

# HIGHLIGHTS



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## A Message from the Inspector General

This Highlights edition provides a summary of selected noteworthy activities and accomplishments of the Office of Inspector General (OIG) for the six-month period ending September 30, 2007. During this reporting period, our investigative work led to 281 indictments, 197 convictions, and \$363.3 million in monetary accomplishments. In addition, our audits made significant recommendations for improvement in the Department of Labor's (DOL's) programs and the delivery of services to the American public. We issued 55 audit and other reports and questioned \$22 million in costs. We also identified several million dollars in other monetary impact from unemployment compensation overpayments through our Hurricane Katrina oversight audits. Our office maintains its strong commitment to promoting the economy, effectiveness, efficiency, and integrity of DOL's programs and operations. Moreover, our investigations continue to combat labor racketeering and fraud against the Department's programs. I appreciate our constructive relationship with the Department and look forward to working with the Congress to further our goals and fulfill our mission.

Gordon S. Heddell, Inspector General

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### Selected Statistics

Investigative monetary accomplishments.....	\$363.3 million
Questioned costs.....	\$22.4 million
Other Monetary Impact.....	\$139.4 million
Audit and other reports issued.....	55
Indictments .....	281
Convictions.....	198
Investigative cases opened .....	191
Investigative cases closed.....	227
Investigative cases referred for prosecution.....	148
Investigative cases referred for administrative/civil action.....	94
Debarments.....	20

## WORKER SAFETY AND HEALTH

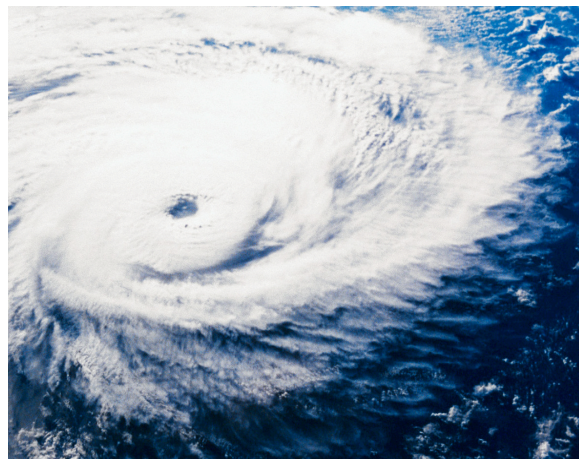
Ensuring the safety and health of the nation's workers is central to the Department's mission, and oversight of the effectiveness of DOL programs to meet this mission continues to be a top priority for the OIG. To this end, during this reporting period we completed an audit of the Mine Safety and Health Administration's (MSHA's) internal peer review process and of the Occupational Safety and Health Administration's (OSHA's) consultation program, which was designed to assist employers in voluntarily identifying serious safety hazards. Both reports disclosed weaknesses that could imperil worker safety, and we made significant recommendations to MSHA and OSHA to strengthen oversight.

For example, our audit of MSHA's internal peer review process revealed that district managers can select activities under their control for review, creating an inherent conflict of interest. In addition, some reviews relied solely on paper records of mine inspections and did not include site visits to the mines, creating the possibility that serious performance issues could have been overlooked.

Similarly, our audit of OSHA's consultation program in three states found that program officials seldom ensured that interim protections were in place before granting extensions to employers to correct serious hazards. We also found that employers who did not complete corrective actions were seldom referred for enforcement action. Worker safety should not be compromised while employers are given more time to correct hazards.

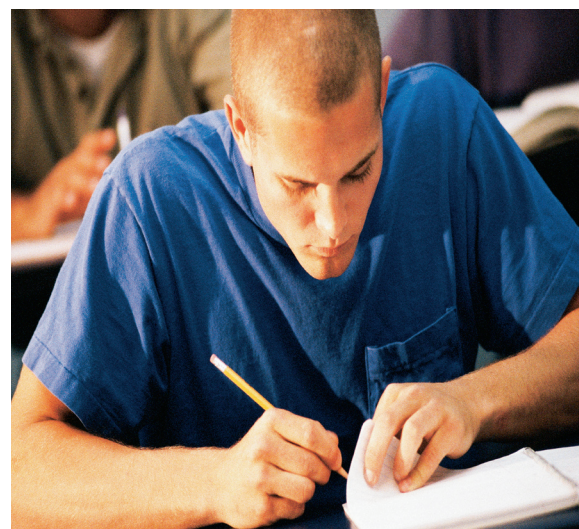
## HURRICANE KATRINA RESPONSE

During this reporting period, we continued our focus on controls to ensure that ineligible individuals did not receive Disaster Unemployment Assistance (DUA) and Unemployment Insurance (UI) following the 2005 hurricanes. We found that Louisiana paid over \$60 million, and Mississippi paid at least \$25 million, in DUA benefits to claimants whose eligibility was not substantiated. In Louisiana, over \$51 million in UI benefits was paid to claimants after they obtained employment. Our investigative results included an individual being ordered to pay nearly \$40,000 for attempting to fraudulently obtain DUA and another person who pled guilty for his part in a scheme to obtain approximately \$44,000 in DUA benefits.



## JOB CORPS

The Job Corps program is a critical component in the effort to assist eligible at-risk young people who need intensive education and training services, and it is essential that the Department ensure that this program meets the needs of these students. Our past work has noted weaknesses in the management of Job Corps centers, performance reporting, student safety and health, and assessment of students with cognitive disabilities. During this reporting period, we conducted performance audits of three Job Corps centers and found problems in the accuracy of reported financial and performance data, internal controls, and operational procedures at each of the three centers. It is imperative that Job Corps have reliable, accurate financial and performance data to ensure that students' training and educational needs are being met and that Federal funds are being used appropriately.



