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PREFACE

This report covers the activities of the Department of Labor's Office of Inspector General for the period April 1 through September 30, 1982, and is submitted pursuant to the requirements of the Inspector General Act of 1978.

The emphasis that OMB, the Secretary, senior managers within OIG, and the Congress have placed on fraud and waste issues has, we believe, created an increased awareness throughout the Department of the need to be alert to such issues and an increased tendency for program managers to work cooperatively with the Office of Inspector General to resolve not only past problems but also, more importantly, to prevent future problems.

Indicative of these trends is the seriousness with which the Department is implementing OMB Circular A-123, which calls for a system of vulnerability assessments and internal control reviews of program and administrative functions. While it is premature to assess the results of this program, we are encouraged by the high level of senior management involvement and by the strong central planning and coordination provided by the Office of the Assistant Secretary for Administration and Management.

In addition, we have become more involved in conducting joint projects with other Department agencies. One such project, on enforcement of the Employee Retirement Income Security Act of 1974, is described in this report; another, a review of vehicle management, has

recently been completed and will be covered in a subsequent semiannual report.

Another example of cooperation is our increased audit coverage of the Job Corps program. This particular program has historically received relatively little audit or investigative coverage by the Office of Inspector General. Recently, however, there has been growing evidence that coverage, particularly by our auditors, should be intensified. Recognizing this, Assistant Secretary Angrisani and his staff have worked closely with our office in making funds and personnel available for a major catch-up effort to achieve audit coverage of approximately 90 percent of the Job Corps program.

We are also being asked more frequently by program managers for advice and assistance. For example, we have reviewed numerous proposed employment and training contracts and provided our assessment of potential problems. During this period, we also assisted the Employment and Training Administration in reviewing a state's methodology in computing unemployment figures to determine if improper practices were used by the state to qualify for extended unemployment insurance benefits. We determined that the methodology indeed was improper and the Secretary requested the state to recompute its figures using an acceptable methodology.

Nevertheless, serious fraud and waste problems persist. Despite improvements in the Employment and Training Administration's financial management and procurement controls, we continue to question a significant amount of dollars due to ineligible CETA participants and unresolved subgrantee audit exceptions.

These are not new problems; they have been frequently cited in previous semiannual reports.

We plan to continue an active audit and investigative effort in the job training area. In terms of the Employment and Training Administration, our challenge during the upcoming months will be to work intensively to assist the Department in making certain that, in implementing the new job training legislation, we correct the problems that we found in the previous program. We believe that this collaborative effort will help ensure that adequate management and program controls are established at the outset and that past problems are avoided.

We are also going to continue our recent increased audit and investigative coverage of the Unemployment Insurance program. In 1982, this program was funded by approximately 21 billion dollars. In the past, OIG has provided relatively little coverage of this program. During this reporting period, we have expended considerable resources on a nationwide audit of the benefit payment control systems for the Unemployment Insurance program. While audit work is still underway, results to date suggest strongly that there is much room for improvement and that significant amounts of states and the Federal Government money could be saved. We have initiated a second major nationwide project on the tax collection systems for the Unemployment Insurance program, since we believe that they are also vulnerable to large dollar losses. We will also be working closely with Unemployment Insurance program personnel during this reporting period to identify other potential audit issues.

In our last semiannual report, we were critical of management deficiencies in the Office of Workers' Compensation Programs and of leadership by the Employment Standards Administration in carrying out needed improvements on a timely basis. During the reporting period, we have seen increased activities by the Employment Standards Administration management aimed at resolving particular problems and addressing other major issues. We are encouraged by this, but are cautiously optimistic since much yet remains to be done. The nature and extent of fraud uncovered by the OIG in this reporting period alone dramatize the seriousness of continuing internal control weaknesses in OWCP programs.

A matter of continuing interest to this and other Offices of Inspector General is the implementation of OMB's Circular A-102, Attachment P, which calls for single audits to be conducted of all federal funds flowing to an organization, rather than separate grant-by-grant auditing that occurred in the past. The effective implementation of this policy is a challenging responsibility for the Office of Inspector General. We have been assigned audit cognizancy by OMB for 101 of 800 state government units and 134 out of the top 300 local governmental units. As the cognizant audit organization, we will be working with these units of government to ensure that state and local audits are conducted in accordance with applicable audit standards, that the quality of the audit process is maintained, and that OIG and the program agencies get the maximum use from the audits. In this regard, we have worked closely with the Office of Management and Budget and the President's Council on Integrity and Efficiency in launching a major evaluation effort of this

new policy. We believe that this effort should provide early warning of any problem areas and thus help ensure the success of the entire program.

Two major areas of OIG accomplishments deserve special mention: the President's Council on Integrity and Efficiency Computer Matching Project, and our investigative accomplishments during this period.

We have had a major role in the Computer Matching Project sponsored by the President's Council on Integrity and Efficiency. The project has been co-chaired by Tom McBride and Richard Kusserow, HHS' Inspector General. We believe much progress has been achieved and, in my view, the project represents a significant accomplishment of the President's Council on Integrity and Efficiency.

During the past six months, the project has continued to pursue its overall goal of promoting and facilitating increased use of computer matching and related techniques to prevent and detect fraud and overpayment in federally-financed operations.

Among the practical efforts that have been undertaken are the following:

- o An inventory of state agency computer matching efforts and computer software has been completed and is being published.
- o To facilitate interjurisdictional matching, representatives of two states and five federal agencies developed draft standard data elements and extraction formats and circulated them to states for comments and suggestions.

- o The Department of Health and Human Services has assisted 66 state agencies in applying programs to upgrade the accuracy of the social security numbers in state data bases used in computer matching.
- o A reference paper to assist agencies in applying the revised OMB Guidelines on computer matching has been prepared for distribution.
- o A special task force of four state and eight federal members is examining and developing recommendations regarding incentives and disincentives for state matching activities.

Second, our investigative accomplishments during this reporting period have been particularly outstanding. During the 6-month period, our Office of Investigations, which investigates program fraud and employee integrity matters, obtained 100 indictments and 70 convictions. This represents a 100 percent, and 133 percent increase, respectively, over the same period last year. And, there have been increased efforts by program agencies to recover funds and to take administrative actions. These results are attributable to many factors, including improved coordination with prosecutive authorities and better case selection and management.

Results in our organized crime and labor racketeering investigative program have been equally impressive. During this period, 31 individuals were indicted and 44 convicted. Our investigations have included nationwide organized crime-connected schemes, such as the union insurance business kickback scheme involving the Laborers' International Union of North America. We have also been involved in

breaking organized crime's hold on lucrative industries, such as the wholesale fish market in New York.

These investigative accomplishments should, however, in no way be interpreted as diminishing our need for law enforcement authority. The lack of this essential law enforcement tool has often placed our Special Agents in dangerous situations and has severely limited our ability to effectively complete investigations.

It is, therefore, essential in our view that our Special Agents be afforded full law enforcement authority and that legislative action be taken to provide this authority.

During the period, Secretary Donovan has continued his strong support of this office, both in providing backing on every substantive issue in which there may have been a disagreement between the OIG and program officials and in providing necessary support in the budget process to implement an effective OIG program.

Finally, the work and accomplishments achieved during this reporting period reflect the strong leadership of Tom McBride who has just left Washington, D.C., to become Associate Dean of the Stanford Law School. I know that OIG employees share my view that much progress was made during Tom's tenure as Inspector General. He forged strong cooperative relationships with senior officials of the Department, yet he was always mindful of the unique role of our office and of the need to call the shots as he saw them. He was responsible for broadening audit and investigative coverage of DOL programs and for establishing a number of internal OIG management improvements. Tom was

an active participant in the President's Council on Integrity and Efficiency and had a major leadership role in a number of Council projects and committees. He will be sorely missed.

