

THE INSPECTOR GENERAL'S MESSAGE

This Semiannual Report of the Office of Inspector General (OIG) details some of the audit and investigative activities conducted in support of our strategic goals during the period of April 1, 1997 through September 30, 1997. The OIG strategic plan establishes five goals aimed at helping the Department improve the effectiveness and cost efficiency of its programs and operations and to help contribute toward the Government's effort to reduce organized crime influence and labor racketeering activities in the workplace. Our intent is to ensure that our audit and investigative activities help the Department's programs and services reach and maintain an optimum level of performance, address key issues of concern to the Congress, and ensure that taxpayer interests are served.

The OIG is focusing considerable attention on the Department's effective implementation of the Government Performance and Results Act (GPRA) of 1993. The GPRA represents a new era of accountability for Government programs and services. Resources permitting, we intend to expand our traditional audit and investigative functions by leveraging our resources and in-house expertise to provide relevant oversight, while being responsive to requests from the Department for consultation, technical assistance and special reviews in conjunction with GPRA. We also intend to increase our level of effort in combating labor racketeering in the workplace, particularly as related to identifying and investigating abuses by service providers to pension plans.

I am gratified by the support that Secretary Herman has shown for the work of the OIG. I look forward to continuing to work together with her and her management team to assist them in ensuring the effectiveness of the Department in delivering services and protecting the rights and benefits of American workers and retirees.

Charles C. Masten
Inspector General

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EXECUTIVE SUMMARY OF OIG ACTIVITIES

OFFICE OF INVESTIGATIONS

The Office of Investigations (OI) is committed to the prevention and detection of fraud, waste and abuse within DOL programs and responsibilities. The Office of Investigations consists of two components: the Division of Labor Racketeering and the Division of Program Fraud. The Division of Labor Racketeering (LR) conducts criminal investigations to eliminate the influence of organized crime, labor racketeering, and corruption in employee benefit plans, labor-management relations, and internal union affairs. The Division of Program Fraud conducts criminal investigations into allegations of fraud and misconduct in the Department's programs and operations.

The following are some of our most significant investigative activities this period.

Pension Plan Fraud

As part of our continuing efforts to uncover schemes involving pension plan fraud, we successfully completed several investigations in this area. Of note was a 10-year long investigation involving the owner of a roofing company who failed to contribute over \$1 million into the pension and retirement fund of a local union. This businessman was sentenced to one year in prison, and ordered to pay \$1.5 million in restitution pg. 52

An attorney for an employee benefit plan was sentenced to over 5 years in prison and ordered to pay \$9 million in restitution following a guilty plea to charges of conspiring to solicit and receive kickbacks related to influencing an investment of \$10 million of pension funds that was lost in a scheme to divert pension assets to off-shore investments pg. 51

Reducing Fraud in DOL's Disability Programs

The OIG completed several investigations aimed at reducing fraud against the Government's disability programs. For example, a crane operator for the U.S. Department of Energy was indicted for fraudulently receiving over \$107,000 in FECA benefits. He had falsely submitted a claim for a job-related injury while owning and operating an automobile repair shop.....pg. 36

A former electronics engineer with the Department of Navy was ordered to pay \$87,551 in restitution and was sentenced to 8 months incarceration for fraudulently obtaining FECA benefits. He was earning income as an Executive Director at a company owned by his wife, and investigative efforts revealed that he was performing physical activities which were inconsistent with his reported medical restrictions pg. 37

A former Newport News Shipyard employee was indicted for defrauding the Longshore Harbor Workers' Compensation Act (LHWCA) program of over \$53,000 in compensation and medical benefits pg. 39

In another OIG investigation, an individual was sentenced to 24 months in prison and 2 years of supervised release following a guilty plea to charges of defrauding the Michigan Unemployment Insurance Program of approximately \$248,000 pg.40

**OFFICE OF
AUDIT**

The Office of Audit (OA) is committed to assisting DOL management in re-examining programs and processes with a view toward improving the way work is done and, therefore, ensuring accountability for achieving results. Through our audits, we seek to determine whether reasonable value is obtained for the taxpayer dollars spent on departmental activities and functions and to identify and share successful and cost/beneficial ideas and methods throughout the Department. In addition, we provide consultation and technical assistance to the Department.

The following are some of our more significant audit activities this period.

***Medical Providers
Overbill FECA
Millions Each Year***

This audit found a projected \$7 million loss to the FECA program because of improper medical provider billings. We concluded that DOL can save millions of dollars each year by using commercial code manipulation detection packages to screen for improper billings pg.31

***Pension and Welfare
Benefits Administration
Systems Development
Updated***

Throughout the development of the Employee Retirement Income Security Act Filing and Acceptance System (EFAST) and Enforcement Management System (EMS), the OIG has raised a series of concerns with PWBA. We are currently working with

- PWBA to resolve issues related to the increased use of electronic filing which would result in significant savings to the Government. *pg.28*
- Former Students of DOL's Plastering and Cement Mason Training Program Experience Difficulties Maintaining Employment*** The OIG audited the job training and placement services provided by the National Plastering Industry's Joint Apprenticeship Trust Fund. An analysis of the post-program employment experience of former students disclosed that a sizable number are having difficulty keeping and/or obtaining employment. The audit disclosed that only minimum post-placement follow-up services were provided to these former student *pg. 3*
- School-To-Work (STW)*** The audits performed on STW grants awarded to Indiana and Missouri found three major factors that complicate successful implementation of the STW system: union shops, child labor laws, and liability insurance. In addition, we identified over \$51,000 in questioned costs *pg. 13*
- Questionable Accomplishments By Disability Partnership Grantee*** This audit disclosed that Mainstream, Inc., a "not-for-profit" corporation funded by DOL to provide employment assistance to disabled workers with special needs, has serious deficiencies in the administration of its program regarding: the quality of training, placement services, and follow-up provided to people with disabilities, the performance of Mainstream's Project Link, and the adequacy of the grantee's record keeping. Our performance audit also found that most of the program's reported performance data was "questionable." Since ETA had not done an evaluation of Mainstream in many years, we recommended that ETA conduct an in-depth evaluation of this grantee to improve performance *pg.17*
- OIG Identifies \$381 Million DOL Equity in State Employment Security Agencies' Real Property and Questions \$8.2 Million of Real Property Related Costs*** This audit disclosed that the Employment and Training Administration's (ETA) inventory data has become significantly outdated and ETA does not maintain sufficient accountability over DOL's equity in State Employment Security Agencies' (SESA) real properties. We identified a 30 percent increase in DOL's equity over the past 8 years, as well as significant changes in the number of specific properties acquired and sold. We also identified approximately \$8.2 million in SESA property-related questioned costs. As a result of our findings, we made several

recommendations that would strengthen ETA's current operating procedures in managing DOL's equity in SESA real properties *pg. 41*

**OFFICE OF
EVALUATIONS
AND
INSPECTIONS**

As part of our efforts to assist the Department in ensuring the efficiency and effectiveness of its programs, we also continue to respond to requests for quick and objective reviews of specific functions or operations.

During this reporting period, the OIG's Office of Evaluations and Inspections (OEI) completed final resolution actions with respect to our review of the workers' compensation program for U.S. Postal Service employees. We had identified an estimated 680 long-term disability cases which were not scheduled for rigorous attention provided under the program. Consequently, the Office of Workers' Compensation Programs (OWCP) undertook a special study of these cases, resulting in a projected \$4.5 million savings over a 3-year period from 59 claimants who were identified as no longer eligible for continuing FECA benefits and who were terminated from periodic rolls *pg. 33*

SELECTED STATISTICS

Office of Audit

Reports issued on DOL activities	153
Total questioned costs	\$ 19.6 million
Dollars resolved	\$ 6.1 million
Allowed	\$ 3 million
Disallowed	\$ 3.1 million
Recommendations that funds be put to better use	\$ 11.6 million

Office of Investigations

Cases opened	284
Cases closed	244
Cases referred for prosecution	159
Cases referred for administrative/civil action	288
Indictments	137
Convictions	124
Debarments	29
Recoveries, cost efficiencies, restitutions, fines, penalties, forfeitures, and civil monetary actions	\$ 25.3 million

NOTE: The Office of Investigations conducts criminal investigations of individuals which can lead to prosecutions ("convictions") by criminal complaints, warrants, informations, indictments, or pre-trial diversion agreements. Successful prosecutions may carry sentences such as fines, restitutions, forfeitures, or other monetary penalties. The Office of Investigations' monetary results also include administrative and civil actions which are further detailed and defined on page 76 of this report.

A further breakdown detailing the Office of Investigations' Division of Program Fraud and Division of Labor Racketeering statistical accomplishments can be found on page 74 of this report.

EMPLOYMENT AND TRAINING

The Department of Labor (DOL) is charged with providing employment and training services for the unemployed and underemployed, employment security for workers, and for administering programs that are directed to the employment needs of U.S. workers. The Department's Employment and Training Administration (ETA) administers a number of statutes related to this function. The system of skill training and related services is decentralized and directed toward increasing the post-program employment and earnings of economically disadvantaged persons, dislocated workers and others. This activity is accomplished both through grants to States and through National programs. In Fiscal Year 1997, over \$6 billion was appropriated for DOL's employment and training programs.

This is a critical time in DOL's history with respect to employment and training because DOL's programs are an important factor in the implementation of the recently enacted welfare reform. The Department's ability to provide effective training and employment services to help individuals transition from dependency on public assistance to self-sufficiency will be key to the success of welfare reform. Of equal importance is the fact that with passage of GPRA, Congress and the Administration are mandating that programs be effective, have a positive impact, and produce a positive return on the taxpayers' investment.

Because of the importance of DOL's employment and training activities, the OIG has established a goal under our 5-year GPRA Strategic Plan "to optimize the use of funds appropriated for employment, training, and welfare-to-work programs by enhancing program performance and accountability." Accordingly, the OIG will utilize its extensive, in-house experience with these programs to assist the Department in meeting the challenges of this function.

During this reporting period, the OIG devoted significant resources toward achieving our employment and training strategic goal. For example, the OIG completed audits of grants and contracts that identified performance problems and financial

compliance weaknesses in key employment and training programs. We also provided consultation assistance to the Department that resulted, or has the potential to result, in cost-efficiencies to the Department. Additionally, the OIG provided congressional testimony on the elements needed to ensure fiscal and performance accountability as the programs of the Department are reformed and expanded, particularly with the implementation of welfare reform and GPRA.

JOB TRAINING PARTNERSHIP ACT

The Job Training Partnership Act (JTPA) is the largest training program administered by ETA. The purpose of JTPA is to prepare youths and adults facing serious barriers to employment for participation in the labor force, by providing them with training and other services that will result in increased employment and earnings.

TITLE IV - Federally Administered Programs

JTPA Title IV authorizes employment and training programs for the Job Corps, Veterans' Employment, Native Americans, Seasonal Farmworkers, and other activities and programs collectively known as "National Programs."

JOB CORPS

The Job Corps program is authorized under Title IV of the Job Training Partnership Act (JTPA) and is funded at over \$1 billion per year. The Job Corps is a residential education and training program to assist disadvantaged youth to become more employable and productive citizens. Since 1964, Job Corps has served more than 1.77 million young men and women. There are currently 112 Job Corps centers located throughout the country.

Audit of the National Plastering Industry's Joint Apprenticeship Trust Fund

The OIG conducted a performance audit of the Job Corps' plastering and cement masons training programs operated by the National Plastering Industry's Joint Apprenticeship Trust Fund (Trust Fund). The Trust Fund is one of nine Job Corps National Training Contractors (NTC) and receives approximately \$4.7 million annually to provide plastering and cement masonry training as well as placement services to about 1,200 Job Corps students. We identified several areas where performance im-

provements can contribute toward increasing the overall success of the Job Corps Program.

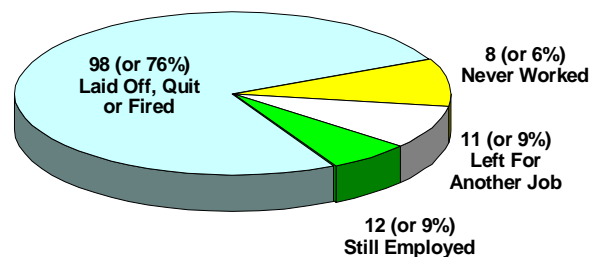
Findings

Program Graduates Experience Difficulty in Maintaining Employment. An analysis of the post-program employment experience of former students who were initially placed in training-related employment, disclosed that a sizable number are having difficulty keeping and/or obtaining employment. The analysis, conducted an average of 14 months after the student was placed in training-related employment, was based on employer confirmation data as well as State Unemployment Insurance (UI) wage data.

The audit disclosed that only minimum post-placement follow-up services were provided to these former students. Given the significant amount of resources invested in the students' Job Corps training, we recommended that additional post-placement follow-up services be provided to improve students' employment experience. This includes providing students with any needed placement services for up to 1 year after the completion of their training.

To conduct the analysis, the OIG randomly selected 259 of the 533 training-related job placements reported by the Trust Fund during Program Year (PY) 1995 and mailed questionnaires to the employers that were listed as the initial place of employment. Of the questionnaires mailed, the OIG received 129 responses from the employers.

Employment Confirmation Data on 129 Former Students Placed in Training-Related Employment



As demonstrated by the chart, only 12 of the former students were still employed with the initial employer. Another 11 told the initial employer that they were leaving to accept another job. The employers told us that 8 were never employed. Of the remaining 98, 19 were laid-off, 55 had quit, or 24 were fired and had an average length of employment of only 100 days. Further, after leaving the initial employer, the majority of these former students had very low wages, as reported in State UI wage records. The State UI wage data indicate that these former students were sporadically employed or not employed at all, and some had applied for unemployment compensation. The former students listed as sporadically employed had reported wages averaging \$2,400 per year, after an average of 8 months of training in plastering or cement masonry, at a cost of about \$17,000 per student.

Student Transfers: The OIG determined that students are allowed to transfer from the Trust Fund's plasterers or cement masons training program to other vocational training programs without regard to the time or resources already invested. Many of these transfers occurred after the students had completed more than 6 months in the Trust Fund's training program without completing the program. Currently, Job Corps does not have a written policy or procedures that control transfers between vocational training programs. The OIG believes that it would be in the students' and Job Corps' best interest to have procedures that control transfers to eliminate any abuses that presently exist.

Unacceptable Performance Levels for Two Programs: The OIG identified two programs (Harpers Ferry CM and Hawaii PL) operated by the Trust Fund that did not meet the minimum acceptable performance levels during PYs 1995 and 1996. These two programs were also in the bottom quartile when ranked against all other Job Corps vocational training programs. The OIG recommended that corrective action be taken regarding these two training programs in order for them to meet acceptable performance levels.

Training Slots Need to be Filled: The OIG analyzed the average training class size for 9 of the 47 training programs operated by the Trust Fund during PY 1995 and determined that the train-

ing class size for these 9 programs was 15 slots, which is 38 percent below the 24 slots required by the contract. The OIG recommended that the Trust Fund work with the respective centers to develop strategies for outreach and enrollment to ensure that all slots required under its contract with DOL are filled.

Agency Response

Job Corps stated that there are certain characteristics of the construction industry, such as the fact that employment may last only for a specified period of time, which impacts the ability of the Trust Fund to place Job Corps students in employment on a long-term basis. Consequently, it is not surprising that a majority of the students did not remain employed with the initial employer beyond a 100-day average.

Job Corps also stated that it is troubled by the OIG's total reliance on State UI wage data to determine the employment status of 27 of the 98 former students reported in the questionnaires as having been laid off or fired, or who had quit. Job Corps contends that the possibility exists that some of these students may have been hired as "independent contractors" who do not pay Federal or State UI taxes and, therefore, State UI wage records would not reveal their employment as independent contractors even though they may be working full-time at their trade. However, the Internal Revenue Service and the State Employment Security Agencies have established guidelines which clearly define those individuals who qualify as independent contractors and, in our estimation, it is unlikely that recent Job Corps graduates would meet the criteria.

Despite concern with the OIG's reliance on UI wage records to establish the employment status of a number of former students, Job Corps agreed with the OIG that every effort must be made to improve student employability and labor market attachment. In September, Job Corps established a placement follow-up work group and asked the OIG to provide consultation assistance. Job Corps stated that greater productivity has always been expected from NTCs (as compared to Job Corps' center-operated training programs), primarily because NTCs have a network of union and/or industry affiliates that support the placement process, increasing the likelihood that more NTC students will be placed in jobs that match their training, pay well, and last long enough for strong roots to be established in the labor market. The OIG is

pleased that Job Corps recognizes that improvements are needed in this area in order to increase the value of the training to the students.

Job Corps also concurred with the OIG findings and recommendations related to controlling and limiting student transfers. Further, Job Corps concurred with our recommendations that the Trust Fund needs to take corrective action to ensure acceptable levels of performance in the Harpers Ferry and Hawaii programs and that slots required under its contract with DOL are filled. (Report No. 18-97-033-03-370; issued September 30, 1997)

**Job Corps to
Implement
Procedures
Addressing
Deficiencies in the
Health Care System**

In addition to contracting for training and related services, Job Corps also contracts for management services at Job Corps centers. The OIG performed a limited scope performance audit of Johnson, Bassin & Shaw's (JBS) contract with Job Corps to provide health care management and support services. JBS assisted in planning, managing, and overseeing the overall health care program and in providing health care service activities, inspections, and support systems at Job Corps centers. The audit covered the period April 15, 1992 through June 30, 1996. In addition, we audited Job Corps' administration and oversight of its health care program. This work was performed in conjunction with a financial audit of JBS' contract reimbursements.

The audit of Job Corps' oversight of health care facilities and services found that Job Corps did not adequately monitor the facilities and services to ensure they were in compliance with applicable standards and did not always take corrective action when JBS inspections identified inadequacies in center health care services and/or facilities. For example, JBS repeatedly identified dental exams not being completed within the required time period, a lack of timely responses for students with mental health emergencies, and infirmaries having inadequate equipment. The JBS Regional Office Annual Reviews (ROAR) showed:

- 38 of the 65 centers (58 percent) covered by the ROAR reports for FYs 1994 - 1996 had significant noncompliance issues.
- 26 of the 65 centers (40 percent) had "repeat findings" or issues of non-compliance in the four categories of health

care administration (equipment, supplies and facilities; health care programs; staffing and training; and reporting and record keeping), including centers whose medical/dental facilities were deemed to be “inadequate” or “minimally adequate” to meet student needs.

- One center had over 50 current and repeat findings.

Job Corps officials acknowledged the “repeat violations” identified by JBS consultants and the lack of consistent and timely corrective measures. They stated they were not able to fund all the rehabilitation and equipment needs and upgrades requested by the centers. The officials also pointed out that at no time was a student’s health put in jeopardy. Nevertheless, they acknowledged that procedures are needed and will be established to ensure that: Job Corps regional managers monitor the status of corrective actions on findings identified by JBS health consultants’ and that particular attention be given to repeat findings; regional health consultants receive feedback on the status of their recommendations; and that feedback is received by the new contractor on these actions. (Report No. 18-97-031-03-370; issued September 30, 1997)

The OIG also audited the \$7.6 million in direct costs JBS claimed for reimbursement for the period April 15, 1992 through June 30, 1996, when the JBS contract expired. The OIG questioned \$20,868 of direct salaries and fringe benefits because the expenditures exceeded the DOL-approved budget line item amount. To accommodate the questioned costs, JBS submitted a request to Job Corps for a retroactive modification of its budget. (Report No. 18-97-030-03-370; issued September 18, 1997)

**\$604,510 Questioned;
Administrative
Limitations Placed on
Remaining Contract**

The Job Corps contracted with the Consulting and Program Management Services, Inc. (CPMS) to provide various property management services in support of about 80 contractor-operated Job Corps Centers. For the period July 1992 through March 1996, CPMS claimed over \$7.1 million in reimbursements related to separate contracts, which were in effect during this period. The OIG performed an audit to determine whether the costs claimed by CPMS were appropriate based on Federal regulations and the specific requirements of the contracts. The OIG questioned \$604,510, the majority from questionable direct

labor charges (\$394,090) and unsupported travel and per diem costs (\$153,720).

The questionable labor charges occurred on a continuing basis throughout the entire audit period and included: excessive overtime compensation (including Saturday and Sunday time) for exempt, salaried personnel; excessive amounts of vacation leave for CPMS' officers; excessive daily hours for holidays; and excessive and improperly allocated compensation for absences of management personnel.

