117
Convictions:		
Program Fraud	71	
Labor Racketeering	39	110
Debarments:		
Program Fraud	1	
Labor Racketeering	14	15
Recoveries, Cost Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:		
Program Fraud	\$52,634,889	
Labor Racketeering	\$13,766,704	\$66,401,593

Categories	Amount
Recoveries:	\$4,793,667
(The dollar amount/value of an agency's action to recover or reprogram funds or to make other adjustments in response to OIG investigations.)	
Cost Efficiencies:	\$7,143,692
(The one-time or per annum dollar amount/value of management's commitment, in response to OIG investigations, to utilize the government's resources more efficiently.)	
Restitutions:	\$36,838,912
(The dollar amount/value of restitutions resulting from OIG criminal investigations.)	
Fines/Penalties:	\$12,681,256
(The dollar amount/value of fines, assessments, seizures, investigative/court costs, or other penalties resulting from OIG criminal investigations.)	
Civil/Monetary Actions:	<u>\$4,944,066</u>
(The dollar amount/value of forfeitures settlements, damages, judgements, court costs, or other penalties resulting from OIG civil investigations.)	
Total:	<u><u>\$66,401,593</u></u>

Appendix- Investigations Case List

	Indicted	Convicted	Sentenced	Monetary
Alien Certification				
Carmel, Avi	X	X		
Golden State Health Centers	X	X		
Heine, John		X	X	\$100
Krishna, Gopala	X			
Montalvo, Demetria, M.D.		X	X	\$100
Ong, Justin		X	X	\$98,124
Peralta, Antonina		X		
Ramos, Americus		X		
Reyes, Daniel	X	X		
Scully, Matahom		X		
Vemireddy, Venkateswara		X		
Vullaganti, Raghu			X	\$3,100
Total	4	10	4	\$101,424
Employee Misconduct				
Burke, Joseph		X	X	\$2,500
Elbeck, Linda		X		
Garcia, Bonifacio			X	\$861,809
Morgan, Ronald			X	\$200
Ochoa, Kinsella	X			
Plater, Thomas	X	X	X	
Whitaker, Denise	X			
Total	3	3	4	\$864,509
ESA-Black Lung				
Arora, Vasu, M.D.			X	\$650,886
Canterbury, Melinda			X	\$8,711
Davis, James		X		
Holston, Jimmy	X	X	X	\$4,763
Norton, Richard, M.D.		X		
Sanford, Charles	X	X		
Sanford, Linda	X	X		
Strauss, Frank	X			
Sealed	X			
Total	5	5	3	\$664,360
ESA-FECA				
Alexander, Maria	X			
Barnes, Nancy	X			
Beattie, Eugene	X			
Bieganowski, Victor		X	X	\$383,638
Bieganowski, Arthur, M.D.		X	X	\$34,135,853
Billings, Charles			X	\$30,424
Bohr, Wilfred, Jr.			X	\$4,603
Borquez, Paul		X		
Campa, John	X			
Campos, Lucy			X	\$100
Cason, Dwight			X	\$111,049
Castroville, Eugene			X	\$459,506
Cheeks, Lonnie	X			
Couvillion, William	X			
Crawford and Company				\$700,000
Cubilette, Samuel	X	X		
Diaz, Gustavo		X	X	\$100
Dockery, Herbert			X	\$350,100
Dye, Wanda			X	
Emerson, Shirley			X	\$45,860