Robert E. Magee
Acting Inspector General

PART I

SIGNIFICANT PROBLEMS, ABUSES OR DEFICIENCIES, AND RECOMMENDATIONS FOR CORRECTIVE ACTION

EMPLOYMENT STANDARDS ADMINISTRATION

The Employment Standards Administration (ESA), through its three component offices--the Office of Workers' Compensation Programs (OWCP), the Office of Federal Contract Compliance Programs and the Wage and Hour Division--administers laws and regulations that provide workers' compensation to those persons injured on their jobs, require federal contractors and subcontractors to provide equal employment opportunity, and set employment standards.

During this reporting period, as in prior periods, nearly all of the audit and investigative effort devoted to ESA has been in the Office of Workers' Compensation Programs, which administers three workers' compensation programs through its National Office and its District Offices. These three OWCP programs are the Federal Employees Compensation Program, which administers the Federal Employees' Compensation Act (FECA), that provides compensation and medical benefits to civilian employees of the United States Government who are injured on the job or who contract disease through on-the-job exposure; the Black Lung Program, which provides monthly payments and medical treatment benefits to former coal miners who are totally disabled as a result of pneumoconiosis arising from their employment in or around the nation's coal mines and

monthly benefits to their eligible surviving dependents; and the Longshore and Harbor Workers' Compensation Program, which provides compensation and medical benefits to injured longshore and harbor workers as well as certain others covered by extensions of the enabling legislation.

In our prior semiannual report, we identified a number of serious problems in the management and operation of OWCP programs and identified actions to be taken by ESA that we believed necessary to effect long-term solutions. During this reporting period, ESA has taken some actions to address these problems. In a recent review conducted by the OIG, ESA reported that, out of 112 previously made recommendations, 72 have been fully implemented and the remaining 40 partially implemented. While we have not verified these data, as part of our ongoing studies, we are evaluating ESA's implementation of prior recommendations in selected areas.

Further, several important task forces have been established by ESA and some key management appointments have been made. In addition, a consultant was hired on the immediate staff of the Deputy Under Secretary for Employment Standards to provide expert advice on management improvement and productivity efforts within ESA. Finally, ESA has recently developed a critical performance standard for top managers during Fiscal Year 1983 related to implementation of OIG and General Accounting Office recommendations. We believe that these actions demonstrate an increased level of commitment to resolving fraud and waste problems in OWCP.

However, while we are mindful that these problems are not quickly or easily corrected, we continue to be concerned about progress made. Our sense of urgency is intensified by recent audit and investigative work which demonstrates the serious kinds of fraud which can occur when necessary management and program controls are inadequate.

Following are discussions of issues which have been previously raised. Included are summaries of OIG work in the area and of the status of ESA's implementation of corrective actions.

Bill Payment System Fraud

In previous semiannual reports, we have described extremely serious problems identified by OIG work related to the integrity of the FECA bill payment system. Such problems included substantial weaknesses in data integrity, computer security, bill payment processes and bill payment controls that have resulted in potential duplicate payments and actual claimant fraud. Yet another far more troubling result of such significant internal control weaknesses is employee fraud and embezzlement.

As a result of our earlier investigations of employee embezzlements in two OWCP district offices described in previous semiannual reports, we expanded audits to other district offices and purposely limited the scope of these reviews to the detection of employee fraud. In two of the other three district offices reviewed, evidence of bill payment fraud has surfaced, while in the third district office, a kick-back scheme we investigated resulted in two indictments and two guilty pleas. Although several of the

investigations are continuing in these offices, a variety of schemes has been uncovered, primarily related to creation of fictitious claims or phony medical providers. Because some fraudulent activity on the part of employees has been uncovered in each of the offices reviewed, we intend to expand these reviews to more district offices. Some of the cases that have resulted from our audits and investigations and in which ESA has cooperated and assisted are the following:

- o A supervisor in the Fiscal Division of the Office of Workers' Compensation Programs in Philadelphia was found guilty on 10 counts of theft of government property and of conspiracy to defraud the United States. She was accused, with four other individuals, including two employees in her office, of stealing and attempting to steal about \$69,000 from the Department by creating and approving false documents that resulted in disability compensation checks being issued.

This supervisor was recently sentenced to 20 months imprisonment, 5 years' probation and was required to make restitution of \$22,600. One of the employees, who had pled guilty to one count of illegal conversion of government funds and one count of conspiracy, was sentenced to 5 years' probation and ordered to make restitution of \$4,000. An associate, who also pled guilty to the same two counts, was sentenced to 3 years' probation and ordered to make restitution of \$650. U.S. v. Watkins et al. (E.D. Pa.)

- o Another indictment from an OIG investigation of OWCP's Fiscal Division in Philadelphia charges a former OWCP employee with 20

counts of theft of funds. Employed as a bill payer, he prepared and submitted fraudulent FECA bill payment cover sheets authorizing payment for medical services that were never performed. Four associates and co-defendants received payments totaling \$236,955. U.S. v. Thompson et al. (E.D. Pa.)

- o In Washington, D.C., a former OWCP employee pled guilty to one count of mail fraud, which involved her mailing fraudulent disability checks to an associate while she was employed in District Office 25; she was sentenced to 3 years' probation. Her associate pled guilty to one count of forgery and one count of false pretenses for his participation in the scheme in which he received five fraudulent checks totaling \$6,213. He was sentenced to 2 years' probation. U.S. v. Lewis and U.S. v. Williams (D. D.C.)

- o A contact representative in OWCP's District 25 Office in Washington, D.C., pled guilty to a two-count information charging him with bribery. He had demanded and received a portion of disability benefits from a claimant's monthly allotment for allowing individuals to continue to obtain disability benefits after returning to work. He was sentenced to 120 days, 2 years' probation, and fined \$500. A Government Printing Office employee, who was involved in the scheme, pled guilty to a one-count information of bribery. We joined the investigation at the request of the FBI. U.S. v. Cain and U.S. v. Pratt (D. D.C.)

We have continued to follow up on prior OIG recommendations, particularly those relating to the bill payment system. To illustrate, as

part of a follow-up review in the Philadelphia District Office conducted during the prior reporting period, we identified 15 recommendations from a previously-issued OIG study. Despite agreement by ESA to implement most of the recommendations, our follow-up verification review revealed that ESA had not fully implemented the 15 recommendations at the time of our review. However, recently, ESA advised us that its Internal Control Unit had verified implementation of the OIG recommendations. While we are not planning soon another review of the Philadelphia District Office, we are completing follow-up reviews of these same 15 recommendations in the New York, Jacksonville, and Washington, D.C. District Offices. Our initial findings are that most of the 15 recommendations are being implemented in these district offices, however, we still feel strongly that full implementation of all of the recommendations is vitally needed.

Claimant Fraud

Another major continuing problem is claimant fraud. During this 6-month reporting period, we have continued to obtain a significant number of indictments and convictions of individuals illegally collecting benefits. Many of these cases result from a project that initially was begun in Atlanta and a year ago expanded nationwide. This study, described in our prior semiannual report, was designed to identify, among other things, instances of claimants' unreported income, which could result in reduced or terminated benefits. The Federal Employees' Compensation Program considers the amount and sources of income earned by claimants when setting or adjusting long-term benefit levels. Since the program relies on annual self-certification of income

by claimants, the potential for some fraud by claimants is great.