The OIG questioned travel costs incurred by the CEO because there was no documentation to support the official or authorized business nature of the trips, the "allowability" of the costs claimed, or the accomplishments and/or benefits to the contract(s) objectives. A comparison of the labor costs recorded on the CEO's time sheets with travel expense reports disclosed numerous inconsistencies and irregularities. The OIG also questioned costs for lunches and dinners at local restaurants, trips to Aruba and the Cayman Islands, and trips for "investment opportunities" for professional development training.

CPMS did not agree with the majority of the audit findings. In February, DOL informed CPMS that its primary property management contract would not be extended beyond the expiration date, and that restrictions were being placed on CPMS' other DOL contract. (Report No. 18-97-025-03-735; issued August 14, 1997)

OIG Recommends Opportunities For Cost Avoidance to Job Corps

While performing the financial audit of CPMS, the OIG developed three "matters for consideration" which would improve the efficiency of the Job Corps' administration of certain aspects of its non-expendable property support contracts and, therefore, reduce the program's administrative costs. Implementation of the OIG recommendations would result in savings of up to \$300,000 a year.

Inventories on Non-Expendable Property: CPMS made annual inventory reviews of Government-owned property at 77 contractor-operated Job Corps Centers (Centers). The OIG believes mandatory annual inventory reviews are not cost effective and current DOL requirements should be revised to permit less frequent reviews based on a risk-based vulnerability approach.

Contract Property Management System: The Contract Property Management System, currently centralized at CPMS, is a computerized system for controlling non-expendable, Government-owned property maintained at the Centers. The OIG made several recommendations to improve the efficiency of this system, including: 1) merging the Contract Property Management System into Center contractors' inventory systems, and 2) adopting an improved DOL centralized property management system permitting direct access by center contractors. The OIG believes these alternatives, if properly structured, should not diminish Government property control and would help achieve significant cost savings.

Screening Excess Property: CPMS screened and inspected excess property at Defense Reutilization and Marketing Service (DRMS) locations even though the property had been previously inspected and "condition-coded" by both the General Services Administration and DRMS. The OIG believes this is an unnecessary Job Corps expense and recommended it re-evaluate its process to screen and inspect excess property made available by the DRMS.

Office of Job Corps officials disagreed with all three OIG recommendations regarding future opportunities for cost avoidance. They feel that because of annual reviews, the rate of "lost" property is very low and the costs are essential to continued property accountability; however, they also stated that the Contract Property Management System and Screening Excess Property may be considered for cost savings in the future.

The OIG does not concur with either Job Corps' reasons or rationale stated for their disagreement. We continue to believe that implementation of the recommendations would result in savings of up to \$300,000 per year. (Report No. 18-97-029-07-735; issued September 18, 1997)

Use of Job Corps Funds to Deter Union Organizing

The OIG completed a review of the Sierra Nevada Job Corps Center (SNJCC). The objective was to determine if the center operator, Management & Training Corporation (MTC), used contract funds to campaign against unionization efforts, which is a violation of provisions under the Job Training Partnership Act (JTPA). JTPA Section 143 (c)(1) specifically states: "Each re-

recipient of funds under this Act shall provide to the Secretary assurances that none of such funds will be used to assist, promote, or deter union organizing.”

We concluded that MTC staff working on-site at the Job Corps' Center actively campaigned against efforts to unionize the Center. The OIG questioned costs related to the use of Job Corps' funds for anti-union training, preparing and disseminating anti-union information, and other anti-union activities. MTC asserted they had a right and obligation to conduct a campaign against unionizing the SNJCC, under the National Labor Relations Act (NLRA). They stated that the OIG and Job Corps position on the allowability of costs was in conflict with the NLRA and requested a legal review of the issues involved in the audit. MTC also stated the issues raised by our audit will have far reaching implications, not only for MTC, but for other Job Corps contractors.

We do not disagree with MTC's position on their rights under the NLRA. However, we disagree that Job Corps funds can be used to deter union organizing. We agree with MTC's opinion that resolution of the legal issues would provide clearer guidelines for all parties. (Report No. 09-97-006-03-370; issued September 26, 1997)

Job Corps Consultation Activity

OIG Assists Job Corps in Evaluating Assertion of Iowa Attorney General

As previously reported, the OIG performed a limited scope audit on the Medicaid reimbursement process at the Denison, Iowa, Job Corps Center, at the request of Job Corps. We found that the Center contractor should not have billed Iowa Medicaid for basic medical, dental and mental health services provided to students on-site, and we recommended that Job Corps reimburse Iowa Medicaid for the costs paid with State Medicaid funds.

Subsequently, in correspondence with the Job Corps which cited the OIG limited scope audit report as support, the Iowa Attorney General took the position that Job Corps was also responsible for the costs of all off-center expanded medical services provided to Job Corps participants, including costs for hospitalization and medical emergencies. Iowa demanded reimbursement of \$1.3 million for these services. The Job Corps requested the OIG review the Iowa Attorney General's position regarding the OIG's prior audit work. We concluded, and reported to Job Corps, that certain statements from our audit report had been misinter-

preted and misrepresented in supporting the assertion of the Iowa Attorney General. The OIG's prior audit reports related only to the question who (Job Corps or Medicaid) is responsible for on-site basic health services. The Iowa Attorney General inferred that the reports also related to off-center expanded health services. (Consultation Report No. 18-97-023-03-370; issued July 24, 1997)

OIG Review Results in Reduced Contractor Claim

ETA awarded Charlesgate Construction Company (Charlesgate) a construction contract to build a new building at the Job Corps Center in Grafton, Massachusetts. Charlesgate encountered problems on the site (which it claimed were beyond its control), thus seriously affecting its ability to perform the contract in the agreed-upon time. Charlesgate filed three claims, totaling \$1.7 million, most of which were denied by ETA. Charlesgate appealed the decisions and, in February, Charlesgate's three claims were consolidated by the Board of Contract Appeals into one proceeding. ETA and the Solicitor of Labor jointly requested that OIG review the indirect costs portion (\$924,755) of the Charlesgate claim.

Our review found that the indirect costs claimed were determined by Charlesgate through use of the "Eichleay Formula," an accepted methodology for recovering unabsorbed indirect costs when construction project delays are the fault of the owner, in this case, DOL. However, for the Eichleay Formula to be an appropriate method for recovering unabsorbed indirect costs, the contractor has an obligation to take all reasonable steps to mitigate costs allocable to the work covered by the delay. The OIG found that: 1) Charlesgate did replace the delayed DOL work, 2) the percentage at which Charlesgate computed its lost profit was excessive, and 3) anticipated profit improperly included home office indirect costs. In addition to the primary findings, the OIG also determined that Charlesgate improperly included inappropriate costs in its Eichleay Formula calculations. ETA used the results of the OIG's consulting services report to negotiate and execute a Settlement Agreement, in which Charlesgate agreed to settle its \$1.7 million claim against DOL for only \$159,024. (Consultation Report No. 18-97-027-03-370; issued September 5, 1997)

**SCHOOL-TO-
WORK**

The School-to-Work Opportunities Act of 1994 provides the opportunity for States to establish School-to-Work (STW) Opportunities systems. These systems are designed to assist youth in acquiring the knowledge, skills, abilities and labor market information they need to make a smooth and effective transition from school to career-oriented work, or to further education or training.

STW brings together States and their partners, creating a system to prepare youth for the high wage, high skill careers of a global economy. STW is jointly administered and funded by the Federal Departments of Education (DOEd) and DOL which provide funds to create comprehensive statewide STW systems. Development grants are awarded for the design of the STW system and implementation grants are awarded for the installation of the system. Federal funds are to be used as venture capital to underwrite the initial costs of planning and establishing statewide STW systems that will be maintained with other Federal, State, and local resources.

During this period, we performed an interim audit of the grants awarded to Indiana and Missouri and issued a management letter to the National STW Director on barriers to implementing a successful STW system.

**Audit of Indiana STW
Grant**

We audited \$510,914 of costs claimed by the Indiana Department of Workforce Development (DWD), the State's fiscal agent for the grant. The current grant provided funding of \$5,885,556. Indiana is expected to receive over \$32 million through Fiscal Year 2000 to implement a statewide STW system. Our interim audit encompassed the period February 3, 1994 through March 31, 1996, and reported \$34,847 in questioned costs and administrative findings, including:

- costs inadequately supported by source documentation,
- noncompliance with Federal financial reporting requirements,
- unresolved accounting weaknesses disclosed in Single Audit reports,
- reported costs exceeded actual costs incurred under the grant, and
- internal control weaknesses within payroll, nonpersonnel and contractual systems.

The DWD officials generally concurred with our findings and the need for corrective action. (Report No. 05-97-003-03-385; issued May 9, 1997)

Audit of Missouri STW Grant

We audited \$604,830 of costs claimed by the Missouri Department of Elementary and Secondary Education (DESE), the State's fiscal agent for the grant. The current grant provided funding of \$966,664. Missouri is designed to receive funds totaling more than \$28 million to implement its statewide STW system through Fiscal Year 2001.

Our interim audit covered January 27, 1994 through March 31, 1996. We questioned \$16,821 because DESE claimed costs in excess of grant budget limitations and reported unsupported and unallowable subgrantee claims. We also noted that DESE did not have a formal system for reporting performance accomplishments by its subgrantees. DESE officials generally concurred with our findings and the need for corrective action. (Report No. 05-97-002-03-385; issued May 9, 1997)

Barriers to Work- Based Learning

As a result of our interviews with employers during both audits, we identified three major factors that complicate successful implementation of the STW system: union shops, child labor laws, and liability insurance. We reported the barriers in a management letter to the National STW Opportunities Office. The National STW Opportunities Office was created by the Secretaries of Education and Labor to carry out this important initiative, and we believe both can be helpful in overcoming or resolving each of the stated barriers.

Union Shops: Labor unions represent millions of front-line workers in both the public and private sectors. Several employers have not allowed students to work in production departments represented by unions because of concerns that unions will object to nonunion employees (students) performing duties covered by union contracts. One employer stated that the union requires all production line workers to become union members, essentially precluding work experience positions on the production line.

Child Labor Laws: Although the National STW Opportunities Office published "School-to-Work Opportunities and the Fair

Labor Standards Act: A Guide to Work-Based Learning, Federal Child Labor Laws and Minimum Wage Provisions," a number of manufacturers still expressed concerns about compliance with child labor laws. The laws restrict youth hours, participation in various occupations, and access to and work around certain types of equipment.

Liability Insurance: Liability insurance policies usually cover only a company's employees. Under the STW system, the youth will not be considered an employee and, therefore, not covered in case of an accident. Also, the youth may not be covered under Government-sponsored or privately-sponsored workers' compensation programs.

It appears that additional guidance is needed on the legal and practical aspects of union shop participation, the Federal child labor laws (Fair Labor Standards Act), and employer liability. Although barriers exist to successful program implementation, the National STW Opportunities Office has initiated several projects and strategies to address them. The OIG will continue to audit the development of the program. (Report No. 05-97-004-03-385; issued May 9, 1997)

ONE-STOP CAREER CENTERS

The One-Stop Career Center (Center) system is designed to provide individuals seeking employment and training services with a single point of access to: testing, assessment, and counseling; job bank and labor market information; and information on education and training programs. Beginning in Fiscal Year 1994, the Department awarded competitive grants to States for planning, developing and implementing the Centers.

Massachusetts One-Stop Career Center System

The OIG performed an audit of the Massachusetts One-Stop Career Center System. The audit was performed at ETA's request to determine the effectiveness of one-stop implementation and accountability. Massachusetts was awarded grants in 1994 and 1995 for a total of \$7.9 million to design and implement its One-Stop Career Center System.

We concluded that Massachusetts did not meet the goals of the One-Stop implementation grants because the system has not been implemented statewide, as planned. As of March 1997,

only 7 of 30 planned career centers were established. In geographical areas where Employment Service offices were closed as a result of one-stop career center openings, the centers did not always offer the full array of employment services to all customer groups. Furthermore, Massachusetts did not properly account for program statistics relating to the number of customers and targeted population served. As a result, we were unable to compare service levels of the One-Stop Career Center System with service levels prior to the implementation of One-Stop. (Report No. 02-97-226-03-320; issued June 11, 1997)

**\$2.3 Million Questioned
Due to State of Texas
Failure to Provide
Matching Funds**

In November 1994, the State of Texas (Texas Workforce Commission, or TWC) received a 12-month, \$6.7 million One-Stop grant, which was periodically modified to reflect a cumulative award of \$18,401,243, with an expiration date of December 31, 1997. The OIG audited the costs TWC claimed for reimbursement for the period November 18, 1994 through June 30, 1996.

TWC reported costs of over \$4.1 million through the audited period, reported cumulative incurred costs of \$8.5 million through March 31, 1997, and claimed 100 percent of this amount for reimbursement from DOL. The special conditions of the grant award explicitly required matching funds. Additionally, the approved budget for the initial 12-month grant period required the grantee to provide over \$2.6 million of matching funds (\$1,550,000 in cash and \$1,106,988 in "in-kind"). The matching share for the initial 12-month period represented 28.39 percent of the total budget (Federal plus matching). However, TWC did not report any matching costs through June 1996 and, further, did not record any matching costs in its general ledger. Therefore, the OIG questioned \$2.3 million. TWC did not agree with this finding, contending that the criteria listed in the DOL grant solicitation package did not explicitly require matching funds. (Report No. 18-97-019-03-325; issued June 3, 1997)

**OTHER
EMPLOYMENT
AND TRAINING
PROGRAMS**

For almost 20 years, DOL has funded, under JTPA Title IV-D, Mainstream, Inc. (Mainstream), a "not-for-profit" corporation to provide employment assistance to disabled workers with special needs. For the period of July 1992 through June 1996, DOL granted Mainstream \$1,417,062 to annually place 400 disabled individuals into unsubsidized employment. For the 4-year pe-

**Questionable
Accomplishments
By Disability
Partnership Grantee**

riod, the OIG audited Mainstream's program performance in relation to its agreed-upon goals as well as its claimed costs.

The performance audit disclosed serious deficiencies in Mainstream's administration of its program regarding the quality of training, placement services, and follow-up provided to people with disabilities, the performance of Mainstream's Project Link, and the adequacy of the grantee's record keeping.

In addition, we identified inaccuracies in the performance data reported to DOL. The grant required Mainstream to report quarterly to DOL on its accomplishments in meeting its performance goals. This consisted primarily of reporting the number of participants placed in unsubsidized employment. The OIG found that most of the program's performance data reported to DOL was "questionable" and that Mainstream inflated its accomplishments in a number of the reporting categories.

ETA had not performed an on-site monitoring review of Mainstream's program operations in many years, so we recommended that ETA conduct an in-depth evaluation of Mainstream's management and its activities to improve program results. We also recommended that ETA improve its oversight and monitoring of Mainstream and disallow the \$31,998 in questioned indirect costs.

While Mainstream disagreed with the OIG findings, ETA informed OIG that the findings of its in-depth review of Mainstream's program performance and report systems were the same as OIG's. Recognizing the need to improve its oversight capabilities over its 10 grants specifically targeted to serve disabled individuals, ETA has strengthened its commitment to improve the effectiveness of its oversight function by assigning two full-time staff positions to this activity. Additionally, the OIG has participated in a training activity ETA held to enhance its grantees' administrative and management skills. (Report No. 18-97-024-03-370; issued August 7, 1997)

**OTHER
EMPLOYMENT
AND
TRAINING
CONSULTATION**

**OIG-Recommended
Cap on Transportation
Communications
Union's (TCU) Indirect
Cost Rate Will Result
in Cost Savings of
\$206,513**

Since 1977, the Transportation Communications Union (TCU) has received a series of cost reimbursement contracts to provide training at various Job Corps Centers. The Office of Cost Determination (OCD), which is responsible for reviewing and approving indirect cost rate proposals, has experienced consistent difficulties in obtaining acceptable proposals from TCU. A prior OIG audit (Report No. 18-91-005-07-735) revealed TCU included unallowable and unsupported costs in its indirect cost pool and understated its cost allocation bases. A subsequent audit (Report No. 18-94-012-07-735) reported that TCU had failed to correct the internal control weaknesses identified in the prior audit, questioned over \$650,000 in salaries and related fringe benefit costs improperly designated as indirect costs, and recommended an audited indirect cost rate of 4.88 percent.

The OIG conducted a limited-scope review of TCU's indirect cost rate proposal for Calendar Years 1993 - 1995. We determined that the indirect cost rate proposal was based on a time keeping system that was flawed both in design and implementation, and therefore did not accurately reflect TCU's recoverable indirect costs. Based on the results of the current audit, the OIG has recommended the Director of OCD:

- cap TCU's proposed final indirect cost rates at 4.88 percent for Calendar Years 1993, 1994 and 1995 (TCU's most recent audit-recommended rate of recovery);
- continue to cap TCU's proposed provisional and final indirect cost rates at the 4.88 percent level until TCU has fully corrected the deficiencies disclosed by this review and earlier OIG audit reports; and
- inform TCU that, consistent with the new 48 CFR Subpart 42.7 [Indirect Cost Rates], submission of subsequent indirect cost proposals containing unallowable costs could result in the imposition of monetary penalties.

If implemented by OCD, the impact of these recommendations will be a cost savings to the Department of \$206,513. (Report No. 18-97-021-07-735; issued July 11, 1997)

EMPLOYMENT AND TRAINING INVESTIGATIONS

OIG reviews and investigations continue to reveal that JTPA programs remain vulnerable to theft and embezzlement of federal funds. With Congressional and Executive pressures to increase funding for similar programs, the OIG continues its oversight responsibilities for this program. Examples of our efforts in this area are as follows:

Two Indicted on Charges of JTPA Embezzlement

A Missouri Federal Grand Jury returned a one-count indictment charging Elloyd Gardner, the former president, and Delores Nelson, the former secretary of Gardner and Associates, Incorporated (G&A), with embezzlement of employment and training funds. The indictment alleges that Gardner and Nelson diverted JTPA funds to Nelson's personal bank account. Since the initiation of the OIG's investigation, G&A has not been awarded any JTPA contracts by either the St. Louis Agency in Training and Employment or St. Louis County Department of Human Services. Recently, both defendants pled guilty to the charges of embezzlement and each was sentenced to 4 months in jail. *U.S. v. Nelson* (E.D. of Missouri)

Chicago Training Program Agrees to Civil Settlement

On May 30, 1997, the Association House of Chicago (AHC), a JTPA funded organization, agreed to a False Claims Act settlement in the amount of \$62,267. An OIG investigation alleged that AHC improperly received funding from the City of Chicago Mayor's Office of Employment and Training (MET) to provide on-the-job training (OJT) employment services. The investigation alleged that from 1991 to 1993, AHC received reimbursements based on false statements regarding OJT placements at the Georgia Nut Company, a participating employer in the OJT program. *U.S. v. Association House of Chicago* (N.D. of Illinois)

Sentencing for Eight Defendants Guilty of JTPA Fraud

Quinto L. Golman, a former data input operator for the Tangipahoa Parish School System, a Louisiana Service Delivery Area (SDA), and seven other co-conspirators were sentenced for their involvement in a scheme in which Golman used his position to generate JTPA checks payable to his relatives or friends. The scheme resulted in a loss of over \$66,700 and Golman was sentenced to 13 months in prison to be followed by 36 months supervised probation. He was also ordered to make restitution in the amount of \$38,000. The seven others received sentences ranging from 3-5 years probation and were ordered to pay restitution of up to \$4,000. *U.S. v. Golman et al* (E.D. of Louisiana)

Florida Man Sentenced For Defrauding Targeted Jobs Tax Credit Program (TJTC)

In another sentencing Derrick Brown, his now defunct corporation, his daughter, and a former State of Florida Job Service employee were sentenced for committing mail fraud and making false statements. The three individuals and the corporation pled guilty in January 1997, to charges relating to their submission of falsified TJTC vouchers for reimbursement. TJTC grants federal tax credits to companies who hire eligible individuals who would normally have difficulty finding employment. Brown was sentenced to 5 months imprisonment, followed by 3 years probation. He was also ordered to pay \$37,000 in restitution. His daughter received 2 months home detention, 3 years probation, and was ordered to pay \$37,000 in restitution. The Florida State employee received 3 years probation. *U.S. v. Brown et al* (M.D. of Florida)

Job Service Center Employee Charged With Embezzlement

Deanna Hughes, a former Lewis County Washington Job Service Center (JSC) clerk-typist, was charged with embezzling JTPA funds. An OIG investigation alleged that Hughes entered information into the JSC accounting system and fraudulently issued checks to individuals who would cash them and return the monies to Hughes. Hughes also allegedly created fraudulent vouchers which were used by Hughes' niece to purchase groceries and then delivered to Hughes' home. The investigation identified a weakness in the State of Washington Employment Security Department's accounting system which allowed Hughes to use duplicate voucher numbers in her scheme. Based on the results of this investigation, the State of Washington's Internal Audit Office has conducted detailed inquiries within the JSCs to detect and prevent any similar problems. *U.S. v. Hughes* (W.D. of Washington)

OIG Investigation Uncovers Substantial Amounts of Fraud

On August 7, 1997, a superseding indictment was returned against Dov Hikind, a New York State Assemblyman; and Paul Chernick and Elimelech Naiman, two officials of the Council of Jewish Organizations (COJO). The defendants are accused of diverting in excess of \$1.5 million in Job Training Partnership Act (JTPA) funds to their personal use or to two companies they owned and operated. From July 1989 to December 1996, COJO received in excess of \$6.6 million in JTPA funding from the New York City Department of Employment. This case is part of an ongoing multi-jurisdictional investigation, with more indictments expected in the coming months. *U.S. v. Hikind, et al* (E.D. of New York)

President of a Local Union Admits to False Certifications

During this reporting period, the OIG conducted an investigation into a JTPA grant resulting in a False Claims Act complaint filed against Jewel Frierson, president of Local 194 of the Retail, Wholesale, and Department Store Workers Union (RWDSU) and the Director of the union's Local Technical Training Center (LTTC). Frierson obtained a JTPA grant for LTTC to assist eligible dislocated workers in obtaining unsubsidized employment for Campbell's Soup Company employees (members of RWDSU Local 194) who had lost their jobs due to the closing of one of the companies' Chicago facilities. During the OIG investigation, Frierson admitted that the certification document, which he signed and submitted to the Department in order to obtain the JTPA grant monies, was false, and that the \$37,500 in on-the-job training costs had not actually been incurred. *U.S. v. Frierson* (N.D. of Illinois)

**AUDIT
RESOLUTION**

Previously, the OIG reported the results of its financial audit of two Defense Conversion Adjustment (DCA) Program grants awarded to the Hughes Aircraft Company. DCA, authorized under JTPA Title III, provides grants for retraining, adjustment assistance, and employment service to eligible employees adversely affected by reduced military spending and closing of military facilities. The grants, totaling \$16 million, were made to Hughes to provide basic readjustment and retraining services to approximately 5,000 workers permanently laid-off (dislocated) as a result of the Department of Defense canceling over 70 contracts with Hughes.