## LABOR RACKETEERING

For the past 29 years, the OIG at DOL has had a unique programmatic responsibility to investigate labor racketeering and/or organized crime influence against unions, employee benefit plans, and workers. Congress recognized the need to place the labor racketeering investigative function in an independent law enforcement office free from political interference and competing priorities. The OIG has conducted extensive criminal investigations of labor racketeering and has a strong commitment to ensuring workers' rights and benefits are protected from criminals who seek to divert those rights and benefits for personal gain.

The OIG concluded a number of major labor racketeering cases during this reporting period. These cases resulted in significant fines, restitutions, and prison sentences. In one case, a medical director and vice president of marketing pled guilty for their roles in a \$5 million health care fraud scheme involving the submission of fraudulent medical claims to more than 25 different union health and welfare benefit funds. In another investigation that centered on the Genovese Crime Family's control of the drywall industry in New York City, a contractor was sentenced to 33 months in prison, and as part of his guilty plea agreement he will pay \$1 million to the carpenters union as a result of defrauding the union's benefit funds.

The OIG will continue to aggressively pursue those who seek to corrupt the nation's labor unions to enrich themselves at the expense of American workers, and will work to combat labor racketeering in all its forms.

## INFORMATION TECHNOLOGY SECURITY



The security of the Department's information technology (IT) systems and the data they contain is vital, as these systems produce the nation's key economic indicators, pay billions in benefits, and are key to the effective delivery of a myriad of services. It is crucial for the Department to improve IT security to keep up with new threats, safeguard sensitive personal information, and provide assurances that IT systems will function reliably. Our audit of the DOL's compliance with the Federal Information Security Management Act found that the Department's security controls were not in full compliance with the Act. This noncompliance raises serious concerns about possible risks to the confidentiality and integrity of the data contained in the Department's IT systems.

## FOREIGN LABOR CERTIFICATION



DOL's Foreign Labor Certification (FLC) programs provide U.S. employers access to foreign labor to meet worker shortages under conditions that will not adversely affect American workers. OIG audits have identified vulnerabilities in FLC programs, and our investigations have revealed that fraud against these programs is a continuing concern.

For example, our investigation of a state representative who was also an immigration attorney led to his guilty plea to fraud charges for his illegal scheme to obtain temporary worker visas for his clients in the trucking industry by creating shell companies through which he illegally obtained visas for these clients. He has agreed to forfeit approximately \$50,000 in legal fees and has resigned from his state representative position.



# Looking Forward

## Worker Safety and Health

We are continuing with our oversight of programs that protect the safety and health of workers. A report issued in November 2007, after the close of this semiannual period, on MSHA's statutorily required underground coal mine inspections found that: management did not place adequate emphasis on ensuring that inspections were completed; inspection resource limitations impacted inspection completions; and critical regular safety and health inspection activities were not documented.

In that report, we also found that while all required inspections had been performed at the Crandall Canyon Mine, the site of the August 2007 mine tragedy, MSHA could not provide adequate assurance that the seven inspections conducted in Fiscal Years 2006 and 2007 were thoroughly conducted.

We also completed an audit in November regarding MSHA's process for determining whether reported fatalities are mining-related. We found that investigators and decision-makers lacked independence, investigative procedures were inconsistent, and investigative documentation was sometimes lacking.

We are currently auditing MSHA's process for approving the mining plan for Crandall Canyon. This audit will also examine MSHA's decision-making process during the rescue operation.

## High Growth Job Training Initiative Grants

Shortly after this semiannual reporting period, we issued an audit report on DOL's High Growth Job Training Initiative, a \$271 million grant program. We found that 133 grants (87 percent), totaling \$235 million, were awarded noncompetitively, and that required matching requirements of \$34 million were not carried forward in grant modifications. Additionally, we found that the Employment and Training Administration (ETA) could not provide adequate justification for awarding grants noncompetitively. As a result, ETA could not demonstrate that it had made the best decisions about which projects to fund. We are now conducting an audit to review the performance of some of these grants and to determine whether matching funds were actually provided by the grantees.

## Veterans Employment and Training

We are conducting an audit in four states to determine whether the Department's employment and training programs for veterans are meeting their objectives for serving veterans.

## Energy Employees Occupational Illness Compensation Program

We have an audit under way of DOL's process for paying claims under the Energy Employees Occupational Illness Compensation Program Act.

## New Orleans Wage and Hour Division Office

In response to a congressional request, we are conducting an audit of the New Orleans Wage and Hour Division Office to determine how well that office responded to complaints against employers following the 2005 hurricanes. Several concerns were raised about this office, including issues relating to intake procedures and communication with clients.

## Fraud in the H-1 and H-2 Visa Programs

The H-1 and H-2 visa programs are intended to provide a legal means for foreign workers to find temporary employment in the United States. The OIG is increasing its investigative focus on those who seek to defraud these programs. We are investigating schemes perpetrated by immigration brokers and attorneys, employers, and others for filing fraudulent visa applications and using other means to illegally provide access to these programs.

## Labor Racketeering

Protecting the integrity of workers' health, retirement, and welfare benefit plans continues to be a focus of our investigative efforts. OIG labor racketeering investigations have revealed that these plans remain vulnerable to the influence of organized crime. We will continue to direct our investigative resources toward ensuring that the hard-earned benefits of American workers are not threatened by corrupt individuals.

Report Fraud, Waste, and Abuse by calling or e-mailing the OIG Hotline  
800/347-3756 or [hotline@oig.dol.gov](mailto:hotline@oig.dol.gov)