



# HIGHLIGHTS

Volume 56 April 1, 2006–September 30, 2006

## In This Issue...

Recent Mine Safety and Health Administration work ....	2
Challenges facing Job Corps .....	3
Security of DOL's information technology systems .....	3
DOL's response to the 2005 Hurricanes .....	3
Company owner indicted for not paying employment taxes .....	3
Contractor pleads guilty in DUA fraud scheme .....	4
\$70 million in fines and restitution to be paid by Ralphs Grocery .....	4
Former LIUNA Local 91 officials sentenced .....	4
\$5.7 million forfeiture in immigration fraud case .....	4

## A Message from the Inspector General

This edition of *Highlights* provides a synopsis of selected significant activities and accomplishments of the Office of Inspector General (OIG) for the six-month period ending September 30, 2006. During this reporting period, the OIG continued to provide audit and investigate oversight of the Department of Labor's (DOL's) response to Hurricane Katrina. We also completed an audit that examined the effectiveness of DOL's coal mine hazardous condition complaint process and resulted in significant findings and recommendations for improvements.

Our investigations continue to combat labor racketeering in the workplace, abuses of the DOL's foreign labor certification program, and fraud against other DOL programs.

The OIG remains committed to promoting the economy, integrity, effectiveness, and efficiency of DOL programs and detecting waste, fraud, and abuse against those programs. I would like to offer my sincere appreciation to the OIG staff for their hard work and significant achievements during this reporting period.

Gordon S. Heddell  
 Inspector General

## Selected Statistics

April 1, 2006–September 30, 2006

Investigative monetary accomplishments .....	\$76 million
Questioned costs .....	\$90.2 million
Audit and other reports issued .....	66
Indictments .....	295
Convictions .....	260
Investigative cases opened .....	325
Investigative cases closed .....	321
Investigative cases referred for prosecution .....	163
Investigative cases referred for administrative/ civil action .....	180
Debarments .....	24

**The OIG is identifying potential problems that could impact the central mission of MSHA to protect the health, safety, and well-being of our nation's miners.**

Recent fatalities in the coal industry have heightened concerns for the safety and health of the nation's coal miners. In response, the OIG increased its audit activity involving the Mine Safety and Health Administration (MSHA) to help identify any potential problems that could impact the central mission of MSHA to protect the health, safety, and well-being of our nation's miners.

As part of this increased attention to MSHA, the OIG recently completed an audit of the hazardous condition complaint process in MSHA's Office of Coal Mine Safety and Health (CMS&H). This process is the mechanism in place to satisfy statutory requirements for "immediate" mine inspections in response to certain alleged hazards pursuant to the Mine Safety and Health Act of 1997. In addition, the OIG is conducting an ongoing performance audit of MSHA's Accountability Program within CMS&H.

The OIG found deficiencies in MSHA's process for receiving and documenting complaints that were routed to Headquarters through a contractor-run answering service. We found that the script utilized by the contractor did not make clear to callers that complaints could be filed confidentially. Moreover, the persons fielding the telephone calls lacked mining knowledge. With respect to the timely evaluation and inspection of hazardous condition complaints, our audit found that a significant number of complaints took two or more days before an inspection was initiated. These delays may have subjected miners to prolonged hazardous conditions. Finally, the OIG found MSHA management reports of hazardous complaints were significantly understated.

The Accountability Program was established to evaluate the quality of MSHA enforcement activities through peer reviews of District activities, and to provide assurance that policies and procedures are being complied with consistently. In the course of conducting an ongoing audit of MSHA's Accountability Program within CMS&H, we identified areas of concern and issued a management letter recommending improvements to aid CMS&H in the Headquarters Reviews of Districts it will be initiating in the coming months.

The OIG found that the Accountability Program did not ensure that either the District Peer Reviews or the Headquarters Reviews of Districts, include a standard process for selecting mines to be reviewed, require a review team member to visit those mines selected during the reviews, require a review team member to interview appropriate district and/or field office personnel during the reviews; and include a centralized system for Headquarters to record and track the deficiencies and corrective actions identified during reviews. Furthermore, for District Peer Reviews, there was no standard format for review reports and corrective action plans.

## Challenges Facing Job Corps

Job Corps is a \$1.5 billion national training and employment program designed to serve “at-risk youth” throughout the United States. The Job Corps program consists of more than 125 centers nationwide and serves approximately 60,000 students per year. Given the magnitude and importance of this program, the OIG continues to dedicate significant resources to oversight of this area of DOL responsibility.

Our audits continue to support long-standing OIG concerns regarding risks associated with performance-based contracts, procurement, and student safety and health matters within the Job Corps program. For example, one audit showed that a Job Corps center significantly overstated its employment and educational placement outcomes, and another audit identified several conditions that posed health and safety risks to a Center’s student and staff population that warranted immediate corrective actions.

## IT Security

Recent media reports of the theft, loss, or compromise of Government computer records – some of which raised concerns about possible identity theft – have heightened attention within DOL to the importance of protecting its information technology (IT) systems. DOL relies on these IT systems to carry out its mission, including monitoring and analyzing the nation’s labor market and economic activities, managing workforce services, and protecting and compensating American workers.

During this period, the OIG completed audits of 4 of the Department’s 85 critical information systems, and performed an evaluation of the DOL’s protection of sensitive agency information.

Based on the results of our work, we believe DOL’s overall information security program can be improved by focusing on access controls in high- and medium-risk systems, including those containing sensitive information. Placing a high priority on this area will help reduce the risk of unauthorized access to systems and sensitive information. In addition, our evaluation identified challenges facing the Department in fully implementing OMB guidance on protections over sensitive agency information.