Hughes Aircraft Company Pays DOL \$556,989 as a Result of OIG Audit Findings

During the current reporting period, Hughes sent DOL a check for \$556,989 to repay costs that had been questioned by the OIG and then disallowed by the Employment and Training Administration grant officer.

The repaid costs resulted primarily from OIG questioning: (1) Hughes' subcontractors claiming excessive and untimely pension plan contribution costs; (2) payments to an unauthorized contractor to perform outplacement services to individuals not enrolled in the program; and (3) services provided to nongrant-eligible employees, preaward labor-related costs, corporate business attorney fees, and insurance coverage beyond the grant period. (Report No. 18-96-016-03-340; issued July 1, 1996)

**Puerto Rico
Department of Labor
Loses Migrant and
Seasonal Farmworker
Program Grant**

As previously reported, an OIG audit of the Puerto Rico Migrant and Seasonal Farmworker Program administered by the Puerto Rico Department of Labor and Human Resources (DLHR) identified serious program performance weaknesses and questioned \$1.8 million in grant expenditures. ETA subsequently disallowed the \$1.8 million. ETA also decided, instead of extending DLHR's grant for another 2 years, to complete the grant. In September 1997, another organization was designated to receive the grant award for the remainder of Program Years 1997 and 1998 (October 1, 1997 through June 30, 1999). In order to allow a smooth transition and continuity of services to participants, ETA extended DLHR's grant 3 months (through December 31, 1997), during which time the new grantee is preparing a Grant Funding Plan for ETA's approval.

DLHR has requested hearings before an Administrative Law Judge on both the cost disallowance and the award of the grant to another organization. (Report No. 18-96-005-03-365; issued February 27, 1996)

**ETA Disallows
\$1,248,966 of
Questioned Costs**

Because of continuing concerns over National Council on Aging's (NCOA) proposed indirect cost rates, the Department requested that the OIG audit NCOA's proposed final indirect cost rates for Calendar Years 1991 - 1993. The OIG found that serious problems identified in two prior OIG audit reports had not been corrected. In addition, the OIG questioned \$1,115,016 of indirect costs paid to NCOA based on its proposed final indirect cost rates and \$424,962 of direct costs. The questioned indirect costs resulted primarily from "repeat findings," the most significant of which was NCOA's continuing to charge certain salary and fringe benefit costs to its indirect cost pools rather than as direct costs to its private projects and other activities. The questioned direct costs resulted from double billing of administrative charges, improper direct charges and for other reasons.

The Department's Office of Cost Determination (OCD) and ETA have issued a joint management decision which disallowed \$824,004 of indirect costs and \$424,962 of direct costs. (Report No. 18-95-018-07-735; issued August 18, 1995)

**Job Corps
Contractor's Advance
Financing Privilege Is
Terminated**

The National Plastering Industry Joint Apprenticeship Trust Fund (Trust Fund) provides plastering and cement masonry apprenticeship training at several Job Corps Centers. The OIG audited costs claimed by the Trust Fund for the period August 1993 through July 1996. Because the Trust Fund drew down and retained substantial amounts of cash that were in excess of immediate needs, the OIG recommended that ETA terminate the Trust Fund's advanced financing privilege and require that future contract payments be on a cash reimbursement basis. In May, the Department notified the Trust Fund that contract payments made to it will only be based on DOL-reviewed and approved invoices. (Report No. 18-97-014-03-370; issued March 28, 1997)

**JTPA Title IV-A, Native
Americans \$32,739
Repaid; Grantee
Agrees to Stop
Unnecessary Testing
of Participants**

The American Indian Opportunities Industrialization Center, Inc. (AIOIC) is a nonprofit corporation which administers employment and training programs for Native Americans in the Minneapolis area. For the period July 1995 through June 1996, the OIG audited the grants AIOIC received and questioned \$32,739, primarily because of misallocated staff time and excessive building depreciation. AIOIC agreed with the audit findings and repaid the questioned costs to the Department. AIOIC also agreed to stop testing JTPA participants, for which it was reimbursed \$100 per testing, because the local JTPA program had the capability to perform the testing at a significantly lower cost. This will result in an approximate annual savings of \$27,000 to the local JTPA program, which will henceforth conduct the testing of its own participants. (Report No. 18-97-009-03-355; issued January 15, 1997)

**State of Michigan
Resolved Audit
Reports; Questioned
Costs Recovered**

On August 26, 1997, DOL received a check for \$1,208,378 from the State of Michigan in final settlement for disallowed questioned costs totaling \$3,381,625. The costs were disallowed because the Michigan Department of Labor did not maintain or use time distribution records to allocate salary costs between State and Federal programs and failed to maintain adequate documentation of other program costs. The July 22, 1996 Settlement Agreement combines the results from three Administrative Law Judge cases involving three Single Audit Reports for the Michigan Department of Labor.

**UNRESOLVED
AUDITS OVER
180 DAYS**

In the March 1997 semiannual report, we stated that this audit report remains unresolved even though the report was issued in September 1992. It continues to remain unresolved 5 years after issuance despite our follow-up with ETA in July 1997.

**No DOL Action on
East Texas Council of
Governments Audit**

The audit questioned \$5.8 million in profits, interest income, program income, and expenditures. The report specifically questioned \$4.5 million in profits earned. Even before our audit was issued, the two nonprofit subcontractors that ran the program for the ETCOG filed a lawsuit to prevent the State from recovering any of the profits and interest earned on the profits.

Following a lengthy legal battle, on April 17, 1995, the Fifth Circuit Court of Appeals vacated a previous District Court decision favoring the subcontractors, stating that both the State and DOL were free to pursue final agency action regarding whether the subcontractors' costs and revenues were reasonable and necessary.

However, ETA has not issued an initial determination in the 2½ years since the decision of the Fifth Circuit Court of Appeals gave ETA authority to start resolution action. (Report No. 06-92-010-03-340; issued September 30, 1992)

WORKPLACE BENEFITS

A major function of the Department is the administration of several programs designed to protect the workplace benefits of workers and retirees. These include the multi-billion dollar Unemployment Insurance Program (UI), the Employee Retirement Income Security Act (ERISA), and Federal disability programs such as the Federal Employees' Compensation Act (FECA) program.

Protection of workplace benefits is of critical importance because it affects the lives of millions of Americans and because it involves billions of taxpayer dollars. The OIG has established as a goal under its 5-year strategic plan, "To help workers and retirees by safeguarding workplace employment, unemployment and disability benefits and enhancing DOL's effectiveness in administering related programs." During this reporting period, the OIG completed several important audits and investigations related to achieving this goal, including: improving the enforcement of pension reporting requirements; reducing improper billings by FECA medical examiners and fraud by claimants; reducing fraud against the UI system; and improving the management of UI operations. Our significant investigative accomplishments in the area of employee benefit plans and pensions can be found in the OIG Labor Racketeering Program section of this report.

PENSION AND EMPLOYEE BENEFIT PLAN ENFORCEMENT

Oversight responsibility over various aspects of the Nation's pension system and assets rests with three Federal agencies: the Department of Labor's Pension and Welfare Benefits Administration (**PWBA**), the Internal Revenue Service (**IRS**), and the Pension Benefit Guaranty Corporation (**PBGC**).

- **PWBA** is responsible for administering Title I of the Employee Retirement Income Security Act 1974 (ERISA), which governs the rights and financial security of employee benefit plan participants and beneficiaries in the nation's private pension and welfare benefit plan system. PWBA's responsibilities include promulgating

regulations, providing interpretations of ERISA, and enforcing the provisions found in Title I.

- **The IRS** is responsible for enforcement of ERISA's Title II tax-related provisions.
- **PBGC** is responsible for Title IV, which provides Government insurance in the event of failure of certain types of pension plans.

Recently, the Secretary of Labor established the retirement security of American workers as a top priority. To meet this objective, the OIG has continued its long-standing commitment to protect workers' retirement assets, through its audit oversight of PWBA and its investigative responsibilities for assets in pension plans jointly administered by unions and employers with union contracts.

Employee Benefit Plan Disclosure Must Be Improved

The Employee Retirement Income Security Act of 1974 (ERISA) established a significant number of reporting and disclosure requirements to protect employee benefit plan participants and beneficiaries. The OIG conducted a performance and compliance audit of the PWBA reporting and disclosure function.

OIG found that PWBA was generally enforcing ERISA reporting and disclosure requirements. However, PWBA was not adequately enforcing the reporting requirement for Direct Filing Entities (DFEs). DFEs are generally large financial institutions that hold the assets of several pension plans, either from a single employer or a group of employers. For ease and efficiency in reporting, PWBA allows these entities to file annual pension plan information directly with DOL rather than each plan filing the information through the IRS. PWBA estimates that at least \$954 billion of pension assets are invested in entities that may use direct filing procedures.

The OIG found multiple deficiencies with the DFE annual reporting process:

- 1) Information is not reported in a useful manner.
- 2) Report information is not monitored by PWBA for completeness and accuracy.
- 3) Report information is not available for use in PWBA's enforcement program.

The OIG also determined that PWBA was not effectively enforcing the ERISA requirement for plans to submit Summary Plan Description (SPD) and Summary of Material Modifications (SMM) information. An SPD is a summary of an employee benefit plan's major provisions that informs participants of their rights and obligations under the plan. An SMM is a summary of any changes to information required to be in the plan description or any material modification to the plan itself.

OIG's analysis of PWBA records shows that 59 percent of the plans filing Form 5500 annual reports had not filed SPDs with DOL as required. PWBA attributes this lack of compliance to limited available resources. In addition, PWBA has given higher priority to other projects, and consequently resources have not been available to improve the DFE reporting process or for the enforcement of SPD and SMM filing requirements.

The OIG audit also concluded:

- 1) PWBA did not need SPDs or SMMs to be submitted to meet its responsibilities under ERISA.
- 2) Public and private funds were being wasted by current ERISA requirements for SPDs and SMMs.

We recommended the Assistant Secretary for Pension and Welfare Benefits:

**Recommendations 1-3:
Potential Government
Savings: \$290,000**

- 1) Standardize DFE filing formats using the Form 5500 framework.
- 2) Incorporate DFE filings into the Form 5500 process and the ERISA Information System.
- 3) Develop procedures to identify DFEs not filing annual reports and take appropriate action.

**Potential Government
Savings: \$210,000**

- 4) Determine if filing and storage of SPDs and SMMs can be discontinued immediately.

**Potential Private
Savings: \$2.5 Million;
150,000 Burden Hours**

- 5) Continue efforts to amend ERISA to eliminate filing SPDs and SMMs with DOL. According to a PWBA estimate, private sector annual costs of approximately \$2.5 million and 150,000 burden hours would be saved.

In response to our June 11, 1997, draft audit report, PWBA stated the OIG recommendations essentially concurred with two PWBA initiatives that pre-dated the OIG audit; however, PWBA did not take issue with the substance of the recommendations. PWBA stated that the OIG audit report provided an independent confirmation that initiatives already being pursued are consistent with PWBA's statutory mission.

The legislative changes needed to discontinue SPD and SMM filings became effective August 5, 1997, with the passage of the Taxpayer Relief Act of 1997, Public Law 105-32. OIG's recommendations regarding SPDs and SMMs are now resolved and closed. (Report No. 09-97-004-12-121; issued August 25, 1997)

**Pension and Welfare
Benefits Administration
Systems Development
Update**

PWBA is currently developing the Employee Retirement Income Security Act Filing and Acceptance System (EFAST) in order to streamline retirement plan reporting requirements. As part of this development effort, the Form 5500 series is being revised for more efficient and expeditious filings.

In a separate project, PWBA is developing an internal Enforcement Management System (EMS) to improve informa-

tion collection and reporting on enforcement outcomes. The OIG is providing PWBA with audit assistance on these initiatives.

Throughout the development of EFAST and EMS systems, the OIG has raised a series of concerns with PWBA, including:

- 1) PWBA's strategy for EFAST development relied on an all-or-nothing approach. PWBA recognized this high risk strategy and acted to mitigate the risk by restructuring the request for proposals (RFP) to include a "dual prototype" strategy.
- 2) Because of policy issues under consideration, PWBA's draft RFP did not include a requirement for Direct Filing Entity (DFE) processing. Subsequently, PWBA's final RFP called for DFEs to be processed in EFAST.
- 3) The Form 5500 revision needs to be completed and the final revision needs to be in place before the start of the EFAST development effort. PWBA has published the revised Form 5500 series in the Federal Register.
- 4) The DOL's Chief Information Officer should be involved in the development of both EFAST and EMS systems.
- 5) Because EMS is a "performance" reporting system, PWBA should coordinate information collection and outcomes reporting with DOL's Chief Information and Financial Officers to assure EMS satisfies GPRA requirements.

Although the above issues with PWBA have been resolved, the OIG is currently working with PWBA to resolve issues relating to the increased use of electronic filing (E-filing) within the regulated community. E-filing is an extremely important component of EFAST, and would result in significant savings to the Government. PWBA agrees that E-filing is an important component, but rather than mandate E-filing, PWBA plans to use an incentive program to encourage E-filing. Under this incentive program, the winning EFAST vendor would receive a portion of the savings realized from increased use of E-filing. PWBA is currently pursuing a DOL Solicitor's Office opinion on the authority required to mandate E-filing. However, PWBA believes

that even if the authority is granted, such a requirement would place an unacceptable burden on the regulated community. (Report No. 09-97-007-12-001; issued September 30, 1997)

WORKER DISABILITY BENEFITS

Department of Labor Compensation Programs

In addition to protecting retirement security, the Department administers three major disability compensation programs under the Employment Standards Administration (ESA) that provide benefits to workers who experience work-related injuries or diseases, and survivors of employees who died from job-related injuries or diseases. The three programs include the Federal Employees' Compensation Act (FECA), the Longshore and Harbor Workers' Compensation Act (LHWC), and the Coal Mine Workers Act (Black Lung). The Department also administers the UI which assists workers who lose their jobs through no fault of their own.

Federal Employees' Compensation Act

FECA is a comprehensive workers' compensation law for Federal employees that is designed to provide coverage for work-related injuries or deaths. Benefits are paid from the Employees' Compensation Fund, which is administered by the Office of Workers' Compensation Programs (OWCP) and principally funded through a chargeback to the employing agency. FECA covers about 3 million Federal employees and postal workers.

During this reporting period, our office has devoted significant resources in auditing, evaluating, and investigating the FECA program. Our continuing efforts in this program are concentrated in two general areas: medical service providers who bill the Government for services that were not rendered, charge multiple times for the same procedure, bill for non-existent illnesses or injuries, or overcharge for services; and claimants who defraud the program by reporting false injuries, recover but continue claiming benefits, or do not report or underreport their outside employment income to OWCP.

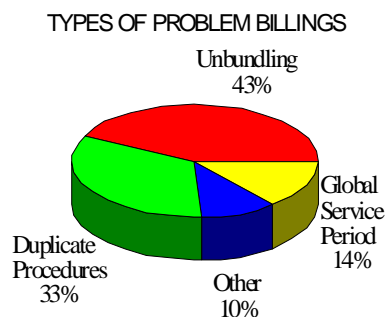
Medical Providers Overbill FECA Millions Each Year

The OIG conducted an audit to determine if the FECA program had made unnecessary payments to medical providers who bill the Government for services provided to Federal employees who are injured or become ill in the workplace.

Based on our sample comprised of FY 1995 bills, the OIG showed a projected \$7 million loss to the program because of improper medical provider billings. This projection was based on a test of \$242 million in payments (or 54 percent of total medical provider billings) made during FY 1995. The sample payments were reprocessed by a commercial firm using software designed to detect manipulation of payment codes. We identified 1,600 providers who improperly billed FECA for approximately \$1.4 million during FY 1995 for which OWCP management is now requesting repayment. From this sample, we projected the \$7 million loss.

We defined an improper billing as an amount flagged by the commercial firm's software that should not have been paid. We considered only those billed amounts which the system identified as a "denied" payment. There were many reasons why the billed amounts were considered to be improper. However, 90 percent of the improperly billed amounts fell into three broad categories:

- Unbundling** occurs when a provider charges a comprehensive procedure code as well as one or more component codes. For example, a physician bills for both fusing an ankle joint and removing the ankle joint lining, while the removal of the ankle joint lining is part of the ankle joint fusion surgery.



- Duplicate procedures** occur when a physician charges for the same procedure twice when it was only provided once. For example, treating a head injury twice in the same day.

- **Global service period** occurs because the fee for most surgery includes all related services for a set of days before and after the surgery. For example, a physician billed for a back operation and billed for two follow-up consultations while the worker was in the hospital. In this case, follow-up care is considered part of the surgical package.

From our sample of FY 1995 bills, our joint audit and investigative initiative also identified at least 20 providers which warrant further investigative attention. Additionally, another 12 providers identified by the audit as submitting improper billings were already under investigation by our Office of Investigations.

We recommended that the Office of Workers' Compensation Programs begin formally evaluating commercial code manipulation detection packages for potential procurement. We concluded that DOL can save millions of dollars each year by using a commercial firm's system to screen for medical provider payment code manipulation in the FECA program. Furthermore, we concluded that procurement and use of a commercially available code manipulation detection product is advisable because:

- Medical providers will be placed on notice that FECA will not tolerate sloppily prepared or false billings.
 - Medical providers that continue to submit improper billings can be easily identified and targeted for educational assistance, or if warranted, criminal investigation.
 - Commercial firms usually have multiple physicians available and a network of board certified specialists to analyze codes and code combinations and provide explanations and support for identified problems.
 - Commercial firms can develop product improvements to counter new types of abuse because they have access to information from insurance clients on newly detected abuses.
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- Commercial firms generally react quickly to changes in the codes or code combinations and set up new algorithms to evaluate the codes.