Therefore, the OIG has devoted a relatively high level of resources to these types of cases. During this period, 27 indictments and 18 convictions related to FECA claimant fraud were obtained. The continuing interest in prosecuting these cases is due, in part, to the recognition that the indefinite nature of the continuing payments to beneficiaries on the periodic roll makes the total potential loss to the government over the entire period extremely significant. Our nationwide FECA project, which reviewed 10,014 claimant files and found irregularities in 7,453 files, has resulted in the termination or reduction in benefits to more than 500 claimants. If these claimants had continued on the periodic roll, benefits totaling almost \$5 million annually would have been paid. While final results are still incomplete, the total number of cases in which benefits will be terminated or reduced will increase.

While the specifics of the incidents differ, the most significant problem causing overpayment of benefits is unreported income. In our prior semiannual report, we discussed the relative difficulty in detecting income from self-employment--in particular--without access to IRS income tax data. A principal tool is using information gathered by states or federal agencies relating to wages paid to individuals. Using computers to compare or match names, addresses, social security numbers, etc., better assures that government benefits are provided to only those eligible. While some matching could be performed against social security wage data, these data are often not current. Thus, except in long term disability

cases, social security data is not especially useful or efficient.

With respect to claimants not self-employed, OWCP is now taking steps to match its own records against wage history data collected and maintained by the state agencies, which are funded by the Department of Labor. Although 12 states are not wage reporting states (i.e. states in which employers routinely report to the state the amount of wages paid each employee), more than three-fourths of the states do have this information available and ultimately should have it accessed by OWCP for this purpose. OIG believes this basic procedure must become a normal and usual screening operation by OWCP.

Some examples of recent claimant fraud cases that illustrate the problem follow:

- o A former TVA employee entered a guilty plea to four counts of making false statements, after being charged with failing to disclose his employment and earnings while receiving disability benefits. He was sentenced to 60 days of a 2-year sentence with the balance of the sentence suspended and 2 years' probation following his release from custody. In addition, he is required to make restitution in the amount of \$56,116, with \$20,000 to be paid immediately and the balance within 20 months of probation. OWCP has established an overpayment to the claimant of \$88,579. U.S. v. Leathem (W.D. Ky.)
- o A U.S. Department of Agriculture employee was sentenced to 1 year's probation and fined \$1,000 after pleading guilty to a two count criminal information charging him with making false statements to obtain Federal

Employees' Compensation Act benefits. Although claiming no employment or earnings, he was self-employed as a used car dealer and manager of an auto body and auto paint shop. OWCP has established an overpayment to the claimant of \$52,285. U.S. v. Delong (N.D. Ga.)

- o A former TVA employee entered a plea of nolo contendere to an information charging him with one count of making false statements to obtain Federal Employees' Compensation Act benefits. He was sentenced to 10 days in jail and 4 years' probation. OWCP has established an overpayment to the claimant of \$145,067. U.S. v. Langley (M.D. Tenn.)
- o A former Postal Service mail equipment handler received disability benefits from OWCP while gainfully employed as a custodial worker for the Chicago Police Department. He pled guilty to one count of mail fraud and one count of false statements. Despite being 62 years old, he was sentenced to 6 months in prison and 3 years' probation. U.S. v. Glenn (N.D. Ill.)
- o A joint OIG-Postal Inspection Service investigation resulted in the conviction of a Postal Service employee on four counts of mail fraud, one count of obstruction of criminal investigation, and one count of false claims. The charges arose from his failing to report income from his employment at the Federal Credit Union in Philadelphia while on total disability from the U.S. Post Office. He also attempted to influence a witness to lie to a grand jury about his unreported employment. Sentencing is pending a probation report. U.S. v. Schultz (E.D. Pa.)

- o A San Francisco claims examiner, performing routine checks, became suspicious while reviewing a case. Rather than merely accepting a plausible explanation from the claimant, she pursued the matter further and recommended referral of the case to OIG. Subsequent OIG investigation, including undercover work, disclosed that the claimant, who was actively pursuing--through the office of one of his U.S. Senators--a retroactive FECA disability payment of \$100,000, owned and operated a limousine service and had previously worked several years as a cab driver. The claim itself was based on his employment as a naval ship painter, where he had allegedly contracted asbestosis, despite having been on the payroll only 10 weeks before being fired for excessive absences and for never even working one full week.

The claimant was indicted and pled guilty to one count of making a false statement. He was given a 3-year suspended sentence, placed on 5 years' probation and fined \$500. OWCP established an overpayment to the claimant of \$8,616. U.S. v. Holmes (N.D. Calif.)

ESA has been generally cooperative with our efforts to reduce fraud and abuse within its programs. In addition to referring a large number of suspected cases to OIG for investigation, ESA has provided significant staff resources to assist us in our review of case files. Besides the OIG-initiated case file review, as part of its own operations, ESA annually reviews long term disability cases. During Fiscal Year 1981, ESA reports that it reviewed 52,000 cases and terminated or adjusted benefits in about 9 percent of the cases, yielding a savings of \$22 million.

Medical Provider Fraud

Another major problem is medical provider fraud. Traditionally it has been a difficult area in which to obtain prosecutions and convictions, since gathering evidence is complex. While efforts are underway by OWCP to identify false billings, duplicate billings, and billings for services not provided, there are other areas, such as conflicting professional judgments or medical opinions, that are extremely difficult to document adequately enough to be able to obtain a conviction. Simply stated, a prosecutor is often reluctant to try a case before a judge and jury when a conviction may depend on demonstrating beyond a reasonable doubt that a physician was providing excessive or unnecessary treatments or services. Despite these problems, the OIG has made a strong effort to investigate fraud by some medical providers.

In our prior semiannual report, we noted that two physicians had pled guilty to fraud for filing false claims. During this reporting period, we have been able to bring some of our other ongoing investigations of medical providers to the indictment or conviction stage.

- o A Dallas physician was recently convicted on 11 counts of mail fraud and 4 counts of false claims in a scheme that involved a network of 50 businesses through which he submitted false medical bills of about \$1 million to FECA and to various insurance companies. OWCP is still calculating the DOL loss, which is expected to be over \$100,000. This joint investigation with the U.S. Postal Inspection Service was referred to the OIG by OWCP. U.S. v. Gifford (N.D. Tex.)

- o In Philadelphia, a physician was indicted on 5 counts of filing false claims and 13 counts of mail fraud. A 2-year investigation by this OIG and the Postal Inspection Service alleges that he had verified and treated disabling, work-related injuries for several postal employees--including undercover agents--who were not sick, but claimed they wanted time off for vacations or other reasons. The indictment charged that the doctor had instructed his patients on how to fake injuries and how to prevent their supervisors from catching them. U.S. v. Gorham (E.D. Pa.)

Fraud by Lawyers and Claims Representatives in the Black Lung Program

Another OIG concern related to OWCP programs is fraud by lawyers and claims representatives. This is a problem in the Black Lung Program, because recent cases have shown that some representatives are accepting unauthorized fees to provide assistance in filing claims. The law requires that fees for this service be approved by the OWCP Deputy Commissioner. Some of the recent indictments obtained for unapproved fees are the following:

- o An attorney was indicted on nine counts of making false statements and eight counts of unapproved receipt of fees relating to forms he submitted to the Division of Coal Mine Workers' Compensation requesting fees for representing certain Black Lung claimants; the fees requested were alleged to be false. He had convinced the claimants to sign a contract for prepaid legal services. The fee for these services is 25 percent of any lump sum Black Lung award; he collected

substantial unapproved fees from the claimants. U.S. v. Clark (M.D. Ala.)