## 2005 Hurricanes

The Federal response to the 2005 hurricanes that devastated our nation’s Gulf Coast continued to be an area of significant audit and investigative attention for the OIG. Our audit work in the states of Mississippi and Louisiana identified numerous cases of individuals receiving both Disaster Unemployment Assistance (DUA) and Unemployment Insurance (UI) or receiving either DUA or UI while also receiving DOL-funded Public Service Employment wages.

In addition, in the State of Mississippi, we found that \$1.8 million in National Emergency Grant (NEG) funding was used to cover the educational expenses of more than 500 students mass enrolled in NEG-funded college courses, even though they were already attending college. Moreover, the State accepted eligibility self-certifications without later verifying the students’ eligibility for training.

With respect to the investigative efforts of the OIG, the OIG initiated a two-phased approach. Phase I focused on addressing the thousands of possible cases of fraudulent claims for UI and DUA benefits. As part of this effort, the OIG has opened more than 270 investigations to date, which have resulted in 28 arrests, 43 indictments, and 25 convictions.

Phase II commenced in May 2006 and is concentrating on labor racketeering schemes in reconstruction and debris removal. Finally, as part of the overall investigative response, the OIG is participating in several Federal, state, and local Fraud Task Forces.

### **COMPANY OWNER ALLEGEDLY DID NOT PAY \$1.4 MILLION IN EMPLOYMENT TAXES**

The owner and operator of an Indiana-based labor leasing company was charged in August 2006 with mail fraud and failure to account for and remit employee withholding taxes relating to its disaster reconstruction work involving Hurricanes Frances and Katrina. In the alleged scheme, the owner hired employees to travel to the Gulf Coast, paid the employees hourly wages, and purported to withhold their income and Social Security taxes. While allegedly withholding the taxes, the owner did not account for and pay the Federal taxes to the IRS. The owner is charged with neither registering with the State of Indiana nor paying into

## 2005 Hurricanes-Continued

its unemployment compensation fund as required. The charges further allege that the owner spent approximately \$1.4 million, which should have been paid to state and Federal agencies, on personal expenses.

### **GUILTY PLEA IN DISASTER UNEMPLOYMENT ASSISTANCE FRAUD CASE**

A former contractor for the Louisiana National Guard at the Baton Rouge Career and Job Center pled guilty in July 2006 to charges of “Extortion Under Color of Official Right” for his role in the filing of approximately 80 fraudulent DUA and UI claims with the Louisiana Department of Labor relating to Hurricane Katrina relief payments. He assisted in the filing and processing of DUA and UI claims for people he knew were not qualified to receive such assistance. A number of these claims involved the use of fraudulent Social Security numbers and names. The scheme caused debit cards valued at a total exceeding \$141,000 to be mailed to claimants at addresses provided by an accomplice. Each false claim had the potential to collect \$3,822 in fraudulent benefits, for a total of \$305,760.

## OIG Investigations

### **RALPHS GROCERY AGREES TO PAY \$70 MILLION FOR ACTIONS TAKEN DURING LABOR DISPUTE**

Kroger subsidiary Ralphs Grocery Company pled guilty in July 2006 to charges of conspiracy, false statements, false representation of Social Security numbers, providing false statements to an employee benefit plan, and identity theft for its role in a labor dispute. Ralphs agreed to pay \$50 million in restitution to current and former employees and a \$20 million fine to be imposed pending approval of the presiding judge at sentencing.

Ralphs illegally rehired approximately 1,000 locked-out grocery workers during a 2003–2004 grocery store labor dispute. During the lockout, Ralphs engaged in a company-wide course of criminal conduct involving the hiring of locked-out employees under false names, Social Security numbers, and documentation, which intentionally undermined the financial integrity of the union and its affiliated benefit plans.

## OIG Investigations-Continued

### **GUILTY PLEAS AND SENTENCINGS IN RACKETEERING AND EXTORTION CASE**

In August 2006, eight high-ranking officials of the LIUNA Local 91 pled guilty or were sentenced for their roles in a conspiracy to commit violations of the Hobbs Act. Through their violent scheme, Local 91 officials extorted both local and out-of-town businesses of their right to hire and retain workers of their choice at construction projects in Niagara County, New York.

Each of the four individuals were sentenced received terms of incarceration, ordered to pay restitution, and barred from holding any type of union office for a period of 13 years. These former Local 91 officials, at the behest of other former union leaders, committed acts of violence and property sabotage in an effort to extort both union and nonunion tradespersons out of their rightful jobs.

### **LUXURY CARS AND MORE THAN \$5.7 MILLION ARE FORFEITED IN IMMIGRATION FRAUD SCHEME**

The owner of Cybersoftec pled guilty in June 2006 to charges of sponsoring himself for a green card using an alternate identity and of labor certification substitution. He faces 37 to 46 months’ incarceration. It was discovered that he used counterfeit forms to apply for at least 250 green cards via the Foreign Labor Certification program and made profits of at least \$2.1 million from the sale of the counterfeit labor documents. Cybersoftec charged applicants between \$4,000 and \$22,500 to substitute their names onto previously approved labor certifications, which the applicants believed had not been used previously. As part of his guilty plea, the defendant consented to the forfeiture of more than \$5.7 million and two luxury automobiles. He further agreed to pay full restitution to the approximately 250 applicants in this case.

**Read more about these and many other audits and investigations by downloading the complete *Semiannual Report to the Congress*, available on the OIG’s Web site: [www.oig.dol.gov](http://www.oig.dol.gov)**