Appendix- Investigations Case List

	Indicted	Convicted	Sentenced	Monetary
George, Bobb	X	X		
Goldberg, Richard, Jr.		X	X	\$500,200
Hanauer, James	X	X		
Hardy, Patricia	X			
Hart, Claire		X		
Hart, Debra		X		
Haywood, Perry		X	X	\$1,221
Holloman, Gene	X	X	X	\$12,490
Keister, Terry	X	X		
Kramer, John			X	\$15,200
Krol, Wayne			X	
Lado, Michael	X	X		
Lansing, Stephen			X	\$12,000
Lewis, Lorraine	X	X		
Lopez, Jesse		X	X	\$100
Lopez, Roberto			X	\$18,890
Lowe, Gregory	X			
Miller, David			X	\$2,525
Minnelli, Patricia			X	\$14,160
Nelson, Phillip	X	X		
Nolen, Robert	X			
Nutt, Donnie			X	\$87,549
Pacheco, Phillip		X	X	\$3,219
Pirtle, Becky	X	X		
Powers, Sarah	X	X		
Schneider, John			X	\$6,000
Schuerman, Thomas	X			
Silva, Chanda	X			
Smith, Amy	X	X	X	\$28,031
Stokes, Sherri	X			
Swoap, Floyd	X			
Tarbox, Henry			X	\$98,164
Total	24	21	26	\$37,020,982
ESA-Longshore				
Grady, Elizabeth	X			
Hundley, Kenneth			X	\$50
Total	1	0	1	\$50
ESA-Wage and Hour				
Sealed			X	\$100
Broadbent, Carl	X			
Contemporary Framing Contractors			X	\$175,400
Diramerian, Krikor			X	\$113,828
Filandrianos, Theodore	X			
Francisco, Arnold		X		
Harrison, James			X	\$10,025
Lee, Pam		X	X	\$21,000
Mulitz, Lewis			X	\$50,000
Ng, Yoke		X	X	\$5,000
Pan, Wei		X		
Pifer, David	X	X	X	\$7,600
Sealed			X	\$404,896
Sealed			X	\$100
Sealed			X	\$3,900
Taub, Abraham			X	\$750,000
Woldiger, Abraham			X	\$750,000
Total	3	5	13	\$2,291,849

Appendix- Investigations Case List

	Indicted	Convicted	Sentenced	Monetary
ETA-JTPA				
Bates, Barbara				\$15,000
Finan, Michael		X	X	\$376,160
Jorgensen, Gina			X	\$229
Jorgensen, Wallace			X	\$1,802,746
Zimet, Terry	X			
Total	1	1	3	\$2,194,135
ETA-Unemployment Insurance/SESA				
Sealed		X		
Akhtar, Rabiya	X			
Alamin, Nur	X			
Allen, Joseph			X	\$525
Allen, Kenneth		X	X	\$232,543
Allen, Ronald		X	X	\$226,020
Baham, Kaseedra	X			
Baker, James		X	X	\$10,596
Banks, Wayne	X	X	X	\$4,082
Bass, Ivory		X	X	\$3,680
Sealed	X			
Bowlers of Arkansas	X			
Chase, Scott		X	X	\$2,599
Clark, Howard		X	X	\$4,146
Coley, Christopher	X			
Sealed	X			
Cravotta, Jon			X	\$10,307
Crawford, Anthony			X	\$8,350
Davis, Betty			X	\$24,368
Dixon (Varner), Penny	X			
Doan, Tam	X			
Esposito, Mark	X	X	X	
Faller, Terri		X		
Falls, Stephen	X	X	X	\$4,588
Fowlds, Allan	X			
Frith, Albert			X	\$5,475
Ginnetti, Derek			X	\$8,380
Ginyard, Virgil	X			
Guy, David		X		
Harmond, Mark	X	X		
Sealed	X			
Holdaway, Diane			X	\$187,681
Holdaway, Tobian		X		
Hudson, Walter	X	X	X	\$8,769
Iannacone, Anthony		X		
Jackson, Reed	X			
Sealed	X			
Jones, Jeff	X	X	X	\$2,728
Kinner, Roger		X	X	\$5,078
Lee, Terrell		X	X	\$3,120
Levi, Craig	X			
Macias, Francisco		X	X	\$15,687
Malkin, Ira			X	\$67,805
Matheny, Marilyn		X	X	\$1,581
McClain, Alphonso		X	X	\$2,582
Sealed	X			
Mitchell (AKA Ellis), Jerome		X	X	\$2,754
Nevin, Barbara		X	X	\$50