- o An information filed against a Rock Springs, Wyoming, woman charged her with receiving compensation for assisting Black Lung claimants without submitting applications for fee approval through the Black Lung District Office, as required. The OIG investigation confirmed that, during 1979 and 1980, she had received \$7,758 from three separate Black Lung claimants in connection with her assistance on their claims and that she had not requested approval of any amount. She has signed a pre-trial diversion agreement, taking responsibility for her acts and accepting a 1-year probation during which she is not to represent nor write any correspondence on behalf of Black Lung claimants. U.S. v. Doak (D. Wyo.)
- o A man, who did paralegal work for the Virginia Black Lung Association, pled nolo contendere to eight counts of receipt of unauthorized fees for representation for Black Lung benefit claims. He allegedly had illegally charged Black Lung claimants a 10 percent fee for representing them and then lied about his fees and representation of claimants to the grand jury. He was sentenced to 2 years' probation and fined \$1000, with \$500 suspended. U.S. v. Bowman (W.D. Va.)
- o A recent candidate for president of the United Mine Workers Union was indicted on 16 counts. Two were felony counts for making false statements to a DOL official regarding his representation of a Black Lung claimant and for impersonating a federal officer to get a signed statement from the claimant so

that he could represent the claimant; 14 were misdemeanor counts for Black Lung misrepresentation. He allegedly received \$21,000 in unauthorized fees from Black Lung applicants. U.S. v. Carter (S.D. W. Va.)

Financial Management

Three financial management reports on ESA were issued during the reporting period. The first of these was a review of OWCP's compliance with the IRS requirement to issue a Form 1099 to providers of medical, legal, and other services. The Internal Revenue Code requires that these forms recording earnings paid be sent to both IRS and the providers so that the appropriate tax can be calculated. The second report was issued following a review of the internal control procedures and automated bill payment system in FECA's Philadelphia District Office. A third report was a somewhat similar review of internal controls and cash receipts and receivables in eight other OWCP District Offices.

Collectively, and also individually, these reports are evidence of systemic problems in OWCP's financial management systems and practices and, they reaffirm many of the identical problems identified during three previous loss vulnerability assessments of FECA District Offices and the Black Lung benefit payment systems and operations.

The purpose of the first study, regarding OWCP's Form 1099 reporting practices, was to determine if OWCP was complying with the IRS requirement that Form 1099's be issued on all medical, legal or other service providers paid more than \$600 during a calendar year and if the information was accurate and complete.

The review found that many of the forms issued by the FECA and Black Lung program offices were inaccurate and that the Longshore and Harborworkers Program did not issue the forms, as required. The audit report issued to ESA recommended that OWCP:

- develop and implement guidelines to ensure that all OWCP payments are included on the Form 1099's, as required by IRS;
- require the FECA and Black Lung provider files data be verified to ensure that there is only one file per provider;
- require that legal providers be issued a Form 1099, as appropriate, and that the Black Lung computerized payment system issue Form 1099's, as required.

ESA was aware of many of the problems and was in general agreement with the findings for the period covered by the report--the most recent year for which data were available. Since the review, ESA has undertaken actions to correct many of the deficiencies noted.

Of the other two financial management reports on ESA, the first focused on internal control procedures within the FECA Philadelphia District Office. This report was issued separately, since--as was discussed previously--two separate embezzlement schemes totaling more than \$300,000 were involved. Except for that situation, and the fact that the study in the Philadelphia District Office also included a review of the automated bill payment systems, the second report on the eight other OWCP District Offices did not markedly differ from the kinds of findings--if

not the degree--as those in the Philadelphia District Office.

In general, the studies found that there were inadequate controls to safeguard assets against fraud. Problems were found in the areas of cash receipts, accounts receivable, separation of duties, the automated bill payment systems, and the lack of supervisory oversight during the time cash is received.

Our recommendations to correct the identified weaknesses included the following:

- handling of cash receipts be limited to a few officially designated employees;
- cash receipts be secured and deposited on a timely basis;
- mail opening be carefully supervised, daily logs be maintained, and cash transfer receipts be utilized for intra-office transactions;
- separation of duties be maintained;
- cash receipts and check cancellations be prompt, with monthly reconciliations to accounting records; and
- accounts receivable reports be accurately prepared, and detailed accounting reports be reconciled and corrected.

In the report on the Philadelphia District Office, recommendations relating to the automated bill paying system were also made, including that the district office should:

- reestablish procedures for supervisory approval of bills in excess of the bill payment clerk's authority and require that only original bills be accepted for payment;
- establish adequate internal control procedures;
- discontinue utilizing contractor personnel to process bills and restrict their activities to bill keying;
- require claim examiner approval in order to change a case file status;
- institute procedures to prevent bill payment clerks from obtaining computer passwords, thereby limiting access to the automated payment system; and
- adhere to the 10 percent sample requirement for verification of bills from medical providers.

ESA was in general agreement with the findings and recommendations contained in these two reports and has indicated that many of the recommendations have been implemented. We will be carefully monitoring ESA's implementation efforts.

Containment of Medical Costs

This area has been one of intense Congressional attention as a result of both perceived weaknesses in controlling costs and the potential for significant savings. Under the Federal Employees', Black Lung, and Longshore and Harbor Workers Compensation Programs, payment of certain fees is

authorized to physicians, hospitals, clinics and other medical service providers for diagnosis and treatment of covered injuries and occupational diseases. Historically, as a result of inadequate controls, these programs have been relatively easy prey to abuse and fraud by unscrupulous medical providers and claimants.

One preliminary step toward improvement, which has been previously recommended by the OIG, is to develop and implement automated fee schedules of normal and customary medical fees against which medical costs billed to the programs can be evaluated.

In a letter dated August 30, 1982, to Senator William Roth, Chairman of the Permanent Subcommittee on Investigations and the Committee on Governmental Affairs, Secretary Donovan stated that the automated medical fee schedule would be implemented in November 1982. ESA has since informed OIG that the proposed regulations will be published in November and that, during the comment period, OWCP will test the proposed fee schedule. After reviewing the comments received and the test results, final regulations will be published and a schedule implemented before the end of March 1983. OIG continues to believe a fee schedule can be a valuable tool in helping control medical costs.

Related to the fee schedule is an ongoing pilot program in one district office whereby hospital costs for drugs, intravenous and medical supplies are automatically being screened for the amount billed and the appropriateness of the product for the condition. Data are not yet available from ESA on this effort, nor has this new pilot

program been reviewed by the OIG, so we are not now in a position to provide an evaluation of it.

ESA reports another effort to control medical costs through a joint ESA/Postal Service project to ensure early reemployment for employees who have been on FECA compensation and to emphasize recovery of payments from third parties who are liable for the injury of a covered employee. With regard to reemployment of FECA claimants, in our prior semiannual report we discussed serious problems relating to most agencies' efforts to reemploy claimants or take other measures to help contain rapidly escalating costs. As part of that discussion, we described an inter-agency study of the role of employing agencies in the operation of the Federal Employees' Compensation Program. That inter-agency study, under the auspices of the President's Council on Integrity and Efficiency, identified several needed legislative changes, including clearer delineation of responsibility and authority for the operation of some aspects of the Federal Employees' Compensation Program and recommendations for alternative funding of the program to provide a greater incentive to many employing agencies to control costs. Other recommendations included the allocation of qualified staff and establishment of agency management systems to better implement effective injury compensation programs so that claimants can be expeditiously returned to work.