FECA program management were cooperative partners throughout the audit. At the conclusion of fieldwork, we provided them with information on the types and amounts of identified improper billings. We recommended aggressive collection action against 1,600 providers that our audit identified as improperly billing FECA for approximately \$1.4 million during Fiscal Year 1995. We cannot make projections as to what portion, if any, improperly billed amount was due to fraud.

The OWCP agreed with our recommendation to procure a commercial code manipulation detection package. Although they did not formally address our second recommendation, pursuing the collection of \$1.4 million in overbillings, FECA staff advised us they are proceeding with the collection actions. (Report No. 09-97-200-04-431; issued September 29, 1997)

Follow-up on the Review of Workers' Compensation Program for U.S. Postal Service Employees Results in \$4.5 Million in Projected Savings

During this reporting period, we completed follow-up and resolution actions with respect to the Review of Workers' Compensation Program for U.S. Postal Service (USPS) Employees which we conducted jointly with the U.S. Postal Inspection Service. Our FY 1995 report's most significant findings cited noteworthy initiatives by both USPS and OWCP that strengthen the management of long-term disability cases, addressed delays by USPS in the submission of claims to OWCP, identified cases requiring further medical evaluation and efforts to return claimants to employment, and indicated opportunities for improved program communications between the organizations. OWCP's response to our draft report concurred with our recommendations. Furthermore, since the issuance of our final 1995 report, we have followed the agency's progress to ensure the full implementation of agreed upon corrective actions. However, it is the responsibility of the U.S. Postal Inspection Service to ensure that the recommendations addressed to USPS are implemented.

Since the issuance of our report, OWCP has initiated tracking systems to monitor the submission of injury notification and claim forms by all Federal employing agencies in accordance with the

time frames established in the regulations. To enhance inter-agency communications and ensure more effective performance of workers' compensation program responsibilities, OWCP has revised its approach to technical assistance for employing agencies to identify and resolve agency specific problems, such as delays in claim processing or inappropriate controversion of claims.

While our report noted the positive outcomes of the Periodic Roll Management and Quality Case Management initiatives, we identified an estimated 680 long-term disability cases in four FECA district offices which were not scheduled for the rigorous attention provided under these programs. In response to our recommendations, OWCP agreed to undertake a special project to examine these 680 cases and determined that 366 warranted a full assessment. The resulting reviews identified 59 claimants from various agencies who were no longer eligible for continuing FECA benefits and these claimants were terminated from the periodic rolls in chargeback years 1996 and 1997. Assuming the 59 claimants whose benefits were terminated as a result of this special review are representative of all FECA claimants terminated from the rolls in 1996, one-year savings from this effort are estimated at approximately \$1.3 million. Although we recognize that some claimants may have returned to work or have been terminated from the rolls in the absence of this special project, we have projected the annual savings to a 3-year period and estimate that as much as \$3.8 million in future FECA costs may have been avoided as a result of this initiative. In the course of this special review, OWCP officials in the 4 districts identified wage earning capacities for an additional 25 periodic roll claimants and reduced FECA benefits. Accordingly, we did not attempt to quantify program savings resulting from these benefit reductions.

Lastly, OWCP's actions to obtain additional medical evidence and initiate efforts to return a total of 48 claimants identified during our review resulted in the termination of an additional 11 claimants from the periodic rolls with an estimated 1-year savings of \$234,300 and a potential projected 3-year avoidance of \$702,900 in FECA costs. Wage earning capacities were found in 4 of the 48 claimants but, as above, we did not quantify the program savings associated with the benefit reductions in these

Evaluation of Early Nurse Visitation Pilot Program In Boston

cases. (Report No. 04-SPO-95-OWCP; issued May 10, 1995)

At the request of OWCP, our Office of Evaluations and Inspections performed an evaluation of the Early Nurse Visitation Program (ENVP) piloted in the Boston Regional Office. The ENVP program was established to produce more timely and stable returns to work, at a lower cost to the Government, by involving nurses earlier following a work place injury. The nurse's role includes a wide range of responsibilities with emphasis upon medical management and liaison between the claimant, employing agency representatives, physician and OWCP officials. For instance, nurses are expected to contact the treating physician to discuss the current and future medical treatment plans and continue to monitor the progress of treatment, accompanying the claimant to medical appointments when necessary.

Since the major participating employing agency, USPS, did not meet requirements set under the pilot's protocol, we could not definitively measure the impact of the program. However, the results of our evaluation support the continuing efforts by OWCP to pilot and enhance the program. For example, we identified several non-quantifiable indicators of the positive outcomes of the ENVP. Most significantly, the Boston Region's early nurse intervention initiatives enjoyed a high level of support among all key stakeholder groups, including employing agency representatives, union officials, claimants, claims examiners, contract nurses and Regional management. We also found that nurses showed flexibility in managing claimants' cases, eased the workload for OWCP claims examiners, and assisted injured employees with OWCP paperwork. Furthermore, the employing agencies that we contacted expressed the opinion that the initial increase in their chargeback medical costs for the services of the contract nurses is more than offset by later savings through decreased total compensation and medical costs.

However, we also identified several opportunities for improving early nurse intervention, the overall workers' compensation program, and future pilot projects. Our evaluation of USPS' fitness for duty examination process indicated the potential for reducing time frames for OWCP's second medical opinions by

approximately 28 days for claimants with identified work capacity and concurrently increasing the confidence of USPS officials in referring more routine cases to OWCP for early intervention.

We also believe improvements to the ENVP program could be made if there is more active involvement by nurses in the management of the claimants' medical care, and if resources dedicated toward bringing employees back to work are targeted toward case intervention points that yield the greatest potential impact.

OWCP has initiated actions addressing our recommendations, including contracting with service organizations to arrange for more timely second medical opinions which should expedite returns to work for claimants who are determined capable to work. In addition, OWCP officials have provided further guidance to field nurses and District offices to enhance the medical management of injured workers' cases and improve the targeting of services. (Report No. 10-OEI-97-OWCP; issued June 11, 1997)

CLAIMANT FRAUD

During this reporting period, the OIG's Office of Investigations opened 104 FECA and other health-care related investigations. A total of 24 indictments, 19 convictions, and monetary accomplishments totaling \$4.6 million were achieved in this area. Listed below are case summaries involving our significant accomplishments:

Former Postal Employee Sentenced For \$100,000 FECA Fraud Scam

A joint OIG and U.S. Postal Inspection Service investigation has resulted in Salvin R. LaManna, a former postal employee, being sentenced to 6 months home confinement, ordered to pay \$119,432 in restitution, ordered to pay a fine of \$10,000, and given 3 years of supervised probation. LaManna's sentence was the result of his fraudulent receipt of workers' compensation benefits while operating a sporting goods store. The investigation revealed that LaManna had operated a sporting goods store for over 25 years while simultaneously receiving FECA benefits for a back injury he reportedly suffered in 1971. *U.S. v. LaManna* (W.D. of New York)

FECA Claimant Bilks Program Out of \$107,000

A Federal Grand Jury in Boise, Idaho indicted Darwin Giese for submitting false information to OWCP. While Giese worked as a crane operator for the U.S. Department of Energy's Bonneville

Power Administration, he submitted a claim for a job-related injury and began receiving workers' compensation benefits for temporary total disability in March 1988. Investigation revealed that Giese owned and operated an automobile repair shop, and earned income from snowplowing during the winter while fraudulently receiving over \$107,000 in benefits. *U.S. v. Giese* (D. of Idaho)

**Psychologist
Convicted For
Defrauding FECA
Program**

Following a 9-day trial, Viola Wiegand, a New York licensed psychologist, was convicted of conspiracy to commit mail fraud, false statements, false claims, and using false social security numbers in her scheme to defraud the OWCP program and other federal and private health-related agencies. An OIG investigation, conducted jointly with the OIGs at HHS and SSA, disclosed that from 1991 to 1996 Wiegand submitted fraudulent bills to OWCP for psychotherapy sessions that never took place with injured employees. Wiegand received approximately \$76,000 in fraudulent payments from OWCP. In addition to her OWCP scheme, Wiegand and four others were also charged with submitting false reports and bills in order to collect no-fault auto insurance, Social Security and other private insurance benefits. Sentencing is pending. *U.S. v. Wiegand et al* (E.D. of New York)

**Former Veterans Affairs
Employee Pleads
Guilty To FECA Fraud
Charges**

A former employee with the U.S. Department of Veterans Affairs (VA) in Alabama, Wannell D. Jones, was ordered to pay \$30,804 in restitution and a special assessment fine of \$750 after she pled guilty to a 15-count indictment charging her with making false statements to continue receiving FECA benefits. Jones received 6 months home detention and 36 months probation. The investigation revealed that, from April 1992 to November 1995, Jones withheld employment information and provided false statements to the DOL to ensure continued receipt of workers' compensation benefits. During this period Jones worked as a Licensed Practical Nurse for six different employers, which resulted in her receiving unreported earnings in excess of \$124,000. This was a joint investigation with the VA OIG. *U.S. v. Jones* (N.D. of Alabama)

**Navy Engineer Writes
Check For \$80,000 at
Sentencing**

Louis Francis Lab, a former electronics engineer with the Department of Navy in San Diego, California, was sentenced to 8 months incarceration for fraudulently obtaining FECA benefits. The sentencing resulted from a joint OIG and Naval Criminal

Investigative Service investigation which determined that Lab, who had been receiving FECA benefits from 1976 through May 1994, failed to report his employment as an Executive Director at Advantage Property Services, a mortgage service company operated by his wife. Although Lab had no direct earnings from his employment, investigative efforts produced overwhelming evidence that Lab was working and performing physical activities, including playing tennis, which were inconsistent with his reported medical restrictions. In addition to his jail term, Lab is to serve 3 years supervised probation and was ordered to pay \$87,551 in restitution. *U.S. v. Lab* (S.D. of California)

FECA Claimant Pleads Guilty To Receiving Over \$76,000 in FECA Benefits

Alsina Mimms, a former nursing assistant at the VA Medical Center in Houston, Texas, entered a guilty plea to three counts of making false statements to fraudulently receive over \$76,500 in FECA benefits after a joint OIG and VA investigation disclosed that she had been periodically working at numerous health care facilities in the Houston area while claiming that she was unable to perform her official duties at the Center due to a job-related injury. Mimms was sentenced to serve 6 months in prison and 6 months house arrest after her release, followed by 3 years supervised probation. In addition, she was ordered to make restitution of \$46,245. *U.S. v. Mimms* (S.D. of Texas)

Capitol Police Officer Admits to FECA Fraud

John Franklin Rodrigues, a former U.S. Capitol Police Officer and FECA recipient, pled guilty to mail fraud. Rodrigues submitted claims to receive workers' compensation benefits while working odd jobs throughout St. Mary's County, Maryland, and not reporting his earnings. In his plea agreement, Rodrigues admitted that he fraudulently received \$15,194 in workers' compensation benefits. Sentencing is pending. *U.S. v. Rodrigues* (D. of Columbia)

Longshore Harbor Workers' Compensation Act

The Longshore and Harbor Workers' Compensation Act (LHWCA) program is an entitlement program administered by the Department of Labor. This program provides benefits to maritime workers who are injured while working.

Longshore Claimant Sentenced

Johnny L. Stinson, a former Newport News Shipyard employee, after pleading guilty to mail fraud charges in connection with his

fraudulent receipt of benefits under the LHWCA, was sentenced to 36 months incarceration and 36 months of supervised probation upon release. Stinson was also ordered to make restitution of \$83,261. An investigation disclosed that Stinson operated the LDM Construction Company while allegedly totally disabled and collecting LSHW compensation benefits. *U.S. v. Stinson* (E.D. of Virginia)

**Longshore Claimant
Indicted For
Defrauding Program**

In another matter involving a former employee of the Newport News Shipyard, Mark D. Batten, was indicted for allegedly defrauding the LSHW program of over \$53,000 in compensation and medical benefits for payments for two separate injuries. The investigation determined that Batten had failed to report his pre-existing back and shoulder injuries. This matter is being prosecuted by the Virginia Commonwealth Attorney's Office. *Virginia v. Batten*

**UNEMPLOYMENT
INSURANCE
BENEFITS**

During this reporting period, the OIG investigations involving Unemployment Insurance (UI) fraud resulted in 46 indictments, 36 convictions, and \$2.1 million in monetary recoveries. The following case listings represent some of the OIG's most significant cases in this area:

**FRAUD IN THE
UNEMPLOYMENT
INSURANCE
PROGRAM**

**Massachusetts Couple
Indicted for \$60,000 UI
Fraud Scheme**

Susan M. O'Donnell and Paul Lupo were indicted by a Plymouth County grand jury for theft of UI funds from the State of Massachusetts. O'Donnell was an adjudicator in the Massachusetts Department of Employment and Training (MDET) Office. Over a 2-year period, O'Donnell and Lupo, a friend of O'Donnell's who was not an MDET employee, allegedly stole over \$60,000 in UI benefit checks. O'Donnell used her knowledge of the MDET computer system to approve UI claims for seven individuals whose applications would have otherwise been denied. O'Donnell allegedly changed the mailing address for the UI checks to go to post office boxes under her or Lupo's control. *Massachusetts v. O'Donnell*

**Maryland Man Indicted
for UI Fraud**

Daryl F. Parker was indicted in the Circuit Court of Montgomery County, Maryland on charges resulting from his role in an alleged scheme to defraud the State of Maryland's Department of Labor, Licensing and Regulation (DLLR) and Maryland businesses by the counterfeiting and passing of UI and payroll checks,

respectively. Parker is charged with obtaining approximately \$22,000 in DLLR UI benefits via nine counterfeited DLLR checks. *Maryland v. Parker*

**Washington Man
Guilty of Fraudulent UI
Check Scheme**

A report from the Washington Employment Security Department (WESD) Office of Special Investigations regarding theft of Federal Disaster Unemployment Assistance (DUA) benefits prompted an investigation of Albert N. Phillips, Jr., a former WESD data entry clerk. Phillips was found issuing DUA checks to three accomplices who were not eligible for DUA payments. A Federal Grand Jury for the Western District of Washington charged Phillips with theft of Federal funds. Subsequently, Phillips and two of his accomplices pled guilty to the charges. *U.S. v. Phillips* (W.D. of Washington)

**Fraudulent Scheme
Defrauds Michigan UI
Program out of
\$248,000**

A 24-month incarceration sentence followed by 2 years of a supervised release program was handed down to Bruce Carter following his guilty plea to defraud the State of Michigan UI Program out of approximately \$248,000. From July 1991 to October 1993, Carter participated in a scheme in which he submitted false verifications for employment and wage information to the State UI Program. These false verifications resulted in UI claims being approved for non-existent and non-eligible employees for Carter's defunct company. Carter received a portion of the fraudulent proceeds. *U.S. v. Carter* (E.D. of Michigan)

An additional area of concern for the OIG are the types of schemes involving the collection of UI benefits by illegal aliens. For instance, in one OIG investigation an individual taught illegal aliens how to file fraudulent claims. In exchange for the facilitator's assistance in filing these claims, a fee was charged to the claimant and, in some cases, the facilitator received a portion of the proceeds from the UI benefit check. To date, this investigation has resulted in combined declared overpayments and benefit terminations in excess of \$419,169. In yet another case involving collection of UI benefits by illegal aliens, an OIG investigation has resulted in declared overpayments and benefit terminations of \$450,000. The OIG is continuing its investigative efforts in this area.

**AUDIT WORK IN THE
UI PROGRAM**

**\$8.2 Million in Real
Property-Related
Costs Questioned**

In addition to our investigations, we also performed several audits on the unemployment insurance programs. Summaries of these audits conducted during this reporting period follow.

For the past 2 years, we have reported in our annual financial statement audits that the ETA did not maintain sufficient accountability over DOL's equity in State Employment Security Agencies' (SESA) real properties. In an effort to correct this problem, as of September 30, 1988, ETA established an inventory, based on a prior OIG real property audit report. However, ETA's inventory data has become significantly outdated. Because of a lack of involvement in SESA real property issues, ETA has been inconsistent in managing DOL's equity. Consequently, States have made significant capital improvements to existing properties, sold or traded properties, and purchased properties with grant funds without ETA's knowledge. Failure to adequately account for properties in which DOL has equity places ETA at risk of not being fairly compensated when the properties are sold or put to other use.

We identified significant changes in the number of specific properties, total property costs, and DOL's equity since September 30, 1988. Between September 1988 and September 1996, DOL's equity has increased over 30 percent to \$381 million and is continuing to increase on a monthly basis. We project the Department's reversionary equity interest to grow to \$409 million by FY 2000 based on properties the OIG identified as having DOL equity as of September 30, 1996. By using our summary schedules of 453 SESA properties with DOL equity, ETA has agreed to accept this inventory as its baseline to begin keeping the inventory current.

ETA's lack of involvement in SESA real property activities has also resulted in \$8.2 million of SESA real property-related questioned costs.

In our opinion, with the constantly changing DOL equity in current SESA properties and the rate of turnover in SESA properties, ETA's current operating procedures are insufficient to keep the inventory reasonably current and to prevent reporting and accountability deficiencies.

In order to restore accountability, we recommended the Assistant Secretary for Employment and Training:

- Annually post ETA inventory records to: 1) add amortization amounts reported by the States; 2) transfer equity to new property or property purchases, for which the States have requested approval; 3) eliminate properties sold, traded, or vacated; and 4) add properties or revisions identified from on-site monitoring reviews.
- After obtaining Office of Management and Budget (OMB) approval, require an annual report from the SESAs showing the status of equity in SESA real property.
- Prepare and issue a replacement policy for General Administration Letter (GAL) 5-94 entitled, "Acquisition, Use, and Disposition of SESA Real Property" (which expired at the end of 1995) to promote consistent interpretation of Federal policy.

We also recommended that ETA exhaust its legal remedies to collect interest when States are not timely in remitting DOL's share of sales proceeds from properties in which DOL has equity. Finally, we recommended that ETA fully resolve all findings in the individual State reports and reiterate to the SESAs that they must comply with OMB Circulars.

Agency Response

In response to our recommendations, ETA agreed to: 1) annually post the inventory records; 2) request approval for an annual report; 3) issue an administrative notice with appropriate OMB Circulars and real property directives and provide annual training to staff; and 4) resolve all State reports as quickly as possible.

ETA disagrees with the OIG's position that DOL accrues equity when States recover real property costs through depreciation. We continue to recommend that ETA track equity in such properties until the properties are disposed of. If there is no value

at that time, equity is a moot issue. Otherwise, DOL has pro rata equity to the extent grant funds were used over time to pay for a State property. (Report No. 06-97-056-03-325; issued September 30, 1997)

**OIG Questions
\$269,404 in the Virgin
Islands
Unemployment
Insurance Program**

At the request of the Assistant Secretary for Employment and Training, we performed an audit of the Virgin Islands Unemployment Insurance (UI) program. The objective of the audit was to follow up on specific concerns regarding the accounting and reporting of administrative funds, the status of the automation grant and the timeliness of appeal decisions at the Virgin Islands Department of Labor (VIDOL).

For the period October 1, 1994 through March 31, 1996, we audited over \$3.5 million covering five VIDOL UI administrative grants and an automation grant for computer software received in FY 1991. Our audit identified questioned costs of \$269,404 that were unallowable or not documented.

We found that financial management systems were inadequate to account for and report UI financial activities. For example, there was no system to manage cash or account for penalties and interest collected from employers for overdue unemployment taxes. We concluded that VIDOL's financial management systems were inadequate to account for and report UI financial activities.

We found that the UI automation grant for \$1 million to develop and install computer software expired in September, but the software was never completely developed. Additionally, \$91,275 of the grant were inappropriately used for administrative purposes.

We also found that VIDOL does not issue timely decisions on UI appeal cases. The UI hearing examiner, on average, issues an appeal decision almost 9 months after an unemployed claimant files an appeal. Our audit identified that some of the longest outstanding cases are pending for over a year. Consequently, claimants are experiencing undue financial hardship.

Recommendations

UI Financial Management Systems: Based on our audit results and conclusions, we questioned \$178,129 of administrative costs. We recommended that the Assistant Secretary for Employment and Training Administration disallow the \$178,129 of questioned costs and ensure that VIDOL implement: 1) written accounting procedures for the VIDOL accounting system; 2) a double-entry accounting system to ensure that financial transactions are valid and accurate; 3) a system to properly maintain cash balances; and 4) a system to account for activities of the penalty and interest fund.