Appendix- Investigations Case List

	Indicted	Convicted	Sentenced	Monetary
Nevin, Frances		X	X	\$96,077
Nickens, Frank	X			
Pollard, Terrell	X	X		
Race, Beverly		X		
Rodriguez, Marco	X			
Sealed	X			
St. Jacques, James	X			
Stahley, Michelle	X	X		
Steward, Cynthia		X		
Sublett, Joseph		X		
Thomas, Andrew	X	X		
Vo, Kimberly	X			
Wilhelm, William			X	\$2,888
Williams, Charles	X			
Total	31	31	28	\$942,459
Benefit Plan				
Alamo, Elena	X	X	X	\$1,050
ASO North America, Inc.				\$769,460
Belanger, Kenneth, Jr.	X			
Bezmalinovic, Kreso			X	\$6,250
Sealed	X			
BTA Properties	X	X		
Cabral, Roberta	X			
Carpenter, Linda	X			
Close, William	X	X		
Computer Health Services of Dade			X	\$700,000
Corrigan, Michael			X	\$55,982
Duncan, Eugene	X	X		
Esposito, Anna	X	X		
Feinberg, Michael			X	\$620,000
Gallant, Leonard			X	\$50
Sealed		X		
Sealed		X		
Halmekangas, Richard	X	X	X	
Hay, Michael	X	X		
Hertz, Meir	X	X		
King, Leslie	X	X		
Leddy, Thomas			X	
Lerner, David	X	X		
McCarthy, Robert			X	\$1,600,000
MCRA Corporation	X	X		
Miller, Robert, M.D.				\$1,300,000
Sealed	X	X		
Montesano, Anthony III		X		
Naimoli, Anthony	X			
Oneal, Julius III	X			
Poland, David			X	\$2,874
Roach, Chris	X			
Rodriguez, Roderick	X			
Samuels, Dwayne	X	X		
Sealed	X			
Sealed	X			
Stern, Harry		X		
Tringale, Richard	X			
Weast, Elizabeth			X	\$26,476
Wolfe, John	X			

Appendix- Investigations Case List

	<u>Indicted</u>	<u>Convicted</u>	<u>Sentenced</u>	<u>Monetary</u>
Total	25	17	11	\$5,082,142
Internal Union				
Sealed	X			
Sealed	X			
Sealed		X		
Coleman, Karl			X	\$39,100
Coleman, William		X		
Coupe, David			X	\$14,147
Devito, Peter			X	\$5,000
Ervolino, Anna	X			
Ervolino, Frank	X			
Ford, Fred			X	\$15,000
Sealed		X		
Ghazi, Tarif	X			
Gigliotti, Frank		X	X	\$6,000
Sealed	X			
Hvide Marine	X	X	X	\$60,400
Laughner, Robert			X	\$100,100
Lopez, Annette	X	X	X	
Lopez, Frances		X	X	\$13,921
Sealed	X			
Sealed	X			
Murray, Kenneth	X			
Sealed		X		
Sealed	X			
Sanchez, Teresa	X			
Sandoval, Meyer			X	\$10,050
Schweinberg, Charles		X	X	\$100,100
Sealed	X			
Shugar, Tracy	X	X	X	\$34,473
Sealed	X			
Smalis, Ernest			X	\$2,728,110
Sealed		X		
Sealed	X			
Spencer, Robert		X	X	\$2,817
Stivason, Victor	X	X	X	\$100
Sealed		X		
Sealed		X		
Weiler, Debra	X			
Total	19	15	15	\$3,129,318
Labor-Management				
Deluca, Robert			X	\$800
Fashion Empire, Inc.				\$35,290
Frizzi, Anthony		X	X	\$5,100
Sealed		X	X	\$7,500
Palmarin, Genio	X			
Shea, Stephen	X			
Total	1	3	3	\$48,690



Appendix

Office of Analysis, Complaints, and Evaluations: Complaint Activity

The OIG Hotline provides a communication link between the OIG and persons who want to report alleged violations of law, rules, or regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. During this reporting period, the OIG Hotline received a total of 1,105 contacts. Of these contacts, 299 allegations required additional review. Listed below is a breakdown of those 299 allegations.

Total Contacts for This Period: **1,105**

Allegation Reports by Source:

Hotline Operations - Calls, Letters, and Walk-ins from Individuals or Organizations	255
Letters from Congress	3
Letters from DOL Agencies	9
Incident Reports from DOL Agencies	5
Reports by Special Agents and Auditors	4
Letters from Non-DOL Government Agencies	22
Government Accounting Office (GAO)	<u>1</u>
Total	299

Allegation Reports by Referral:

Referred to OIG Components	51
Referred to DOL Program Management	177
Referred to Other Agencies	23
No Further Action Required	<u>48</u>
Total	299