In response to the May 10, 1982, report of the inter-agency working group and in support of a recommendation by the President's Council on Integrity and Efficiency, Secretary Donovan announced an inter-agency task force on

September 13, 1982. This task force is chaired by the Deputy Under Secretary for Employment Standards, and is responsible for following up on the inter-agency study's recommendations and developing systems improvements and needed administrative reforms. Representatives from the Department of Defense, Department of Transportation, the Office of Management and Budget, the Office of Personnel Management, and the U.S. Postal Service have been invited to participate on the task force. The first meeting has been scheduled and we are hopeful that the task force can make rapid progress in devising and implementing the needed improvements.

Debarment

Related to the overall cost containment issue is the capability to identify and exclude from participation in government benefit programs providers of medical services who have engaged in misconduct.

ESA reports that it has embarked on a project to review and verify its data on medical providers. This system includes data provided by the Health Care Financing Administration on providers excluded--or reinstated after previously being excluded--from participation in the Medicare and Medicaid programs, in addition to including lists provided by the Federation of Medical Boards of licensing actions against medical providers. If fully implemented, these measures should help to flag providers who have had previous problems. ESA also reports the development of utilization reports that provide a method to evaluate provider treatment and billing patterns that may indicate problems or suspicious patterns.

OIG has previously pushed for debarment of medical providers who have engaged in illegal activities so that they cannot continue to bill the program. The FECA legislative package forwarded to the Congress during the last session, but which did not come to a vote, contained debarment language supported by the OIG. With regard to existing FECA legislation, the Department's Office of the Solicitor initially interpreted it as not granting ESA this debarment authority. OIG, however, strongly believed that providers could be prevented from being compensated under the general rulemaking authority granted under FECA. After further review, the Office of the Solicitor concluded that the statute did authorize ESA to issue such regulations. An option paper and the proposed regulations are now being written by ESA to debar medical providers under certain specific circumstances. At the end of this reporting period, ESA had not yet completed the drafting of these regulations. ESA is anticipating publishing the draft regulations in about December 1982. This action--particularly if coupled with government-wide debarment from participation in any federal program--could substantially increase the consequences to the provider for engaging in illegal activity, thereby providing an additional measure of deterrence.

EMPLOYMENT AND TRAINING ADMINISTRATION

The Employment and Training Administration (ETA) budget authority for Fiscal Year 1982 was \$25 billion, including \$20.5 billion for the Unemployment Insurance Trust Fund and \$3 billion for the Comprehensive Employment and Training Act (CETA) program.

The nature of ETA-related OIG work during this reporting period reflects the changes occurring within the agency, particularly the transition from the CETA grant program to implementation of new job training legislation. We have given attention to previously identified issues, such as audit resolution and ineligible participants. We have focused on other issues of particular concern in a transition period, such as program close-out operations and end-of-year spending. And, we have begun work in areas that we believe have received inadequate OIG attention in the past. Finally, we are looking ahead to areas of future concern, namely the implementation of grantee-procured single audits.

Overall, our sense is that improvements have been made in ETA financial management and procurement controls. Nonetheless, there are still problems that need to be addressed and continued strong commitment to improving financial and program integrity needs to be maintained in current ETA programs and built into new programs.

The two major reviews conducted during this reporting period--concerning audit resolution and debt collection, and CETA property--were issued in draft form to ETA at the very close of this reporting period. We have not yet received comments from ETA and, thus, do not

have the benefit of agency views and possible explanations of our findings. Thus, only brief summaries are provided of our work in these areas. Detailed discussions of the findings and recommendations contained in subsequent final reports will be included in our next semiannual report.

Audit Resolution And Debt Collection

In past semiannual reports, we have described the joint OIG-ETA actions taken to resolve the backlog of audit reports over 6 months old and to install an effective and permanent system for audit resolution. Over \$400 million has been resolved during the past 18 months. While this represents a major accomplishment, it has raised concerns about problems that may have resulted from the pressure to resolve the large backlog of audit findings in such a short time.

To ensure the quality of the audit resolution process, we initiated a review of ETA's audit resolution and debt collection efforts to date. In this review, we focused on whether ETA's determinations of disallowed costs adequately protected the Federal Government's interests during a period of intense pressures by management to resolve all outstanding audits, and whether adequate attention has been given to the collection of those monies determined to be due the Department.

Specific objectives were to:

- evaluate the adequacy of agency policies and procedures related to audit resolution and debt collection,

- determine if audit exceptions were properly resolved,
- determine if debt collection responsibilities were properly carried out, and
- ascertain the cause(s) for any deficiencies noted in audit resolution and debt collection activities.

Review work was performed in the Regional Offices and the National Office of ETA and covered audit resolution and debt collection activities during the period October 1, 1980, to March 31, 1982. Our review of the quality of findings and determination was limited to a sample of 50 reports resolved in the Regional Offices and 31 reports resolved by the National Office of ETA.

Our review shows that, while ETA has initiated efforts to address deficiencies in its audit resolution and debt collection practices, inadequate financial management systems and lack of aggressive action continue to hamper the collection of funds due the Department. Our review identified specific problems in the areas of appealed grant officer decisions, inadequate debt collection information, policies concerning interest charges on appealed debts, and lack of sufficiently aggressive action to follow up on outstanding delinquent claims.

Since this review was completed, ETA has reported a significant improvement in its ability to track debt collection actions as well as its actual debt collection performance. ETA established an automated management information system which tracks each

discrete step in the debt collection process. The primary objective of the system is to improve the timeliness of needed debt collection actions. Since the system was begun in May 1982, ETA has improved the timeliness percentage on debt collection steps under its control from 32 percent to 91 percent. OMB has asked for documentation of the information system for possible use by other agencies. ETA's debt collection results have improved dramatically. In Fiscal Year 1980, debts collected totaled almost \$5.9 million; in Fiscal Year 1981, they totaled \$14.1 million; and, in Fiscal Year 1982, over \$23 million was collected.

CETA Property

One of our major concerns during CETA close-out operations is safeguarding the Federal Government's investment in CETA property. This is particularly critical due to the reduction in the number of CETA prime sponsors and subgrantees.

Prior OIG audits and management reviews have concluded that grantees have not always established all of the property records and accounting controls required by U.S. property regulations. For example:

- o In response to a request for listings of all property purchased with CETA funds, prime sponsors in the San Francisco Region submitted inventories totaling \$5.2 million. However, regional personnel advised us that a computerized matching of prime sponsors' requests and regional approvals to purchase equipment revealed over \$1 million in property not listed on the submitted inventories.

- o An audit of the Inland Manpower Association in San Bernardino, California, disclosed that a computer system purchased for \$276,000 and 11 Apple computers valued at \$43,000 were not listed on the prime sponsor's own inventory records.

- o A recent audit of the Lowell Consortium in Lowell, Massachusetts, recommended that the grantee properly tag and enter into the property record system all equipment purchased with grant funds. The report also questioned a subgrantee's purchase of \$1,045,489 in equipment, invoiced to the Lowell Consortium at \$1,459,043, representing a \$413,554 mark-up over cost. The report stated that "the subgrantee did not follow any standard procurement policies in acquiring the equipment. Much of the equipment was delivered during the latter part of the contract and some items of equipment were delivered subsequent to the end date of the contract. A substantial portion of the equipment was rarely used and some items of equipment have never been utilized. In addition, it was noted that some of the equipment remains in the original shipping boxes and has never been assembled."