Automation Grant: We recommended that the Assistant Secretary for Employment and Training Administration: 1) collect \$91,275 from VIDOL, and 2) require VIDOL to establish an ADP cost allocation plan.

Timeliness of Appeal Decisions: We recommended that the Assistant Secretary for Employment and Training place VIDOL on notice that funds may be withheld if they fail to comply with appeal standards.

Generally, VIDOL agreed with our recommendations. However, they disagreed with \$119,568 of the administrative costs questioned. (Report No. 02-97-220-03-315; issued September 26, 1997)

**Limited Scope Audit
of Maryland
Unemployment
Insurance Program**

The OIG conducted a limited scope audit of selected procedures relating to the State of Maryland, Department of Labor Licensing and Regulation (DLLR), Division of Unemployment Insurance (UI). Our objective was to review the indirect cost allocation process, acquisition and disposal of UI property, plant and equipment, and the FY 1993 Unemployment Insurance Automation Support Account (UIASA) grant funds.

Our audit questioned administrative indirect costs of \$1 million for FY 1996 and recommended recovery of FY 1993 UIASA grant funds of \$310,330. We also recommended that the Assistant Secretary for Employment and Training Administration:

- ensure Maryland maintains an accurate accounting of administrative indirect costs and proper allocation of indirect costs to the Division of UI, and restore and carry

over into FY 1997 the \$1 million in questioned indirect overhead costs;

- ensure Maryland performs a physical inventory at all UI locations and reconcile this inventory to the Federal Accounting Reporting System (FARS), require the accurate and timely recording of equipment in the inventory accounting system, and ensure that UI equipment is disposed or excessed in accordance with inventory control procedures;
- recover the drawn down but unspent portion of UIASA grant funds totaling \$310,330; and
- ensure Maryland obtains a printout of all equipment purchased after June 30, 1995, which falls above the capitalization threshold established for sensitive and nonsensitive equipment.

DLLR concurred with all but one recommendation and immediately implemented corrective action. DLLR did not concur with the recommendation to obtain a printout of equipment purchased after June 30, 1995. This will be addressed in the ETA formal resolution process. (Report No. 03-057-03-315 ; issued September 30, 1997)

OIG LABOR RACKETEERING PROGRAM

Combating Labor Racketeering in the Workplace

The OIG is unique in that it is mandated by Congress to carry out a criminal enforcement program to combat organized crime influence and labor racketeering in the workplace. Simply, labor racketeering is the use of union or benefit plan assets or power for personal benefit. The underlying concept is that a union (or a benefit plan) is organized for the benefit of its members, not its leaders. When racketeers take over, that relationship is inverted with the leadership reaping benefits by exploiting the members. Therefore, as a part of the OIG's 5-year Strategic Plan, the OIG has established a specific goal to identify and reduce labor racketeering and corruption in employee benefit plans, labor-management relations, and internal union affairs.

Investigative Priorities

The objectives under this goal are to:

- Conduct investigations of labor racketeering activities of pension and employee welfare benefit plan officials, plan administrators, and service providers.
- Conduct industry probes into Organized Crime's domination or influence over unions and employers operating in those industries.
- Conduct investigations of union corruption, including the use of all available enforcement tools to remove organized crime and to restore democratic procedures in unions.

The accomplishments achieved during this reporting period demonstrate a sharpened focus on our priority work.

Evolving Nature of Racketeering

While labor racketeering has traditionally involved the domination of labor unions by organized crime, in recent years, a second generation of sophisticated racketeers (including accountants, attorneys, fund managers, and plan administrators) has emerged, transforming the nature of labor racketeering. These new rack-

eteers use the pen and the computer rather than the baseball bat and gun as their weapons. Using inflated appraisals, phony assets, self-dealing, and a myriad of sophisticated schemes, these professional criminals ruthlessly loot pension and welfare funds — union and non-union alike. The OIG now investigates not only sweetheart contracts and extortion for labor peace, but much more sophisticated financial, “white collar” crimes as well.

INDUSTRY PROBES

The influence of traditional and non-traditional organized crime figures in the workplace continues to have an adverse impact on the economy, resulting in reduced competitiveness in industries, and creating additional costs for American workers, businesses, and consumers. The strategy developed by the OIG to combat this influence has been to conduct “industry probes.” During these probes, all the segments of a particular industry are examined in order to expose the corrupt relationships that form the core of the criminal enterprise. It is our opinion that this strategy will have long-term impact by addressing the underlying causal factors of the criminal activity within the industry, thereby restoring stability and competition.

We have conducted large-scale regional industry probes in the garment, newspaper and magazine publishing, painting, and gambling industries. As an example of the effectiveness of this strategy, our probe into the New York City painting industry exposed collusion between painting contractors, union officials, and organized crime. Through a pattern of bribery, kickbacks, and extortion during an 18-month period, the mob was responsible for adding a tax of more than 10% to painting contracts (totaling \$40 million) which were awarded by the local government.

CIVIL RICO ACTIONS

The Labor Racketeering Program is continuing its emphasis on the utilization of the Racketeer Influenced and Corrupt Organizations (RICO) statute to address labor racketeering problems. Under the Act, the Department of Justice (DOJ) can consider past and present LR cases and convictions as “predicate acts” in order to establish a pattern of racketeering within the union. Moreover, the RICO Act allows the Government to seek court-appointed trusteeship of the union with appointed monitors who are responsible for removing organized criminal influence from the union. After a monitor is appointed, OIG

Special Agents work closely with them to investigate and remove organized crime's influence in the union.

This strategy has shown some impressive results, particularly in the unions identified by the President's Commission on Organized Crime (PCOC). In 1986, the PCOC issued a report on the influence of organized crime on labor unions. This report identified four unions that were particularly influenced by organized crime corruption: the International Brotherhood of Teamsters, the Laborers' International Union of North America, the Hotel Employees and Restaurant Employees International Union, and the International Longshoremen's Association. Currently, three of the four international unions identified in that report have agreed to remove corruption from their ranks.

Since 1986, the OIG's Labor Racketeering program has devoted over 35% of its investigative resources exclusively to combating corruption in the four international unions identified by the PCOC. During this period, OIG investigations resulted in 1,712 criminal indictments and 1,350 convictions. Moreover, in 1989, the Department of Justice entered into a consent decree with the International Brotherhood of Teamsters (IBT). LR continues to cooperate with the monitor for the IBT, as well as the IBT's own ethical practices committee, to address corruption within the union. In March 1995, the Department of Justice entered into a consent decree with the Laborers' International Union of North America (LIUNA). Later, in January 1996, the LIUNA agreed to hold its first direct election of international officers by the union's membership. In September 1995, the Hotel Employees and Restaurant Employees International Union (HEREIU) entered into an agreement with the Government. During this reporting period, the Labor Racketeering Program has achieved some significant results with the HEREIU and its affiliated local unions.

The cases that follow serve to highlight the OIG's continuing commitment toward this effort.

**OIG Removes
Teamsters with
Ties to the Mob**

IBT Local Union 282 was placed under Civil Rico Trusteeship in 1995. During this reporting period, James Caccavano, the IBT shop steward for Local Union 282, was removed from his position for committing acts of corruption. The OIG investigation found, and it was alleged in court, that Caccavano is an associate of

the Gambino *La Cosa Nostra* Crime Family. Caccavano's uncle, Patty Caccavano, similarly was removed from his on-site steward job for aiding and abetting Sammy ("The Bull") Gravano, former Gambino crime family Underboss, and Ed ("Cousin Ed") Garafalo, a Gambino soldier, in controlling and dominating the business affairs, operations, and appointments of the local.

In addition, John Dadabo, Sr., IBT steward for Local Union 282, with Felix Industries, was removed from his administrative position by the Court-appointed Corruption Officer. Dadabo was judged to have committed acts of corruption, as defined in the Consent Judgment filed with the U.S. District Court. Dadabo is also an associate of the Gambino *La Cosa Nostra* Crime Family.

A fourth individual, IBT steward for Local Union 282, Michael Gebbia was also removed from his administrative position by the Court-appointed Corruption Officer, for acts of corruption and for being an associate of the Gambino crime family. The Court-appointed monitor also removed a fifth individual, Paul Pederson, a Local 282 member and shop steward, from his administrative position for falsifying shop steward report submissions to the union.

**Chicago Laborers'
District Council
Placed Under RICO
Trusteeship**

On June 16, 1997, the Laborers International Union of North America (LIUNA), placed the Chicago Laborers District Council under Trusteeship. The International Union alleged that the District Council is involved in organized corruption and financial malpractice. Hearings are currently pending with respect to these corruption issues.

**Extortion Practices
Found in Florida
Union**

In an investigation into racketeering in the International Union of Operating Engineers (IUOE) in South Florida, Dennis Walton, former Business Manager of IUOE Local 675; Joseph Gagne, current Business Manager and Vice-President; along with Business Agent & Treasurer of Local 675, Roy Savigliano, were indicted on RICO and extortion charges. The charges included causing union members to be demoted or fired from operating engineer jobs, denial of work referrals through the union hiring hall, and the use of IUOE to discipline, fine, suspend, and expel union members.

INTERNAL UNION AFFAIRS

International Food Workers Union Official Indicted for Embezzlement

On May 22, 1997, two members of the United Food and Commercial Workers (UFCW) District Union Local One in Utica, New York were indicted on charges of embezzlement. Former Local One president Joseph C. Talarico, and current administrative Executive Vice President, Samuel J. Talarico, Jr., were charged with multiple instances of embezzlement from Local One in 1992. Joseph C. Talarico is now the Secretary Treasurer of the International UFCW Union based in Washington, D.C.

The defendants allegedly embezzled UFCW Local One funds by causing the union to pay various contractors for construction work on their personal residences. These contractors submitted fraudulent bills to Local One which included substantial charges for work performed for the personal benefit of both Talaricos. According to the indictment, Joseph C. Talarico embezzled approximately \$140,000 from UFCW Local One in this manner during the last half of 1992. Additionally, Samuel J. Talarico, Jr. embezzled approximately \$25,000 from the union during the same time period.

In addition, the principal of a landscaping company and the owner of an electrical construction company have pled guilty to charges relating to billing Local One for work performed at the residences of the Talaricos.

If convicted on the 5 counts charged, Joseph C. Talarico could be sentenced to a maximum of 25 years in prison and \$1.25 million in fines. Samuel J. Talarico, Jr. in turn faces up to 30 years in jail and fines of up to \$1.5 million, if convicted. These union embezzlement charges resulted from a 2-year investigation conducted by the OIG, the Office of Labor Management Standards, the Federal Bureau of Investigation, the Internal Revenue Service's Criminal Investigation Division, and the Department of Housing and Urban Development's Office of Inspector General. *U.S. v. Talarico* (N.D. of New York)

EMPLOYEE BENEFITS AND PENSION PLANS

As stated in the **Workplace Benefits** Section, the OIG also conducts investigations into criminal violations of the Employee Retirement Income Security Act (ERISA), and issues of corruption within union benefit and pension plans.

The OIG is the investigating unit within DOL for labor racketeering and organized crime matters, and subsequently, the OIG often coordinates with PWBA on issues relating to employee benefit plans. Within the employee benefits and pension plan fraud arena, the OIG has focused on concerns with service providers. The OIG estimates that there are over 3,000 pension plans jointly administered by union and management trustees. The assets of these plans total more than \$200 billion. Because of the size of these plan assets, they offer inviting targets to unscrupulous individuals who offer services to the plan administrators, including accountants, attorneys, and investment advisors.

Most recently, in April 1997, the Department of Justice (DOJ) announced the completion of a nation-wide initiative examining abuses of pension plan assets. The OIG has been an integral part of this task force on pension plan abuses. Some of the OIG task force work includes:

- Of the 72 cases involved in the task force initiative, the OIG investigated 18.
- The total loss to the pension plans amounted to \$20 million.
- OIG cases resulted in ordered restitutions of \$10.6 million.

Six OIG cases that greatly contributed to the Attorney General's initiative follow.

**Individuals Convicted
in \$10 Million New
York Teamsters
Pension Fund Heist**

A major case in the Attorney General Initiative involved an attorney for the Teamster's Local 875 employee benefit plan in New York with over \$30 million in plan assets. In this case, a partner in the investment firm that handled the investment of the plan's assets, engaged in a lucrative scheme to temporarily divert pension assets to high risk, off-shore investments.

Sanford Pollack, an attorney for the Fund, pled guilty to charges of inducing the pension fund to invest \$9.3 million in overseas debentures, which resulted in a \$9.15 million loss to the pension fund. Following the guilty plea, Pollack was sentenced to 71 months incarceration and was also ordered to pay \$9.15 million in restitution to IBT Local 875 Pension Fund.

Glenn P. Pelligren, a Louisiana securities dealer, and another defendant in this case, also pled guilty to charges of embezzling over \$400,000 from the Local 875 pension plan. Also charged and convicted at trial was Albert DeAngelis, a former official of Local 875 and a trustee of the pension fund, to 35 years incarceration, on a 2 count indictment of conspiracy to receive kickbacks and receiving kickbacks in relation to the Local 875 Pension Fund. DeAngelis is also a reputed member of the Columbo organized crime family.

A final defendant, Burton R. Horowitz, legal counsel to the pension fund, has been charged for accepting kickbacks in this scheme. *U.S. v. Pollack* (E.D. of New York)

Employer Sentenced for Embezzlement from Roofers Union Pension Fund

Another major case in the Attorney General's initiative involved an individual named Arthur Grodd, who pled guilty to charges of embezzlement from the pension and retirement funds of Local Union 33, United Union of Roofers, Waterproofers and Allied Workers (Roofers Union), and Local 248, of the United Union of Roofers, Waterproofers and Allied Workers. Three of the roofing subcontractors who allegedly conspired with Grodd were also charged for their part in the scheme. Grodd was sentenced to serve 1 year in prison, and ordered to pay \$1.5 million in restitution. In addition, Grodd was sentenced to serve 1 year of community confinement, and 1 year of community service.

The OIG investigation disclosed that over a 10-year period, Grodd defrauded union members out of their retirement benefits by: failing to make contributions, under-reporting hours of union members, and embezzling from the union's pension and retirement plans.

The investigation also established that on three separate occasions in 1995, Grodd sought to bribe the Business Manager of Local 248, in order to influence him to disregard his duties as an officer of the local union representing his company. The investigation also revealed that Grodd engaged in four separate conspiracies with subcontractors to defraud the Internal Revenue Service by under-reporting more than \$1.6 million, and to avoid paying pension and other ERISA benefits to the employees of those subcontractors.

Charged along with Grodd for conspiracy and with filing false tax returns were roofing contractors: Francis X. Sartain, John S. Ponte, and Timothy J. Daly. Ponte and Daly have pled guilty to the charges and received sentences of probation, supervised release, and each were ordered to pay a fine of \$2,000. This investigation was conducted jointly with the Criminal Investigative Division of the Internal Revenue Service. *U.S. v. Grodd* (District of Massachusetts)

Developer Charged in Investment Scheme

Michael P. Rosen, a real estate developer in Rohnert Park, California, devised a \$6.5 million scheme to deceive investors through the use of false promissory notes. In addition, Mr. Rosen stole \$250,000 from the Frozen Fresh Foods Money Purchase Pension and Profit Sharing Plan.

Rosen was charged in a criminal information indictment with theft from an employee benefit plan and mail fraud. Rosen was also charged with lying on his 1994 Federal tax return by failing to report more than \$1 million, in fraudulently obtained assets.

Rosen pled guilty to theft from an employee benefit plan, making a false tax return, and mail fraud. This investigation was conducted jointly with the Criminal Investigation Division of the IRS, the FBI, the California Department of Corporations, the Rohnert Park Department of Public Safety, and the County District Attorney's Office. *U.S. v. Rosen* (N. D. of California)

New York City Caterers Convicted for Defrauding Hotel Union Pension Plan

Stuart Somerstein and his wife, Mariana, were convicted on charges of conspiracy, mail fraud, and making false statements in a scheme to defraud the Hotel Employees and Restaurant Employees (HERE) Union Local 100 pension plan. Local 100 is headquartered in New York City and has approximately 6,000 workers.

The OIG investigation discovered that the Somersteins who owned a catering company, were misrepresenting the hours that their employees worked, and, thus, the Somersteins were contributing less than they were supposed to on behalf of their employees. In addition, the investigation also revealed that Stuart Somerstein had embezzled over \$150,000 from the catering company's pension fund. This case was conducted jointly with PWBA, and the Postal Inspection Service. *U.S. v. Somerstein* (E.D. of New York)

The following two cases highlight the OIG's efforts in other employee benefit plan investigations that were not part of the DOJ Attorney General's pension initiative.

**California
Businessman
Convicted for Pension
Embezzlement**

George Michael Shipsey, a former Santa Rosa, California real estate developer/contractor, was convicted on charges of embezzlement from an employee benefit plan and money laundering. Shipsey was charged with fraudulently obtaining loans from four union pension plans in the construction of the \$19.4 million Stonefield condominium complex in Santa Rosa. He charged the Stonefield project for the work done on his personal residence by submitting false records for loan proceeds, over-billing and double-billing work performed at Stonefield. He also demanded kickbacks of funds from contractors. Shipsey embezzled \$700,000 from the four pension funds. *U.S. v. Shipsey* (N.D. of California)

A federal grand jury in Pittsburgh returned a 91-count indictment against Frank V. Carlow, a Uniontown, Pennsylvania, businessman for tax evasion, mail fraud, pension fraud, and obstruction of justice.

**Pennsylvania Man
Indicted on Pension
Fraud Charges**

From the years 1990 to 1995, Carlow owned and controlled several coal mining and demolition companies. Carlow is charged with conspiracy to under-report federal employment taxes and coal excise taxes. The amount of evaded taxes is approximately \$10 million. A portion of these unpaid taxes was used to fund Carlow's personal lifestyle, such as the building and maintenance of his home in Uniontown, Pennsylvania. Because Carlow employed approximately 400 coal miners, these tax fraud schemes created an adverse impact on the miners, their pensions, and their health and social security benefits.

To conceal the evasion of employment taxes, Carlow did not file Forms W-2 and W-3 with the Social Security Administration. Carlow was also charged with fraudulently under-reporting payrolls to the State Workers' Insurance Fund in order to obtain lower premium payments.

Carlow was also charged with fraudulently under-reporting hours worked to the United Mine Workers of America Health and Welfare Fund. By under-reporting the hours worked, Carlow

fraudulently underpaid his contributions to the miners' health and welfare fund. In addition, Carlow is charged with providing false records to the United Mine Workers of America, Local #5 (UMWA), in order to conceal his failure to pay medical bills incurred by his employees and payable by Carlow. Finally, under the obstruction of justice count, Carlow was charged with providing false information to a federal district court judge relating to a lawsuit by the UMWA to recover amounts of unpaid medical bills.

This case was conducted jointly with the Criminal Investigation Division of the Internal Revenue Service, the Federal Bureau of Investigation, PW BA, the United States Customs Service. *U.S. v. Carlow* (W.D. of Pennsylvania)

WORKPLACE STANDARDS

The Department's Employment Standards Administration (ESA) is charged with administering and enforcing a number of statutes related to Federal labor standards. Workplace standards cover a wide range of employment issues, including: minimum wages, prevailing wages for contractors and subcontractors for Federal projects, child labor, overtime, family and medical leave, and other laws and regulations governing employment standards and practices.

To help the Department ensure the protection of these standards, the OIG has established a goal for our 5-year GPRA Strategic Plan "to optimize the use of funds appropriated for workplace safety, health, and standards programs by enhancing program performance and accountability." Listed below are OIG activities completed during this reporting period that contribute toward achieving this important goal.

WAGE AND HOUR

Within ESA, the Wage and Hour Division (WHD) is responsible for improving and protecting the wages and working conditions of workers in the private and local government sectors. The WHD is also responsible for determining the prevailing wage and fringe benefit rates for particular geographic areas, as required by the Davis-Bacon Act.

DAVIS-BACON

The Davis-Bacon Act requires that each contractor and subcontractor involved in construction, alteration or repair of Federal property pay its employees no less than "locally prevailing" wages and fringe benefits. Consequently, WHD establishes prevailing rates through data voluntarily provided by employers and third parties, including union and trade associations.