During this reporting period, we completed a survey of ETA's management of the Department's investment in property purchased with CETA funds. The purpose of the survey was to evaluate implementation of ETA policies and procedures to provide accountability and control over this investment. Review work was performed at the ETA National Office and the Boston and San Francisco Regional Offices. We believe that serious property accountability problems exist. These are due, in part, to

ETA's reliance on grantee recordkeeping systems which, according to ETA, is based on its interpretation of OMB Circular A-102, Attachment N, concerning property management standards for grants-in-aid to state and local governments. Especially due to the timeliness of this issue, we will carefully evaluate ETA's comments on our survey results and closely monitor implementation of corrective actions. Also, we are planning to expand the survey to determine the disposition of certain property at selected CETA grantees.

CETA Ineligibles

In past semiannual reports, we have noted that one of the most prevalent problems in the CETA program has been the enrollment of ineligible participants. There are signs that this problem has become somewhat less prevalent.

An audit performed four years ago concluded that 11.25 percent of the participants sampled were either ineligible or that there was insufficient information available to permit determination of their eligibility. By comparison, our review of eligibility procedures and practices used in the Dallas Region (Region VI prime sponsors) completed during this reporting period showed an overall ineligible rate of 4.2 percent.

However, individual rates for ineligibles for prime sponsors ranged from 0 percent to 21.4 percent. The primary causes of the problem in Region VI are that prime sponsors enroll participants after the period of eligibility has passed and that participants provide incorrect information on their employment history. (CETA legislation and regulations

require that participants be enrolled within 45 days of the application date.)

We recommended that all applications note that they are effective until 45 days after the date of the eligibility determination. We also recommended that the SESA's be contacted to eliminate any obstacles to obtaining a participant's wage history, and to assure that wage histories obtained during the quarterly verification of applications have been updated with the prior quarter's wage history. This action alone might have lowered the ineligible rate of the cases we sampled by 25 percent. We hope that an increased understanding of the causes of the problem of ineligible participants will help the Department build sufficient controls into the new program to prevent its recurrence.

CETA Investigations

As in our last semiannual reporting period, CETA embezzlement cases continued to comprise the majority of ETA-related work conducted by our Office of Investigations. Aside from the immediate need to pursue appropriate criminal and civil remedies in the specific instances involved, we believe that these cases raise the issue of adequate program oversight and financial controls. We are hopeful that attention to this issue during the development of job training regulations will help reduce the possibility of embezzlement in the new program.

The following are among the most significant of these cases:

- o A former assistant director of the Adams County Employment and Training Division in

Colorado pled guilty to one count of theft of CETA funds and one count of filing a false income tax return. Recently, she was sentenced to serve 6 months in prison followed by 5 years' probation. The embezzlement was discovered during an audit of federal funds by the Department of Health and Human Services. Our investigation found that since March 1975, the Adams County assistant director had endorsed and deposited into a personal account about 800 checks totaling over \$300,000. The County has filed a civil suit in an attempt to recover the stolen money. The IRS joined the investigation to review the income tax evasion violations. U.S. v. Paiz (D. Colo.)

- o Operators of a temporary labor contracting service were indicted for conspiring to defraud, submitting false statements, and fraudulently obtaining \$129,000 in CETA funds. The service supplied professional engineers and support personnel to companies in the Southeast. The operators falsely claimed to provide classroom instruction to their employees. U.S. v. Sundsted and Killingsworth (N.D. Ga.)

- o A former employee of the Negro Trade Union Leadership Council (NTULC) and an associate pled guilty in the Court of Common Pleas, Philadelphia, Pennsylvania, to embezzling approximately \$70,000 in CETA funds from NTULC. NTULC receives funds from several federal and state agencies, including approximately \$900,000 from the Department of Labor. An audit by a CPA firm (M.D. Oppenheim and Company) disclosed in excess of one million dollars in questioned expenditures, with additional information indicating some payroll fraud. Because of

lack of proper recordkeeping, the voluminous number of bank accounts, and number of state and federal agencies involved, it was agreed that a special fraud analysis would be conducted by M.D. Oppenheim and Company and would be paid for jointly by the agencies who had contributed funds to NTULC. U.S. v. Myers and Fluellen (E.D. Pa.)

- o A contractor with the Clayton County CETA Program was indicted on five counts of making false statements and ten counts of embezzlement of CETA funds. The contract was for the provision of classroom and on-the-job training to 20 participants. Our investigation alleged that, from December 1979 to April 1980, some of the invoices submitted for reimbursement of \$41,435 were false, and 18 checks totaling about \$18,000 were written by the contractor for non-CETA purposes. These checks were payments to the contractor and to individuals and businesses to whom this individual personally owed money, for business expenses not related to the CETA contract, and to make restitution on a bad check charge that had resulted in the contractor's arrest and sentencing. U.S. v. Watts (N.D. Ga.)

Increased Job Corps Audits

This office had planned to increase audit coverage of Job Corps centers during Fiscal Year 1983. However, in recognition of growing evidence of the need for greater audit and investigative attention to this area, OIG and ETA agreed that the audit effort should be accelerated. A special CETA Audit Task Force composed of OIG and ETA staff members was recently established to expedite audit coverage of Job Corps and other national

programs. To date, contracts have been let to CPA firms to provide audit coverage of approximately \$1 billion that has been provided to private contractors to operate 72 Job Corps centers. And, other contracts are being executed to audit Job Corps program support contractors. Future plans call for audits of the Job Corps centers operated by the Departments of Agriculture and Interior.

LABOR-MANAGEMENT SERVICES ADMINISTRATION

The Department's Labor-Management Services Administration (LMSA) directs programs to assist and improve labor management relations and administers a number of employee protection and union-management reporting laws.

Among these laws is the Employee Retirement Income Security Act of 1974 (ERISA), which was enacted to protect pension and other benefits of workers in private industry by requiring employers to disclose and report certain information to beneficiaries and by establishing standards of conduct for fiduciaries of employee benefit plans.

The legislative history shows that the Congress expected the Department of Labor to establish a strong ERISA enforcement and investigative program. Within the Department, LMSA's Pension and Welfare Benefit Program (PWBP) is responsible for administering the ERISA enforcement program.

Several converging factors led to the establishment of a joint OIG-LMSA task force to conduct an evaluation of the enforcement of ERISA's civil and criminal provisions. Since the passage of ERISA, there has been continuing Congressional concern about the quality of ERISA enforcement. During a January 26, 1982, hearing before the Senate Labor Subcommittee, Secretary Donovan expressed his commitment to effective ERISA enforcement and his intent to establish an internal group to identify management problems and suggested solutions.

The task force was established in March of 1982; and, during the course of the study, 50 interviews were conducted with OIG and LMSA

field and National Office personnel, 148 PWBP enforcement files were reviewed, and substantial documentation was collected. The report, issued on July 15, 1982, discusses the task force's findings and identifies 71 recommendations for corrective action.

Key issues covered in the report, along with major task force recommendations, are discussed below.

- Enforcement Structure and Staffing

The task force concluded that the current LMSA National Office and field structure and staffing pattern have resulted in conflicting roles and responsibilities, an excessive case review process, and an imbalance between field managerial/supervisory positions and investigative positions. The report outlines a number of alternative organizational structures, recommends certain ways to increase the number of field investigative positions, and recommends a close examination of existing National Office staff responsibilities.

- Enforcement Policy

The task force reported a consensus that current LMSA enforcement policy is vague, ambiguous and incomplete and does not promote a balanced enforcement program. The report recommends that enforcement policy for ERISA be completely reviewed and republished with a view towards broadening the mix of ERISA plans covered, greater decentralization of litigation, and a more aggressive criminal violation detection and case processing program.

- Case Management

Serious weaknesses were noted by the task force in this area. They included insufficient investigative follow-up on leads related to criminal violations, inadequate tracking of cases referred and investigative accomplishments, and excessive delays in Office of Solicitor actions on cases referred. Various policy, management and coordination recommendations were made to address these deficiencies.

- Litigation Strategy

The task force identified a number of ways in which LMSA could more effectively protect the financial integrity of employee benefit plans and recover plan assets lost as a result of ERISA violations. A more aggressive, comprehensive and decentralized litigation strategy; greater consideration of civil penalties; and increased follow-up to ensure that violators fully carry out corrective action with respect to ERISA violations were among the recommendations made.

- PWBP External Relationships

A number of deficiencies were noted in the effectiveness of PWBP's working relationships with the Department's Office of the Solicitor and the Office of Inspector General, the IRS and the FBI. A number of recommendations were made to improve coordination, including revision of formal agreements and policies, better communications and exchange of information, more effective referral practices, and clarification of litigation decision authority.

Other findings and recommendations in the report concern training, information systems, planning and case targeting, and annual ERISA reports.

The findings and recommendations of the task force are now under study by the Department.

PART II

SUMMARY OF OIG ACTIVITIES

OFFICE OF INVESTIGATIONS

Between April 1 and September 30, 1982, we opened 269 cases and closed 324. We referred 92 cases to the Department of Justice or other authorities for prosecution. In addition, 74 cases were referred to DOL agencies for administrative action that included termination of employment for 23 individuals and suspensions for 7.

During this period, 100 individuals or entities were indicted and 70 convicted based on our investigations. A breakdown of investigative case activity is shown on the following page.

Fines, recoveries, and collection actions resulting from our investigations during this period totaled about \$1,497,320. As a result of our investigative recommendations or actions, claimant benefits that were terminated or reduced during this period resulted in a yearly savings of \$1,960,896.

Some significant cases were discussed in Part I. Additional examples follow.

Employment Standards Administration

- o A defendant from Renton, Washington, pled guilty to one count of fraudulently receiving temporary total disability under the Longshoremen's and Harbor Workers' Compensation Act. An information had been

SUMMARY OF INVESTIGATIVE ACTIVITY
April 1 - September 30, 1982

<u>Agency</u>	<u>Cases Opened</u>	<u>Cases Closed</u>	<u>Individuals Indicted</u>	<u>Individuals Convicted</u>
Bureau of Labor Statistics	3	3	3	3
Employment Standards Administration	126	148	46	31
Employment and Training Administration	105	106	47	28
Labor-Management Services Administration	3	6	-	-
Mine Safety and Health Administration	2	17	1	6
Office of the Assistant Secretary for Admin- istration and Management	1	4	1	1
Occupational Safety and Health Administration	7	19	-	-
Office of Inspector General	6	3	-	-
Office of the Secretary	6	5	-	-
Office of the Solicitor	3	2	-	-
Multiple Agencies/ Programs	<u>7</u>	<u>11</u>	<u>2</u>	<u>1</u>
TOTALS	269	324	100	70

filed against him after an investigation disclosed that, during the time he received about \$30,374 in compensation and had filed forms attesting that he had not been gainfully employed during the period of his disability, he had, in fact, been gainfully employed by the Boeing Company and earned \$53,000 in wages. U.S. v. Mitchell (W.D. Wash.)

- o A U.S. Army employee was found guilty of making false statements and claims and of mail fraud relating to his claim of a work-related disability for which he received \$67,000 in FECA benefits since 1976. The man, who was self-employed as an auto mechanic in Stafford, Virginia during the period of claimed disability, received a 1-year suspended sentence, 3 years' probation, fined \$12,500, and ordered to repay \$11,400. U.S. v. Heflin (E.D. Va.)
- o An investigation of a Veterans Administration employee from Beaverton, Oregon, who sustained an on-the-job back strain in 1978, found that the employee was no longer disabled. She was regularly participating in numerous sports. Her FECA disability compensation was reduced from \$1,028 every four weeks to \$310. In a separate case, OWCP terminated benefits to her husband, also a VA employee who sustained a back injury. He is appealing the decision.
- o A postal clerk was indicted on 18 counts of making false statements to receive federal disability compensation. While on disability leave, she allegedly worked as a nurse in the New York State Kingsboro Psychiatric Center in Brooklyn. She had originally claimed a job-related back injury in November

1975 and recurrences on seven subsequent occasions, which resulted in periodic absences from work up to June 1981 with compensation totaling \$39,500. During this period she allegedly attended nursing school and worked as a Licensed Practical Nurse. She also collected over \$1,000 in compensation for job-related injuries while allegedly employed by the Kingsboro Hospital. U.S. v. Vaughn (S.D. N.Y.)

- o The owner of Kosmos Ltd., Painting of San Francisco, who had contracts with the Federal Government in northern California, was sentenced to 5 years' probation, 50 hours of community service, fined \$1,000, and debarred for 5 years from Federal Government contracts. He pled guilty to an information charge of false demands against the government. This charge resulted when he presented the U.S. Navy with falsified signed certified payrolls. He had not been paying his employees the prevailing wage rates required under Davis-Bacon provisions. When a compliance officer from the Wage and Hour Division requested records, he issued non-negotiable checks on an empty bank account, had the employees endorse the checks, paid them cash far below the required rates, and presented copies of the fraudulent checks to the Wage and Hour Division. The compliance officer referred the investigation to the OIG. U.S. v. Tripousis (N.D. Calif.)

Employment and Training Administration

- o The director of the Somerville-Cambridge Economic Opportunity Committee (SCEOC) in Massachusetts, was sentenced for embezzlement of government funds to a 3-year

suspended sentence, 5 years' probation and directed to make full restitution of \$33,840. He was accused of stealing over \$36,000 from various SCEOC accounts from July to December 1980 to support his cocaine habit. SCEOC received over \$10 million from several federal agencies, including the Department of Labor. U.S. v. Sullivan (D. Mass.)

- o A Chicago YMCA project director and the director of program operations for the Mayor's Office for Senior Citizens and the Handicapped were indicted on one count of conspiracy and five counts of theft of CETA funds. The investigation, which resulted from a complaint from officials of the Chicago Metropolitan YMCA, alleges that the YMCA project director improperly obtained over \$4,900 in CETA funds through theft and negotiation of participant payroll checks, and that the other defendant assisted her in the forgery of payee endorsements and the negotiation of these checks. U.S. v. Degonia and Hamilton (N.D. Ill.)
- o Four officials of Communities United for Action--the executive director, the fiscal officer, the head bookkeeper, and the program planning officer--were indicted on one count of conspiracy and five counts of theft of CETA funds. During their employment by the Taylor, Michigan, organization, which is a subgrantee of the Wayne County Office of Manpower in Detroit, the four former officials allegedly participated in a payroll padding scheme. From October to December 1979, about \$6,480 of CETA funds were used in possible illegal pay raises for themselves and in participant wages that were issued to them when they signed up as participants using variations of their names

and false social security numbers. U.S. v. Conyers et al. (E.D. Mich.)

- o A 15-count indictment has charged 12 CETA participants and employees of Reinforcing Steel Placers, and the company with making false statements, embezzlement of CETA funds, and knowingly hiring ineligible individuals.