Inaccurate Data Were Frequently Used in Wage Determinations Made Under the Davis-Bacon Act

As reported in our prior report, in response to a congressional request, the OIG conducted an audit to assess the accuracy of wage and fringe benefit data used by the Department in prevailing wage surveys. Although the OIG did not find evidence of fraud or deliberate misreporting of wage data in our sample, we determined that inaccurate data were frequently used in Davis-

Bacon wage determinations. Accordingly, we recommended the wage survey process be changed to provide for independent selection of contractors, as well as on-site data collection. We concluded that changes are critical to ensuring the data used to establish prevailing wages on Federal construction projects are valid and representative.

On July 30, 1997, the Inspector General testified before a joint hearing of two congressional subcommittees, the House Subcommittee on Oversight and Investigations and the House Subcommittee on Workforce Protections, Committee on Education and the Workforce. The Inspector General reviewed the audit report findings and recommendations and discussed actions that Wage and Hour was taking on the recommendations. The Bureau of Labor Statistics (BLS) and WHD also testified at the hearing.

BLS testified that it is exploring alternatives on general wage and benefit data gathering within its Occupational Employment Statistics and National Compensation Survey programs. WHD reaffirmed the Administration's support for Davis-Bacon and its underlying principles, but recognized that changes may be needed in the wage determination process.

In response to our audit, during this period, WHD contracted with a CPA firm to perform on-site verification of a 10 percent sample of WD-10s prior to survey decisions being published. As part of its reengineering effort, WHD is working with BLS to test the feasibility of obtaining and publishing fringe benefit information for specific construction occupations.

DAVIS-BACON FRAUD

California Construction Official Indicted for Davis-Bacon Act Fraud

Our efforts in this area continue with the investigation of matters related to Davis-Bacon Act violations.

In the Northern District of California, Virgilio G. Talao, and Maria Talao were indicted and charged with conspiracy, making false statements, and violations of the Copeland Anti-Kickback Act. The Talaos' company, San Luis Gonzaga Construction, Inc., is a government contractor that has two federally funded public works contracts. The Talaos allegedly engaged in a conspiracy to defraud their employees by paying them less than the mandated

prevailing wage under the Davis-Bacon Act. Certified payroll records represented that each employee was paid at the rate of \$21.86 per hour, when they were actually paid only between \$10 and \$13 per hour and their work hours were shortened for each pay period. Virgilio Talao was also charged with witness tampering for attempting to persuade Lita Ferrer, a bookkeeper, with the intent to delay and prevent her testimony to the grand jury. *U.S. v. Talao* (N.D. of California)

**Davis-Bacon
Contractor Pleads
Guilty to Perjury**

Cary Fabiani, a contractor, pled guilty to perjury as a result of concealing his ownership and control of a roofing company in proceedings before the National Labor Relations Board. He lied under oath that he was unemployed and claimed to have given up his ownership in the roofing company. Fabiani's roofing company, in direct violation of the Davis-Bacon Act, underpaid his employees in wages and benefits and demanded kickbacks from his employees to guarantee their place on his payroll. In all, 54 employees of Fabiani's company were deprived of over \$166,000 in wages and benefits. *U.S. v. Fabiani* (N.D. California)

**FLSA
ENFORCEMENT**

**WHD's Selection of
Employers for
Investigations and
Allocation of
Resources to
Individual
Investigations**

The Department's 1997 Appropriations contained a request for the Inspector General to: 1) examine how the WHD selects employers for investigations (particularly under the Fair Labor Standards Act); and 2) determine how decisions are made concerning the amount of time and resources devoted to an individual investigation.

As a result of our audit, we concluded that: 1) WHD's field staff consistently follow established policies and procedures to select employers to investigate and determine the amount of time and resources to devote to an investigation; 2) WHD's policies and procedures adequately safeguard the investigation process and legitimately use the Department's investigative authority; 3) WHD staff do not believe they are subjected to inappropriate influence during the performance of their official duties; and 4) the incident prompting this audit was not representative of WHD's use of its investigative authority, but was an isolated incident. (Report No. 17-97-004-04-420; issued April 3, 1997)

DEPARTMENTAL MANAGEMENT

The OIG is firmly committed toward helping improve DOL programs and operations and ensure they are administered in a cost-effective manner. We are also concerned with ensuring that those who work for DOL, perform services, or participate in its programs, do so with the highest integrity. This commitment is reflected in our 5-year Strategic Plan designed “to improve the effectiveness, efficiency, and management of DOL agencies, programs, and operations.”

The Strategic Plan’s overarching goal complements the OIG’s four underlying strategic goals, which focus on affecting improvements in specific programs of the Department and which provide a framework for audit and investigative activities. The nature of this departmental management goal is broader and, therefore, our strategies to achieve it are directed largely towards the substantial financial management and performance audit activities under the Chief Financial Officers (CFO) Act. These results are reported every year in our spring Semiannual report. Additionally, in the near future, we will also report on activities related to the implementation of the GPRA, which became effective October 1997. Through investigative efforts, the OIG assisted the Department in its efforts to ensure the integrity and ethical standards of DOL employees. Examples of work completed during this period follow.

Greater Information Sharing In DOL Can Result In Cost Savings and Reduce the Public’s Reporting Burden

The OIG conducted an audit of the Department’s efforts to collect, process, and report information about Federal contractors and subcontractors. The purpose of the audit was to identify opportunities to streamline operations and identify areas of potential cost savings for the Department.

For the past 5 years, the Department has purchased Federal contractor information databases from two different sources. Under the Federal Contractor Program, Veterans’ Employment and Training Service (VETS) purchases the Commerce Business Daily (CBD) to collect Federal contract award information data in order to carry out the agency’s reporting responsibilities. The Employment Standards Administration’s Office of Federal

Contract Compliance Programs (OFCCP) uses the Federal Procurement Data System (FPDS) in order to establish contractor coverage for enforcement reviews.

Our audit determined that the CBD does not provide the type of reliable data needed by VETS. For example, it contains several deficiencies, including: the lack of information identifying where the contract work will be performed; inclusion of data on companies whose Federal contracts have expired; and the duplication of company names. On the other hand, we found that the FPDS is a more useful tool for identifying Federal contractors because it ensures the accurate identification of contractors, specifies place of contract performance, and provides an estimated contract completion date. Like the CBD, the FPDS is available upon request monthly from the General Services Administration.

We concluded that because both agencies need to collect similar types of data, only one source is needed to serve the Department in fulfilling its mandates. By designating the FPDS as the primary source of Federal contractor information, and sharing information, the Department can achieve cost savings.

Recommendations

We recommended that VETS, through the Department's Chief Information Officer, collect valid and reliable information on Federal contractors through information sharing with other agencies within the Department. Though VETS agreed that the FPDS is far more complete, it will continue to use the CBD for at least another year and incorporate the FPDS into its system. Since October 1, 1992, the CBD has announced only those contracts of \$25,000 or more, and by October 1, 1999, only contracts of \$100,000 or more will be announced.

Under VETS' Federal Contractor Program, Federal contractors must report annually the number of special disabled veterans (as defined under 41 CFR Ch. 61) and Vietnam-era veterans they employ. The report must include job categories, hiring locations, and the number of new employees hired. Similarly, the Equal Employment Opportunity Commission (EEOC) requires Federal contractors to report the same type of information. The OIG believes the Department will reduce the reporting burden on employers and reduce the cost of these collection programs if the VETS' and EEOC data collection efforts are consolidated.

Following discussions, the EEOC agreed with the OIG that it would be more efficient to combine the two separate Federal Government data collection programs.

Specifically, EEOC's EEO-1 requires reporting from a company or any of its establishments that have: 1) 50 or more employees; 2) is either a prime Government contractor or first-tier subcontractor; and 3) has a contract, subcontract, or purchase order amounting to \$50,000 or more (or serves as a depositor of Government funds in any amount or is a financial institution which is an issuing and paying agent for U.S. Savings Bonds and Savings Notes). In contrast, the VETS-100 requires reporting from both Federal contractors and subcontractors with no limitations on the number of employees. EEOC believes that the contractors they currently survey (greater than \$50,000 and greater than 50 employees) account for the bulk of Federal contractor employment and hiring.

We recommended that the Assistant Secretary for VETS reduce the public reporting burden on employers by: 1) establishing a partnership with EEOC to revise the form to collect necessary information on employment and hiring of veterans; and 2) providing to Congress with a list of legislative changes needed to allow VETS to consolidate its data collection efforts with EEOC. (Report No. 17-97-005-02-210; issued April 25, 1997)

EMPLOYEE INTEGRITY AND ETHICS

The OIG's Office of Investigation is charged with the responsibility for conducting investigations into possible criminal activities within the Department's programs as well as by the employees of the Department. The OIG believes that the prosecution of individuals who have violated the high standards that all Federal employees are measured against will have the long-term impact of promoting integrity in the Federal workforce. During this reporting period, a former Occupational Safety and Health Specialist pled guilty to one count of theft of government property after being charged with making false statement and perjury. Our investigation discovered that William Marzeski made false statements regarding his leave status and claimed to be incapacitated by sickness from performing his official duties when in fact he was self-employed as an insurance solicitor. He is scheduled to be sentenced in October. *U.S. v. Marzeski (N.D. of New York)*

APPENDIX

REPORTING REQUIREMENTS

Requirement Under the Inspector General Act of 1978

Section 4(a)(2) - Review of Legislation and Regulation	<i>iv-vii</i>
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)(4) - Matters Referred to Prosecutive Authorities	1
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	70
Section 5(a)(8) - Statistical Tables on Management Decisions on Questioned Costs	65
Section 5(a)(9) - Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	66
Section 5(a)(10) - Summary of Each Audit Report Over 6 Months Old for Which No Management Decision Has Been Made	67
Section 5(a)(11) - Description and Explanation for Any Significant Revised Management Decision	None
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	21

Note: This table cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, and Senate Report No. 96-829 (Supplemental 1980 Appropriations and Rescissions 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.

EXPLANATION OF AUDIT SCHEDULES

Questioned Costs 65

This schedule shows the extent to which DOL management has taken steps, during the 6-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 management 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 65

This schedule presents the activity for costs that have been disallowed during the 6-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 (Agreed & Implemented) 66

These schedules depict the activity during the 6-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 6 Months 67

This schedule presents a summary of all audit reports that continue to remain unresolved for more than 6 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.)

Final Audit Reports Issued by the OIG 70

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

Final Single Audit Reports 72

This schedule is a listing of audit reports that were issued during the 6-month reporting period as required by the Single Audit Act of 1984, whereby Federal awards administered by non-federal entities are audited. This listing also provides for each audit 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 which have not been resolved for over 1 year and on which corrective action has not been completed is reported in the Secretary’s Semiannual Management Report.

QUESTIONED COSTS*

	Number of Audit Reports ¹	Total Questioned Costs (\$ million)
Management decisions not made from prior reporting period	167	26.3
Issued during the period	153	19.6
Total reports needing management decisions	320	45.9
Amounts management disallowed during this period	N/A	3.1
Amounts management allowed during this period	N/A	3
Total management decisions made during this period	159	6.1
Management decisions not made at the end of this period**	161	39.8

¹ This number overstates the number of audits with questioned costs because it includes audit reports with non-monetary recommendations and no recommendations.

* Differences between the beginning balance of this schedule and the ending balance of the previous Semiannual report results from adjustments during the period.

** Program agencies have 180 days to issue a final management decision. This number includes audits where final decisions have not been made, as well as unresolved audits over 6 months.

DISALLOWED COSTS

	Number of Audit Reports ¹	Total Disallowed Costs (\$ million)
Management decisions awaiting final action from prior reporting period	216	44.3
Questioned costs disallowed during the reporting period	158	3.1
Total management decisions awaiting final action	375	47.4
Settlement agreements obtained during the period	N/A	0
Cash recovered during the period	N/A	5.3
Disallowed costs written off during the period	N/A	9.3
Final action on management decisions during the period	159	14.6
Management decisions awaiting final action at the end of this period	216	32.8

¹ This number includes audit reports with non-monetary recommendations and disallowed costs.

RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE (AGREED)

	Number of Audit Reports	Recommendations that Funds be Put to Better Use (\$ millions)
Management decisions not made from prior reporting period	6	62.6
Issued during the period	5	11.6
Total reports needing management decisions	11	74.2
Value of recommendations agreed to by management during this period	1	.77
Value of recommendations withdrawn during this period	1	.047
Management decisions not made at the end of this period	10	73.4

RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE (IMPLEMENTED)

	Number of Audit Reports	Recommendations that Funds be Put to Better Use (\$ millions)
Value of recommendations awaiting final action from prior reporting period	1	7.9
Value of recommendations agreed to by management during the current reporting period	1	.77
Total reports awaiting implementation	2	8.7
Value of recommendations implemented during the period	1	.77
Value of recommendations awaiting final action at the end of this period	1	7.9

UNRESOLVED AUDITS OVER 6 MONTHS

April 1, 1997 - September 30, 1997

Agency	Date Program	Audit Issued	Report Number	Name of Audit/Auditee	No. of Rec.	Questioned Costs
Under Investigation or Litigation:						
ETA	JTPA	14-SEP-94	02-94-263-03-340	OJT BROKER	1	1,181,720
ETA	OJC	10-SEP-96	18-96-024-03-370	NATIONAL PLASTERING INDUSTRY	2	145,344
ETA	OJC	28-MAR-97	18-97-014-03-370	NATIONAL PLASTERING INDUSTRY	12	859,115
Awaiting Resolution:						
ETA	ADMIN	28-MAR-97	04-97-014-03-001	AUDIT OF HOMELESS GRANTS AT THE SE TENN PIC ¹⁷	12	509,662
ETA	ADMIN	31-MAR-97	04-97-015-03-001	AUDIT OF HOMELESS GRANTS KNOX ¹⁷	5	47,055
ETA	ADMIN	25-AUG-92	12-92-022-03-001	ETA FY 91 FINANCIAL STATEMENTS ⁸	2	0
ETA	ADMIN	30-SEP-93	12-93-001-03-001	FY 92 ETA FINANCIAL SCHEDULE ⁸	7	0
ETA	UIS	09-MAY-96	17-96-004-03-315	ALLEGATION OF WRONGDOING ³	2	65,906
ETA	SESA	17-JAN-96	06-96-001-03-325	PROPOSED FY96 RENTAL RATES ³	4	194,815
ETA	SESA	21-MAR-97	06-97-010-03-325	DOL EQUITY IN SESA REAL PROP ¹⁷	1	79,346
ETA	SESA	27-MAR-97	06-97-019-03-325	DOL EQUITY IN SESA REAL PROP ¹⁷	4	940,465
ETA	SESA	28-MAR-97	06-97-025-03-325	DOL EQUITY IN SESA REAL PROP ¹⁷	4	281,260
ETA	JTPA	20-FEB-97	02-96-258-03-340	COMPARATIVE ANALYSIS OF JTPA ²	2	0
ETA	JTPA	28-FEB-95	04-95-013-03-340	AUDIT OF GA DEPT OF LABOR ¹⁸	3	0
ETA	JTPA	28-SEP-95	04-95-041-03-340	METRA NASHVILLE, TN ³	4	299,771
ETA	JTPA	23-AUG-96	04-96-028-03-340	NATL BUSINESS INSTITUTE ³	1	82,792
ETA	JTPA	30-SEP-96	04-96-029-03-340	AUDIT OF CONVERSION GRANTS ¹⁸	2	0
ETA	JTPA	13-SEP-96	04-96-030-03-340	GA DEPT OF TECH AND ADULT ²	3	409,512
ETA	JTPA	30-SEP-96	04-96-031-03-340	NATL BUSINESS INST, HEARTLAND ¹⁸	1	36,268
ETA	JTPA	26-FEB-96	05-96-001-03-340	CITY OF CHICAGO JTPA-OJT ³	3	679,773
ETA	JTPA	25-SEP-92	06-92-010-03-340	EAST TEXAS COUNCIL OF GOVT ⁶	13	5,780,925
ETA	JTPA	22-MAY-96	18-96-012-03-340	OIC ¹⁰	1	98,688
ETA	JTPA	08-JAN-97	18-97-007-03-340	ACADEMY FOR EDUCATIONAL DEV ¹²	1	180,162
ETA	DINAP	07-JUN-96	06-96-239-03-355	BLACKFEET TRIBE ⁷	9	77,562
ETA	DINAP	20-DEC-96	06-97-210-03-355	CHEROKEE NATION ²	8	0
ETA	DINAP	06-MAR-97	06-97-223-03-355	STANDING ROCK SIOUX TRIBE ³	3	0
ETA	DINAP	07-MAR-97	06-97-224-03-355	STANDING ROCK SIOUX TRIBE ³	1	0
ETA	DINAP	22-JUN-96	09-96-551-03-355	TOHONO O'DHAM NATION ²	2	1,530
ETA	DINAP	06-SEP-96	09-96-555-03-355	SHOSHONE-BANNOCK TRIBES ³	2	0
ETA	DINAP	27-SEP-96	09-96-564-03-355	CALIFORNIA INDIAN MANP CON ³	1	10,108
ETA	DINAP	28-AUG-96	18-96-021-03-355	NATIVE AMER EDUCATIONAL ¹⁰	5	97,074
ETA	DINAP	05-SEP-96	18-96-022-03-355	CALIFORNIA INDIAN MANP CON ⁶	13	161,195
ETA	YFC	11-FEB-97	18-97-013-03-356	CITY OF LOS ANGELES COMM ¹¹	11	629,726
ETA	DOWP	11-FEB-97	03-97-009-03-360	NATL COUNCIL OF SENIOR CITIZENS ³	2	0
ETA	DOWP	19-MAR-97	03-97-011-03-360	NATL COUNCIL OF SENIOR CITIZENS ³	1	0
ETA	DOWP	30-SEP-96	18-96-028-03-360	NATIONAL CAUCUS AND CENTER ¹²	10	117,824
ETA	DSFP	30-AUG-96	06-96-128-03-365	HOME EDUCATION LIVELIHOOD ³	1	0
ETA	DSFP	31-MAR-95	18-95-013-03-365	MISSISSIPPI DELTA COUNCIL ¹⁴	3	33,837
ETA	OJC	02-APR-96	02-96-208-03-370	PUERTO RICO VOLUNTEER YOUTH ¹	21	219,435
ETA	OJC	02-APR-96	02-96-209-03-370	PUERTO RICO VOLUNTEER YOUTH ¹	13	1,716
ETA	OJC	23-MAY-96	02-96-248-03-370	PUERTO RICO VOLUNTEER YOUTH ¹	6	0
ETA	OJC	23-MAY-96	02-96-249-03-370	PUERTO RICO VOLUNTEER YOUTH ¹	6	0
ETA	OJC	19-AUG-96	12-96-004-03-370	JOB CORPS COMBINING SCHED ⁹	3	0
ETA	OJC	10-SEP-96	18-96-023-03-370	DAU, WALKER AND ASSOCIATES ⁶	5	101,468

UNRESOLVED AUDITS OVER 6 MONTHS

April 1, 1997 - September 30, 1997

Agency	Date Program	Audit Issued	Report Number	Name of Audit/Auditee	No. of Rec.	Questioned Costs
ETA	STW	03-SEP-96	05-96-003-03-385	SCHOOL-TO-WORK OPPORTUNITIES ³	13	135,298
ETA	STW	13-JUN-96	05-96-114-03-385	FOX CITIES CHAMBER FOUNDATION ³	6	0
ETA	STW	12-JUL-96	18-96-015-03-385	CAPITAL AREA TRAINING FOUND ⁶	7	632,460
ETA	STW	30-SEP-96	18-96-025-03-385	TEXAS COUNCIL ON WORKFORCE ³	4	249,514
ETA	STW	27-SEP-96	18-96-027-03-385	TULARE COUNTY OFFICE OF EDUC ³	4	0
ETA	STW	08-JAN-97	18-97-008-03-385	MISSISSIPPI DEPT OF EDUCATION ³	1	19,168
ESA	WHD	10-MAR-97	04-97-013-04-420	INACCURATE DATA FREQUENTLY USE ⁶	3	0
ESA	WHD	27-MAR-97	04-97-016-04-420	AUDIT WAGE&HOUR DIV ¹⁸	3	0
OASAM	ADMIN	30-SEP-93	12-93-008-07-001	FY92 CONSOLIDATED FINANCIAL ⁸	1	0
OASAM	ADMIN	02-SEP-94	12-94-012-07-001	DOL CONSOLIDATED FINANCIAL ³	2	0
OASAM	ADMIN	15-JUN-95	12-95-004-07-001	FY94 DOL CONSOL FINANCIAL ³	1	0
OASAM	ADMIN	06-MAR-97	17-97-001-07-001	AUDIT OF THE DEPT SAFETY &HEALTH ³	1	0
OASAM	COMP	30-SEP-93	12-93-011-07-710	FY92 WORKING CAPITAL FUND ⁹	1	0
OASAM	OPGM	30-SEP-91	18-91-035-07-735	OIC OF AMERICA DIRECT&INDIRECT ¹¹	2	83,764
OASAM	OPGM	09-SEP-93	18-93-011-07-735	INTERNAT ^l MASONRY INSTITUTE ¹²	1	72,926
OASAM	OPGM	04-NOV-94	18-95-001-07-735	HOMEBUILDERS INSTITUTE ¹²	1	628,158
OASAM	OPGM	04-NOV-94	18-95-002-07-735	HOMEBUILDERS INSTITUTE ¹²	2	748,379
OASAM	OPGM	04-NOV-94	18-95-003-07-735	HOMEBUILDERS CRAFT SKILLS ¹²	7	353,479
OASAM	OPGM	20-JUL-95	18-95-014-07-735	CENTRAL VALLEY OPPOR CEN ¹²	12	215,005
OASAM	OPGM	20-SEP-95	18-95-025-07-735	ASOCIACION NACIONAL PRO ¹²	6	76,274
OASAM	OPGM	12-APR-96	18-96-006-07-735	EVKO PRODUCTIONS, INC. ¹²	5	520,938
OASAM	OPGM	20-NOV-96	18-97-002-07-735	CALVILLO AND ASSOCIATES ¹¹	9	233,946
OASAM	OPGM	11-FEB-97	18-97-012-07-735	RES-CARE, INC. ¹²	3	215,116
OASAM	OPGM	28-MAR-97	18-97-015-07-735	CALVILLO AND ASSOCIATES ¹²	2	126,679
OSHA	ADMIN	29-SEP-92	05-92-014-10-001	FY91 OSHA FINANCIAL STAT ⁹	2	0
OSHA	ADMIN	17-JAN-95	05-95-004-10-101	OSHA FY93 INTERNAL CONTROL ⁹	1	0
OSHA	OSHAG	06-DEC-96	18-97-005-10-101	MERIDIAN RESEARCH, INC. ¹⁶	2	7,386
OSHA	OSHAG	08-JAN-97	18-97-006-10-001	EASTERN RESEARCH GROUP ¹⁶	4	32,247
OSHA	EN/PRG	31-MAR-97	05-97-107-10-105	OSHA SECTION 11(C) DISCRIMIN ³	9	0
PWBA	ENFORC	30-SEP-96	09-96-005-12-121	FULL SCOPE AUDIT OF EMPL BEN ³	1	0
PWBA	ENFORC	04-MAR-97	09-97-002-12-121	PWBA EMPLOYEE CONTRIBUTION ³	1	0
CFO	ADMIN	01-MAY-96	12-96-007-13-001	FY95 DOL CONSOLIDATED FINAN ³	10	0
CFO	ADMIN	28-FEB-97	12-97-005-13-001	FY96DOL CONSOLIDATED FINAN ³	6	0
MULTI	ALLDOL	01-APR-96	02-96-210-50-598	DEPT OF LABOR AND HUMAN ¹	39	287,065
MULTI	ALLDOL	01-APR-96	02-96-211-50-598	DEPT OF LABOR AND HUMAN ¹	28	15,943
MULTI	ALLDOL	01-APR-96	02-96-212-50-598	DEPT OF LABOR AND HUMAN ¹	29	60,680
MULTI	ALLDOL	01-OCT-96	02-96-214-50-598	STATE OF RHODE ISLAND ²	41	10,487
MULTI	ALLDOL	01-OCT-96	02-96-215-50-598	STATE OF RHODE ISLAND ²	47	29,618
MULTI	ALLDOL	10-DEC-96	02-97-210-50-598	STATE OF NEW HAMPSHIRE ¹	6	13,231
MULTI	ALLDOL	14-MAR-96	03-96-008-50-598	STATE OF DELAWARE ⁴	2	0
MULTI	ALLDOL	13-DEC-96	03-97-002-50-598	STATE OF WEST VIRGINIA FY95 ⁵	2	0
MULTI	ALLDOL	13-FEB-97	03-97-004-50-598	COMMONWEALTH OF PENN ³	6	140,486
MULTI	ALLDOL	20-MAR-97	03-97-006-50-598	DC DEPT OF EMPLOYMENT SERV ²	10	11,796
MULTI	ALLDOL	21-MAR-97	03-97-007-50-598	COMMONWEALTH OF VIRGINIA ³	5	460,737
MULTI	ALLDOL	30-APR-96	04-96-004-50-598	STATE OF KENTUCKY ³	4	0
MULTI	ALLDOL	18-JUL-96	04-96-012-50-598	STATE OF NORTH CAROLINA ³	1	150,232
MULTI	ALLDOL	07-MAR-97	04-97-004-50-598	STATE OF NORTH CAROLINA ¹⁷	1	2,705
MULTI	ALLDOL	31-MAR-97	04-97-017-50-598	STATE OF ALABAMA ¹⁷	2	4,610
MULTI	ALLDOL	29-APR-96	05-96-209-50-598	WISCONSIN, STATE OF ³	4	124,680
MULTI	ALLDOL	31-JAN-97	06-97-109-50-598	NEW MEXICO DEPT OF LABOR ³	31	0

UNRESOLVED AUDITS OVER 6 MONTHS

April 1, 1997 - September 30, 1997

Agency	Date Program	Audit Issued	Report Number	Name of Audit/Auditee	No. of Rec.	Questioned Costs
MULTI	ALLDOL	10-APR-96	09-96-544-50-598	GOVERNMENT OF GUAM ³	1	0
MULTI	ALLDOL	03-MAY-96	09-96-550-50-598	STATE OF WASHINGTON ²	6	43,057
MULTI	ALLDOL	30-SEP-96	09-96-559-50-598	STATE OF CALIFORNIA ³	8	3,674
MULTI	ALLDOL	20-SEP-96	09-96-560-50-598	STATE OF ARIZONA ³	3	0
MULTI	ALLDOL	10-SEP-96	09-96-562-50-598	HI DEPT OF LABOR & INDUS ³	4	0
MULTI	ALLDOL	11-FEB-97	09-97-507-50-598	STATE OF ALASKA ³	12	123,334
TOTAL AUDIT EXCEPTIONS					641	\$19,157,126

Notes to "Unresolved Audits Over 6 Months"

¹No Final Determination

²Initial Determination issued

³Unresolved during period

⁴Appealed

⁵Administrative finding(s) unresolved

⁶Unresolved pending response to final audit report

⁷Unresolved pending results of investigation

⁸Referred to Deputy Secretary

⁹Being resolved in conjunction w/FY 96 DOL Consolidated Audit

¹⁰Under review by Office of Cost Determination or w/Contract Officer

¹¹ETA Initial Management Decision issued, awaiting Final Management Decision

¹²Pending indirect cost negotiation

¹³ETA coordinating resolution with OASAM/OCD

¹⁴Formerly under investigation--180 day resolution began June 13, 1997

¹⁵Not Used

¹⁶Final Decision not received from OSHA

¹⁷Currently in Resolution

¹⁸Resolved prior to issuance of this semiannual report

FINAL AUDIT REPORTS ISSUED BY THE OIG

April 1, 1997 - September 30, 1997

Name of Audit	Program	Report Number	No. of Non-Monetary Rec.	Questioned Costs	Funds Put to Better Use
EMPLOYMENT AND TRAINING					
INFORMATION SHARING	ADMIN	17-97-005-02-001	4	0	0
UTEP DEMONSTRATION GRANT	JTPA	06-97-058-03-340	0	0	0
STATE OF CALIFORNIA - AEROSPACE NETWORK	JTPA	18-97-018-03-340	1	0	0
MARE ISLAND NAVAL SHIPYARD	JTPA	18-97-026-03-340	0	154,101	0
JOB CORPS NEEDS TO IMPROVE FOLLOWUP ON QUESTIONABLE PLACE	OJC	03-97-019-03-370	7	0	0
SIERRA NEVADA JOB CORPS CENTER	OJC	09-97-006-03-370	0	2,308	0
KIMBERLY INDUSTRIES, INC.	OJC	18-97-016-03-370	0	4,041,655	0
MAINSTREAM, INC.	OJC	18-97-024-03-370	3	31,998	0
CHARLESGATE CONSTRUCTION COMPANY	OJC	18-97-027-03-370	0	861,596	817,763
CASH MANAGEMENT PRACTICE BY THE JOB CORPS NATIONAL TRAINING	OJC	18-97-028-03-370	0	0	0
JOHNSON, BASSIN AND SHAW, INC.	OJC	18-97-030-03-370	0	20,868	0
OVERSIGHT OF JOB CORPS HEALTH CARE PROGRAM	OJC	18-97-031-03-370	2	0	0
NPIJATF PERFORMANCE AUDIT	OJC	18-97-033-03-370	9	0	0
SCHOOL-TO-WORK OPPORTUNITIES PROGRAM IN MISSOURI	STW	05-97-002-03-385	4	16,821	0
SCHOOL-TO-WORK OPPORTUNITIES PROGRAM IN INDIANA	STW	05-97-003-03-385	13	34,847	0
STW BARRIERS MANAGEMENT LETTER	STW	05-97-004-03-385	0	0	0
WORKPLACE BENEFITS					
AUDIT OF THE VIRGIN ISLAND UNEMPLOYMENT INSURANCE PROGRAM	UIS	02-97-220-03-315	6	269,404	0
LIMITED SCOPE AUDIT OF SELECTED ELEMENTS OF THE STATE OF DEL	UIS	03-97-003-03-315	12	250,113	0
LIMITED SCOPE OF MARYLAND UNEMPLOYMENT INSURANCE PROGRAM	UIS	03-97-057-03-315	7	1,317,215	0
UNEMPLOYMENT TRUST FUND - SEPT. 30, 1996	UIS	12-97-004-03-315	0	0	0
MASS. ONE STOP PROJECT	USES	02-97-226-03-320	1	0	0
DOL EQUITY IN SESA REAL PROPERTY - NEW HAMPSHIRE	SESA	06-97-004-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - NORTH DAKOTA	SESA	06-97-011-03-325	0	150,939	0
DOL EQUITY IN SESA REAL PROPERTY - MONTANA	SESA	06-97-016-03-325	0	164,471	0
DOL EQUITY IN SESA REAL PROPERTY - MARYLAND	SESA	06-97-020-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - RHODE ISLAND	SESA	06-97-021-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - HAWAII	SESA	06-97-022-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - UTAH	SESA	06-97-023-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - ALABAMA	SESA	06-97-024-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - INDIANA	SESA	06-97-026-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - OKLAHOMA	SESA	06-97-027-03-325	2	0	0
DOL EQUITY IN SESA REAL PROPERTY - GEORGIA	SESA	06-97-029-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - MINNESTOA	SESA	06-97-030-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - OHIO	SESA	06-97-031-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - NORTH CAROLINA	SESA	06-97-032-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - ARKANSAS	SESA	06-97-033-03-325	1	0	0
DOL EQUITY IN SESA REAL PROPERTY-FLORIDA	SESA	06-97-034-03-325	1	254,860	0
DOL EQUITY IN SESA REAL PROPERTY - KANSAS	SESA	06-97-035-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - NEW MEXICO	SESA	06-97-036-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - NEVADA	SESA	06-97-037-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY-PUERTO RICO	SESA	06-97-038-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - WISCONSIN	SESA	06-97-039-03-325	0	309,388	0

FINAL AUDIT REPORTS ISSUED BY THE OIG

April 1, 1997 - September 30, 1997

Name of Audit	Agency/Program	Report Number	No. of Non-Monetary Rec.	Questioned Costs	Funds Put to Better Use
DOL EQUITY IN SESA REAL PROPERTY - MICHIGAN	SESA	06-97-040-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY-SOUTH CAROLINA	SESA	06-97-041-03-325	3	165,000	0
DOL EQUITY IN SESA REAL PROPERTY - IOWA	SESA	06-97-042-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY-KENTUCKY	SESA	06-97-043-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - WASHINGTON	SESA	06-97-044-03-325	0	20,070	0
DOL EQUITY IN SESA REAL PROPERTY - ALASKA	SESA	06-97-045-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - VIRGIN ISLANDS	SESA	06-97-046-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - NEW JERSEY	SESA	06-97-047-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - CALIFORNIA	SESA	06-97-048-03-325	0	711,701	0
DOL EQUITY IN SESA REAL PROPERTY - ARIZONA	SESA	06-97-049-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - MISSOURI	SESA	06-97-050-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - NEW YORK	SESA	06-97-051-03-325	0	3,952,692	0
DOL EQUITY IN SESA REAL PROPERTY - NEBRASKA	SESA	06-97-052-03-325	0	0	0
DOL EQUITY IN SESA REAL PROPERTY - OREGON	SESA	06-97-053-03-325	0	739,444	0
DOL EQUITY IN SESA REAL PROPERTY - IDAHO	SESA	06-97-054-03-325	0	542,465	0
DOL EQUITY IN SESA REAL PROPERTY	SESA	06-97-056-03-325	14	0	0
TEXAS WORKFORCE COMMISSION	SESA	18-97-019-03-325	2	2,656,279	0
MEDICAL PROVIDERS OVERBILL FECA MILLIONS EACH YEAR	FECA	09-97-200-04-431	0	1,375,842	7,004,346
FY 96 FECA SPECIAL BENEFIT FUND	FECA	12-97-007-04-431	0	0	0
FECA MANAGEMENT ADVISORY COMMENTS SEPTEMBER 30, 1996	FECA	12-97-009-04-431	0	0	0
LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND	DLHWC	12-97-002-04-432	0	0	0
DCCA SPECIAL FUND AUDIT	DLHWC	12-97-003-04-432	0	0	0
LONGSHORE & DCCA MANAGEMENT ADVISORY COMMENTS	DLHWC	12-97-011-04-432	6	0	0
FY1996 BLACK LUNG DISABILITY TRUST FUND FINANCIAL STATEMENT	DLHWC	12-97-012-04-432	0	0	0
BLDTF MANAGEMENT ADVISORY COMMENTS	CMWVC	12-97-013-04-433	1	0	0
STREAMLINING THE ERISA EFAST AND DEVELOPMENT OF EMS	ADMIN	09-97-007-12-001	0	0	0
AUDIT OF PWBA REPORTING AND DISCLOSURE	ENFORC	09-97-004-12-121	2	0	3,290,000
BLS HOTLINE COMPLAINT REGARDING APPROPRIATIONS LAN ISSUES	ADMIN	12-97-008-11-001	7	30,038	0
WORKPLACE STANDARDS - LABOR RIGHTS ENFORCEMENT					
WHD SELEC OF EMPLRS FOR INVESTG & ALLOC OF RESRCS TO INDIVID	WHD	17-97-004-04-420	0	0	0
DOL MANAGEMENT					
WOMEN WORK! THE NATIONAL NETWORK FOR WOMEN'S EMPLOYMENT	ASP	18-97-022-01-010	0	23,586	0
HOMELESS DEMONSTRATION PROJECTS	ADMIN	04-97-018-03-001	2	0	0
FAIR PRESENTATION OF EMPLOYMENT & TRAINING PROGRAM PERFORMANCE	ADMIN	17-97-002-03-001	34	0	0
AUDIT OF THE DEPARTMENT'S PROCUREMENT REVIEW BOARD	ADMIN	17-97-003-07-001	0	0	0
LIMITED-SCOPE REVIEW OF TCU'S INDIRECT COST	OPGM	18-97-021-07-735	0	0	206,513
CONSULTING & PROGRAM MANAGEMENT SERVICE, INC.	OPGM	18-97-025-07-735	0	604,510	0
INVENTORIES OF JOB CORPS PROPERTY	OPGM	18-97-029-07-735	0	0	300,000
KRA 1/CFYS 1994 & 1995	OPGM	18-97-032-07-735	0	437,272	0
FY 96 DOL MGMT ADVISORS COMMENTS	ADMIN	12-97-010-13-001	5	0	0
Totals			80	149 \$19,139,483	\$11,618,622

FINAL SINGLE AUDIT REPORTS

April 1, 1997 - September 30, 1997

Name of Audit	Program	Report Number	No. of Non-Monetary Rec.	Questioned Costs	Funds Put to Better Use
SINGLE AUDITS					
RUTGERS UNIVERSITY	ASP	02-97-218-01-010	0	0	0
BUREAU OF REHABILITATION, INC.	ASP	03-97-046-01-010	0	0	0
NATIONAL EMPLOYER COUNCIL, INC.	ADMIN	03-97-025-02-001	0	0	0
WOMEN'S RESEARCH AND EDUCATION INSTITUTE	ADMIN	03-97-026-02-001	0	0	0
CITY OF JACKSONVILLE, FL	ADMIN	04-97-011-02-001	0	0	0
EASTERN MONTGOMERY COUNTY AREA VOC TECH SCHOOL	OTAA	03-97-038-03-330	0	0	0
GOODWILL INDUSTRIES INTERNATIONAL, INC	JTPA	03-97-016-03-340	0	0	0
GOODWILL INDUSTRIES INTERNATIONAL, INC.	JTPA	03-97-017-03-340	0	0	0
GOODWILL INDUSTRIES INTERNATIONAL, INC.	JTPA	03-97-018-03-340	0	0	0
THE NATIONAL FEDERATION OF THE BLIND	JTPA	03-97-021-03-340	0	0	0
THE NATIONAL FEDERATION OF THE BLIND	JTPA	03-97-022-03-340	0	0	0
THE NATIONAL FEDERATION OF THE BLIND	JTPA	03-97-023-03-340	0	0	0
EPILEPSY FOUNDATION OF AMERICA	JTPA	03-97-027-03-340	0	0	0
EPILEPSY FOUNDATION OF AMERICA	JTPA	03-97-028-03-340	0	0	0
EPILEPSY FOUNDATION OF AMERICA	JTPA	03-97-029-03-340	0	0	0
MAINSTREAM, INC.	JTPA	03-97-031-03-340	0	0	0
CITIES IN SCHOOLS, INC.	JTPA	03-97-041-03-340	0	0	0
NATIONAL ASSOCIATION OF COUNTIES AND AFFILIATES	JTPA	03-97-049-03-340	0	0	0
SER-JOBS FOR PROGRESS NATIONAL, INC.	JTPA	06-97-115-03-340	0	0	0
SER-JOBS FOR PROGRESS NATIONAL, INC.	JTPA	06-97-116-03-340	0	0	0
SER-JOBS FOR PROGRESS NATIONAL, INC.	JTPA	06-97-117-03-340	0	0	0
AMERICAN REHABILITATION ASSOCIATION, INC.	OSTP	03-97-036-03-350	0	0	0
NATIONAL TOOLING AND MACHINING ASSOCIATION	OSTP	03-97-037-03-350	1	0	0
RHODE ISLAND INDIAN COUNCIL, INC.	DINAP	02-97-214-03-355	2	2,104	0
SAINT REGIS MOHAWK TRIBE	DINAP	02-97-221-03-355	0	0	0
CENTRAL MAINE INDIAN ASSOCIATION, INC.	DINAP	02-97-224-03-355	2	0	0
COUNCIL OF THREE RIVERS AMERICAN INDIAN CENTER	DINAP	03-97-039-03-355	0	0	0
COUNCIL OF THREE RIVERS AMERICAN INDIAN CENTER	DINAP	03-97-040-03-355	0	0	0
AMERICAN INDIAN OIC, INC	DINAP	05-97-110-03-355	0	0	0
AMERICAN INDIAN COUNCIL, INC	DINAP	05-97-116-03-355	0	0	0
LEECH LAKE RESERVATION	DINAP	05-97-214-03-355	0	0	0
NATIONAL COUNCIL OF SENIOR CITIZENS, INC.	DOWP	03-97-010-03-360	1	0	0
GREEN THUMB, INC. FYE 6/30/95	DOWP	03-97-020-03-360	0	0	0
THE NATIONAL COUNCIL ON THE AGING, INC.	DOWP	03-97-042-03-360	0	0	0
AMERICAN ASSOCIATION OF RETIRED PERSONS	DOWP	03-97-050-03-360	0	0	0
NEW MEXICO STATE AGENCY ON AGING	DOWP	06-97-226-03-360	0	0	0
RURAL OPPORTUNITIES, INC. & AFFILIATES	DSFP	02-97-222-03-365	0	0	0
ASSOCIATION OF FARMWORKERS OPPORTUNITY PROGRAMS	DSFP	03-97-048-03-365	0	0	0
KENTUCKY FARMWORKER PROGRAMS, INC	DSFP	04-97-021-03-365	0	0	0
MIDWEST FARMWORKER EMPLOYMENT & TRAINING, INC	DSFP	05-97-109-03-365	0	0	0
PROTEUS, INC.	DSFP	05-97-111-03-365	0	0	0
NAF MULTICULTURAL HUMAN DEVELOPMENT CORP	DSFP	05-97-113-03-365	0	0	0
SER CORPORATION	DSFP	05-97-114-03-365	0	0	0
ILLINOIS MIGRANT COUNCIL	DSFP	05-97-115-03-365	0	0	0
FOX CITIES CHAMBER FOUNDATION, INC	STW	05-97-112-03-385	0	20,388	0

FINAL SINGLE AUDIT REPORTS

April 1, 1997 - September 30, 1997

Name of Audit	Program	Report Number	No. of Non-Monetary Rec.	Questioned Costs	Funds Put to Better Use
NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY	GRTEES	06-97-227-06-601	0	0	0
JOHNS HOPKINS UNIVERSITY SCHOOL OF HYGIENE	ADMIN	03-97-054-10-001	0	0	0
SYRACUSE UNIVERSITY	BLSG	02-97-217-11-111	0	0	0
STATE OF RHODE ISLAND & PROVIDENCE PLANTATIONS	ALLDOL	02-97-204-50-598	20	0	0
STATE OF MAINE	ALLDOL	02-97-213-50-598	22	0	0
COMMONWEALTH OF MASSACHUSETTS	ALLDOL	02-97-215-50-598	6	0	0
STATE OF NEW JERSEY	ALLDOL	02-97-216-50-598	9	0	0
STATE OF NEW HAMPSHIRE	ALLDOL	02-97-219-50-598	0	0	0
STATE OF NEW YORK	ALLDOL	02-97-223-50-598	1	0	0
STATE OF CONNECTICUT	ALLDOL	02-97-225-50-598	9	0	0
WOMEN'S RESEARCH AND EDUCATION INSTITUTE	ALLDOL	03-97-030-50-598	0	0	0
CITY OF BALTIMORE, MARYLAND	ALLDOL	03-97-032-50-598	0	0	0
COUNTY OF ALLEGHENY, PENNSYLVANIA	ALLDOL	03-97-033-50-598	0	0	0
STATE OF DELAWARE	ALLDOL	03-97-035-50-598	0	306,932	0
NATIONAL GOVERNORS' ASSOCIATION CENTER FOR POLICY RESEARCH	ALLDOL	03-97-043-50-598	0	0	0
DC DEPARTMENT OF EMPLOYMENT SERVICES	ALLDOL	03-97-044-50-598	5	111,318	0
NATIONAL ALLIANCE OF BUSINESS, INC.	ALLDOL	03-97-045-50-598	0	0	0
NATIONAL ACADEMY OF SCIENCES	ALLDOL	03-97-047-50-598	0	0	0
HOME BUILDERS INSTITUTE	ALLDOL	03-97-051-50-598	0	0	0
HUMAN RESOURCES DEVELOPMENT INSTITUTE	ALLDOL	03-97-053-50-598	0	0	0
COMMONWEALTH OF PENNSYLVANIA	ALLDOL	03-97-055-50-598	8	1,426	0
STATE OF MARYLAND	ALLDOL	03-97-056-50-598	6	0	0
STATE OF MISSISSIPPI	ALLDOL	04-97-005-50-598	0	0	0
STATE OF FLORIDA	ALLDOL	04-97-019-50-598	3	0	0
STATE OF KENTUCKY	ALLDOL	04-97-022-50-598	4	0	0
MICHIGAN EMPLOYMENT SECURITY COUNCIL	ALLDOL	05-97-108-50-598	13	5,637	0
ARKANSAS DEPARTMENT OF LABOR	ALLDOL	06-97-118-50-598	0	0	0
STATE OF SOUTH DAKOTA	ALLDOL	06-97-228-50-598	0	0	0
TOTALS		73	112	\$447,805	\$0

INVESTIGATIONS: BREAKDOWN OF ACCOMPLISHMENTS

	Division Totals	OI Total
Cases Opened		
Program Fraud	225	
Labor Racketeering	59	284
Cases Closed		
Program Fraud	186	
Labor Racketeering	58	244
Referred for Prosecution		
Program Fraud	95	
Labor Racketeering	64	159
Cases Referred for Administrative/Civil Action		
Program Fraud	268	
Labor Racketeering	20	288
Indictments		
Program Fraud	79	
Labor Racketeering	58	137
Convictions		
Program Fraud	70	
Labor Racketeering	54	124
Debarments		
Program Fraud	2	
Labor Racketeering	27	29
Recoveries, Cost Efficiencies, Restitutions, Fines/Penalites, Forfeitures and Civil Monetary Actions		
Program Fraud	\$7.5	
Labor Racketeering	\$17.8	\$25.3

INVESTIGATIONS: COMPLAINT ACTIVITY

ANALYSIS OF COMPLAINT ACTIVITY Breakdown of Allegation Reports by Source:

Hotline Operations - Calls and Letters from Individuals or Organizations	134
Letters from Congress	11
Letters from DOL agencies	9
Incident Reports from DOL agencies	2
Reports by Special Agents and Auditors	1
GAO	0
Total	157

Breakdown of Allegation Reports by Referral:

Referred to Office of Audit	4
Referred to OI Regional/Field Offices	31
Referred to DOL Program Management	98
Referred to other agencies	13
No further action required	12
Pending disposition at end of period	0
Total	158

INVESTIGATIONS: FINANCIAL ACCOMPLISHMENTS

<u>Categories</u>	<u>\$Amount</u>
Recoveries:	5,267,080
(The dollar amount/value of an agency's action to recover or reprogram funds or to make other adjustments in response to OI investigations.)	
Cost Efficiencies:	3,707,134
(The one-time or per annum dollar amount/value of management's commitment, in response to OI investigations, to more efficiently utilize the Government's resources.)	
Restitutions:	15,698,662
(The dollar amount/value of restitutions resulting from OI criminal investigations.)	
Fines/Penalties	468,886
(The dollar amount/value of fines, assessments, seizures, investigative/court costs, or other penalties resulting from OI criminal investigations.)	
Civil Monetary Actions:	227,529
(The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, or other penalties resulting from OI civil investigations.)	
Total:	25,369,291

OFFICE OF INVESTIGATIONS CASE LIST

April 1, 1997 - September 30, 1997

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
EMPLOYEE MISCONDUCT				
CUNNINGHAM, ANDRE				1,620
JACKSON, BRENDA		X	X	2,002
MARZESKI, WILLIAM		X		0
PHILLIPS, TEDE.			X	550
STOREY, LILLIAN			X	23,214
EMPLOYMENT STANDARDS ADMINISTRATION				
BLACK LUNG				
HOLLANDSWORTH, JUNETTA				11,952
HUBBARD, CYNTHIA I.		X	X	10,040
FECA				
BARNETT, RICHARD L.	X			0
BICKERSTAFF, CHARLES	X			0
BOONE, MICHAEL I.	X	X	X	11,095
BROWN, DAVID			X	6,945
BURT, OLLIE			X	36,404
CARLSON, DONALD ROBERT		X	X	17,025
CLEMONS, TONY A.			X	57,575
DARK, GLYN				16,657
DIFUCCIA, RALPH		X	X	85,900
FITZGERALD, SUSAN	X	X	X	24,204
GELSER, JANICE	X	X		0
GIESE, DARWIN O.	X			0
GILLIAM, ROBERT			X	1,875
GIUNTA, ANTONIO JOHN	X			0
GLOWSKI, MARK RN	X			0
HENRY, CHARLES	X	X		0
HENRY, NINA M.	X	X		0
HINES, ROBERT M.	X	X	X	3,050
HOLMES, HARVEY DEAN		X		62,809
IOVINE, ANTOINETTE			X	2,800
JONES, WANNELL			X	31,555
LAB, LOUIS			X	87,601
LARKIN, LEE	X			0
LEWIS, ADOLPHUS RAY	X	X	X	600
MIMMS, ALSINA	X	X	X	46,396
NUNEZ, ISMAEL	X	X	X	8,391
NWACHUKU, HELEN		X		0
PHILLIPS, DANNY L.			X	64,396
POLK, RALPH	X			0
ROBERTS, DANIELLE	X			0
ROBINSON, DEBORAH	X			0
RODRIGUES, JOHN F.	X	X		0
SAXTON, WILLIAM	X			0
SELMON, JACKIE	X			0
SIEGEL, HEATHER		X	X	16,122
SMART, WILLIAM H.			X	100
SMITH, CHARLES D	X	X	X	9,772
WIEGAND, VIOLA		X	X	2,800
WINKLER, GARY		X	X	4,347

OFFICE OF INVESTIGATIONS CASE LIST**April 1, 1997 - September 30, 1997**

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
LSHWC				
BATTEN, MARK D.	X			0
BRAGG, DONALD MICHAEL,	X			0
EVANS, ARNOLD JOSEPH WAYNE	X			0
HINSON, SIDNEY		X	X	11,171
LOWERY, DANNY JOE				0
STINSON, JOHNNY L.			X	83,362
W&H				
INDUSTRIAL CONSTRUCTION SERVIC,				116,500
SAN LUIS GONZAGA CONSTRUCTION,	X			0
TALAO, GERARDINA	X			0
TALAO, MARIA	X			0
TALAO, VIRGILIO	X			0
OTHER				
BOWMAN, DAVID T.	X			0
LAMANNA, SALVIN R.			X	129,483
EMPLOYMENT & TRAINING ADMINISTRATION				
TJTC				
BROWN, DERRICK			X	37,000
CURLES, DENA			X	50
MOORE, LISA			X	37,050
JTPA				
ASSOCIATION HOUSE OF CHICAGO,				62,268
BORGES, JAIME				7,500
BRUMFIELD, STEPHONY		X	X	4,419
FRIERSON, JEWEL C.				2,000
GARDNER, ELLOYD	X	X	X	3,050
GOLMAN, QUINTON		X	X	38,050
HALL, DEBORAH		X	X	12,200
HARRELL, SHIRLEY		X	X	4,104
HARRIS, GARY RUSSELL	X			0
HIKIND, DOV	X			0
HUGGANS, CHARLIE		X	X	3,883
MOORE, DEREK		X	X	5,987
NELSON, DELORES JEAN	X	X	X	3,050
SAMLETZKA, EDWARD		X	X	483
SMITH, LAWRENCE		X	X	8,620
WILSON, STACIE		X	X	4,367
WILSON, TONIA		X	X	910
WILSON, VALERIE		X	X	653
SESA/UI				
ABREU, MIGUEL	X	X	X	4,000
BARNES, MARK O.	X			0
BARNES, THOMAS	X	X		0

OFFICE OF INVESTIGATIONS CASE LIST

April 1, 1997 - September 30, 1997

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
BEECHUM, O. J.	X	X	X	5,801
BETHEL, PAMELA	X			0
BOWDEN, DAREN L.			X	400
BOWDEN, SHANNON			X	550
BROUSSARD, RICHARD		X	X	4,213
BROWN, KENNETH C.	X			0
BUSH, GEORGE	X	X	X	4,716
CAROSI, MARK A.			X	5,250
CARTER, BRUCE E.			X	50
CARTER, JERZINE		X	X	25
CHINN, JAMES JR.	X			0
CLARK, GEORGE	X	X	X	1350
COBB, SHIRLEY	X	X	X	5,426
COTTON, GAIL LYNETTE DEMPSEY		X	X	7,471
DAWN, KENNETH	X			0
DIXON, MICHAEL A.	X			0
DOWDY, BRENDA	X			0
EBERLY, ANTHONY	X	X		0
EGELSTON, JIMMIE D.		X	X	335
EMEDI, MAMBO MTANGE		X		0
FARRELL, LAWRENCE		X		0
FINLEY, JIMMIE L.	X			0
FINLEY, SYLVIA L.	X			0
FRANKLIN, DELOIS L.			X	250
FRANKLIN, JOYCE			X	250
FRIANO, CIRO SR.	X	X	X	5,117
HARRIS, ROSALYN		X	X	10,050
HOLMES, KEITH A	X			0
HUALPA, GUILLERMO				5,932
HUGHES, DEANNA	X			0
HUNTER, JAMES	X	X		0
IRONS, STANLEY			X	5,498
JACKSON, ANGELA D.	X			0
JOHNSON, WANDA		X	X	3,037
LILLY, SHAWN T A R.	X	X	X	1,100
LOPEZ, BEVERLY	X	X	X	6,649
LUPO, PAUL	X	X	X	30,708
LYNN, LISA M.	X	X		0
MARTIN, BETTY			X	12,875
MARTIN, CLIFFORD RAY			X	6,050
MARTIN, KIMBERLY CAROLYN			X	4,505
MARTIN, TEANDRA	X			0
MARTINEZ - CASTILLO, VIDAL	X			0
MCCRORY, JAMES W.	X			0
MCLENDON, MICHAEL L.	X			0
MOORE, TALISA N.	X			0
MOSSBURG, JAMES H.	X	X		0
MURPHY, JACQUELYN	X	X	X	0
NASH, KEVIN M.		X	X	9,146
NETTLES, LESTER		X	X	4,632
O'DONNELL, SUSAN	X	X	X	30,708
OREJUELA, JOHNNY	X			0
PARKER, DARYL F.	X			0
PEGROSS, SHERMANITA		X	X	50
PERNELL, JEFFREY			X	50
PHILLIPS, ALBERT N. JR.	X	X		0

OFFICE OF INVESTIGATIONS CASE LIST

April 1, 1997 - September 30, 1997

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
PHILLIPS, IDAL.	X			0
RAWLS, GREGORY	X	X	X	1,200
RAWLS, SAMUEL L	X	X	X	800
RICHARDSON, DION L	X	X	X	540
ROCHESTER, MELVIN	X			0
SIMPSON, SHON STERLING			X	5,132
SKINNER, DONTE		X	X	5,475
STONE, MARY	X	X	X	0
TAYLOR, G.W. JR	X	X	X	340
THOMPSON, HEZROND.	X			0
WEBB, KIM			X	17,650
WILLIAMS, IRVING		X	X	250
WILLIAMS, ROEMAN	X	X	X	760

MINE SAFETY & HEALTH ADMINISTRATION

HEYER, WILLIAM			X	50
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LABOR RACKETEERING

BERRY, PRESTON	X			0
CHONG, JAY	X			0
CHONG, JIN	X			0
KO, KUN OK	X			0
KO, MYUNG HEE	X			0
KO, YOUNG	X			0
PANIGUTTI, HERMAN	X	X	X	1,050
POLLACK, SANDFORD			X	50
POLLACK, SANFORD37			X	1,450
SPINA, CIRO				2,500
WEAST, ELIZABETH MURDEN	X			0

BENEFIT PLAN

BEZMALINOVIC, KRESCO P		X		0
BLACK, BRUCE			X	72,700
BROSS, DAVID	X			0
BROUILLETTE, RICHARD	X			0
CARLOW, FRANK V.	X			0
DALY, TIMOTHY	X	X	X	2,100
DEANGELIS, ALBERT	X	X		0
FABIANI, CARY		X	X	50
FAST, WILLIAM M			X	1,000
FERRAIOLI, SALVATORE			X	500,750
FRANKOLA, MARINO	X	X		0
FREEMAN, TERRENCE K.	X			0
GARAVAGLIA, CHARLES		X		0
GEE, MARY	X			0
GRODD, ARTHUR D	X	X	X	1,007,900
HARRISON, KENNETH	X	X		0
HOLLENBACH, PETER J	X			0
HOROWITZ, BURTON	X			0

OFFICE OF INVESTIGATIONS CASE LIST

April 1, 1997 - September 30, 1997

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
HRKMAN, NICHOLAS			X	50
JENSEN, GEORGE		X		0
JOHNSTONE, LINDA	X	X		0
KALYVAS, JAMES	X			0
KOEHN, CHERI	X	X		0
KORTSCH, FRANCIS J		X	X	48,613
KORZENIEWSKI, RICHARD	X			0
MALDONADO, OSCAR			X	1,050
MCQUATTERS, RICHARD H.			X	0
MENDENHALL, NOLAN		X		0
MICHELI, LOUIS		X		0
MILLER, MICHAEL		X		0
MOLINARI, MARIE		X	X	0
MOLINARI, ROCCO		X	X	1,867,832
NEAL, TIMOTHY			X	500,000
PELLEGRIN, GLENN	X	X		0
POLLACK, SANFORD			X	9,250,000
PONTE, JOHN	X	X	X	2,100
RENNERT, PHILIP		X		0
ROGERS, GEORGE		X	X	73,097
ROSEN, MICHAEL	X	X		0
SARTAIN, FRANCIS	X	X		0
SHIPSEY, GEORGE MICHAEL		X		0
SOMERSTEIN, MARIANNA		X		0
SOMERSTEIN, STUART		X		0
VERGALLITO, AUGUST	X	X	X	550
WEBSTER, LARRY	X			0
YEAMAN, DAVID		X		0
INTERNAL UNION				
ANDERSON, JAMES S.	X			0
ANDERSON, MARK	X			0
CAMPBELL, ROBERT L		X	X	0
CARMELLA GAROFALO	X			0
CONTRERAS, LINDA	X			0
DIXON, WALTER			X	1,775
EBY, KENNETH R		X	X	0
FITZPATRICK, MICHAEL	X			0
FRIZELL, MIKE			X	0
GAGNE, JOSEPH	X			0
GEORGOPOULOS, JOHN	X	X		0
GREENSTAR COMPANY INC,		X	X	37,000
KELLER, CLAUDIA	X			0
KELLEY, JAN			X	30,250
KELLEY, VINCENT			X	35,250
LOUIS PARISE, JR.			X	4,400
LOUIS PARISE			X	191,697
MCGORMAN, JAMES	X	X	X	0
MORALES, MARCOS	X	X	X	185,000
NARDI, NICK	X			0
PAVCO,			X	38,684
RAWLINGS, TODD		X	X	0
REED, ROBERT A		X	X	0
RUPARD, GORDON		X	X	0

OFFICE OF INVESTIGATIONS CASE LIST

April 1, 1997 - September 30, 1997

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
SAVIGLIANO, ROY JOSEPH	X			0
SKERIES, ROBERT.	X	X		0
WALTON, DENNIS J	X			0
WARD, WILLIAM	X	X	X	0
WELLER, DONALD K			X	14,825
WILLIAMS, JOANNE	X			0
WILLIAMS, RAY CHARLES	X	X		0
YEAGER, TRAVIS		X	X	0
LABOR-MANAGEMENT RELATIONS				
BARRON, DONALD L	X	X		0
BIANCO, ANTHONY T.	X	X		0
BLOOM, JAY	X	X		0
BROWN, RICHARD	X		X	107,250
DANELLA, DENNIS G	X	X		0
EDWARDS, DARLENE M			X	107,250
FINKLE, JAMES	X	X		0
FISHER, MIKE		X		0
GRAFF, STEFAN		X		0
GRIFFIN, BOB F		X		0
HEIDEMAN, STEVE	X	X		0
MARACLE, LEONARD			X	1,075
MEASE, WILLIAM	X			0
MIGLIORE, LOUIS	X	X		0
SANTIAGO, ENRIQUE			X	116,441
SCHANK, GEORGE	X	X		0
SHEPPARD, BRYAN			X	107,250
SHEPPARD, EARL			X	107,250
SHEPPARD, FRANK			X	107,250
SIMMONS, CATHRYN M		X		0
TALARICO, JOSEPH	X			0
TALARICO, SAMUEL J	X			0
WEHBY, WILLIAM			X	67,240
TOTAL	137	124	132	\$16,395,077