In 1979, an officer of the company, acting on behalf of the company, contracted with the Association of Employment Opportunities in Charleston, a contractor under the South Carolina Office of the Governor, to provide on-the-job training. Subsequent contracts were entered into between the two parties in January and April 1980. Allegedly at the officer's direction, nine of the individuals--all of Pembroke, North Carolina--traveled to South Carolina and falsely stated that they were residents of South Carolina in order to enroll in the CETA program. By so doing, they deprived South Carolina of funds intended, targeted and designed solely for its residents. Another company official and an employee were also indicted. U.S. v. Reinforcing Steel Placers et al. (D. S.C.)

- o A federal representative with ETA's Indian Programs in Washington, D.C., pled guilty to one count of extortion for soliciting sexual favors from a CETA grant director in the Fond Du Lac Indian Reservation in Cloquet, Minnesota. U.S. v. Whitman (W.D. Mo.)
- o A defendant pled guilty in Kansas City, Kansas, to making false statements in connection with his receipt of over \$3,000 in Trade Readjustment Act and Unemployment Insurance payments from the State of Missouri. He was sentenced to a 3-year

suspended sentence, a 3-year probation, and ordered to make full restitution to the state. He had been working as a roofer during the year he reported himself as unemployed. U.S. v. Pier (W.D. Mo.)

- o A former fiscal officer of the Organization for the Forgotten American in Klamath Falls, Oregon, was indicted on 17 counts of embezzlement of CETA funds. While employed by the organization from February through October 1981, she allegedly embezzled \$17,714, including \$13,194 in CETA funds, by typing in legitimate vendors' names as payees on the organization's checks, having the organization's administrator sign the checks, and then removing the vendors' names and replacing them with hers. U.S. v. Buck (D. Ore.)

Mine Safety and Health Administration

- o A former MSHA inspector was indicted in Birmingham, Alabama, for bribery. Between September and November 1981, he allegedly solicited and accepted gifts, including \$540, from two different coal operators in the Birmingham area. After he became aware of the allegations against him, he resigned from MSHA. U.S. v. Price (M.D. Ala.)

Occupational Safety and Health Administration

- o Because they used improper hiring practices, two OSHA Regional Administrators were presented with a proposal to remove them from the SES and their positions as Regional Administrators. They were offered reinstatement to GM-13 positions in Washington, D.C. One chose to retire; the other is appealing the Agency's decision.

OFFICE OF AUDIT

During this reporting period, 354 reports on the Department's grant, contract, and program activities were issued. Of these, 84 were performed by OIG auditors; 129 by contract auditors under OIG's direct supervision; 27 by state and local government auditors; 14 were grantee-procured single audits conducted under OMB Circular A-102, Attachment P provisions; 90 were grantee-procured audits conducted under 41 CFR 29.70; and 10 were conducted by other federal audit agencies. The table below summarizes our activity by program. It is followed by discussion of the major external audit activities by program; significant internal audits are covered in Part I of this report.

SUMMARY OF AUDIT ACTIVITY OF OOL PROGRAMS

April 1 - September 30, 1982

<u>Agency</u>	<u>Reports Issued</u>	<u>Amount of Exceptions¹</u>	<u>Grant/Contract Amount Audited</u>
Employment and Training Administration	322	\$79,859,937	\$7,065,993,488
Employment Standards Administration	4	-	-
Mine Safety and Health Administration	7	89,022	2,307,678
Occupational Safety and Health Administration	18	326,616	9,829,246
Office of the Assistant Secretary for Administration and Management	<u>3</u>	<u>2,532</u>	<u>-</u>
TOTALS	354	\$80,278,147	\$7,078,130,412

¹ Audit exceptions include both questioned costs and costs recommended for disallowance. Questioned costs are expenditures without sufficient documentary evidence for the auditor to make a conclusion on allowability. Costs recommended for disallowance are expenditures that the auditor judges, based on available evidence, to be unauthorized under the terms of the grant or contract.

Employment and Training Administration

CETA Prime Sponsors

We issued 244 audit reports on CETA prime sponsors. Of \$5.4 billion audited, \$70 million in grant funds was questioned due to lack of documentation for expenditures or non-compliance with CETA requirements. Following is a list of audit exceptions, the number of reports containing those exceptions, and the amount of audit exceptions:

<u>Audit Exception</u>	<u>Reports With Exceptions</u>	<u>Amount of Exceptions</u>
Unresolved subgrantee exceptions	93	\$37,540,263
Ineligible participants	110	6,865,292
Insufficient documentation	61	6,522,109
Financial reporting exceptions	18	5,119,869
Budget/cost limitations exceeded	26	2,551,914
No or improper indirect cost plan	16	1,477,847
Unallowable expenditures	37	1,174,883
Interest earned on DOL advances	3	32,728
Other	74	<u>9,094,628</u>
TOTAL		\$70,379,533

The four reports described below illustrate the types of audits conducted and the findings identified during the reporting period.

o California State Employment Development Department

Our audit of \$138.5 million administered by the California Balance of State prime sponsor from October 1976 through September 1979 resulted in \$1,703,079 of costs questioned because of deficiencies in the State's subgrant audit resolution process. In many instances, subgrantee questioned costs were waived by the prime sponsor without retaining the documentation upon which the decision to waive was based. Subgrantee questioned costs that were sustained have not been collected on a timely basis. Our audit disclosed \$438,326 of costs sustained that should be returned to DOL. There remains \$1,067,000 in subgrant audits that have not been resolved by the prime sponsor. This backlog is two and one-half years old.

o Massachusetts Balance of State

Our audit of \$143.4 million administered by the Massachusetts Balance of State prime sponsor during Fiscal Year 1979 resulted in questioned costs of \$3,325,510. Statistical projections were presented in this unified audit to emphasize the potential magnitude of conditions noted and the need for prompt corrective action. These projections show, with 95 percent confidence, that if the entire universe of transactions had been examined, questioned costs would have been at least \$25.9 million, approximately 18 percent of total expenditures.

The audit disclosed that the prime sponsor had filed inaccurate reports with DOL, maintained incomplete and misleading accounting records, and violated CETA cash management policies. Further, the prime sponsor performed poorly in monitoring subgrantee activities. Over \$2 million of the \$3.3 million questioned pertained to subgrantee activities.

o City of East St. Louis, Illinois

Our audit of \$22.4 million for the period August 1974 through December 1978 resulted in audit exceptions amounting to \$4.3 million. The audit was complicated by fire damage to and losses of prime sponsor accounting records. The report resulted in an overall adverse opinion based on what records were available to be audited. Of the 18 administrative findings included in the report, the most significant dealt with financial management deficiencies, the prime sponsor not returning remaining funds of \$127,828 to the Department of Labor but using them instead for its own purposes, enrollment of ineligible participants due to nepotism, and hiring of additional participants for political purposes. In 1978, a judge ordered that the City of East St. Louis no longer be considered a prime sponsor. Now, with a completely new staff, the City serves as a subgrantee under the St. Clair County CETA Program.

o City of Duluth

Our audit of the Social Employment Fund, which administers the CETA program in Duluth, Minnesota, resulted in all costs incurred from December 1974 through

September 1981 (\$1,229,600) being recommended for disallowance. Of this total, \$872,112 pertains to the same enrollee wages being billed to St. Louis County and the Department of Labor because of an irregular billing practice that existed for 6 years. The remaining \$357,488 pertained to revenues collected through reimbursements that were not used to benefit the CETA program. The audit found that significant weaknesses in the internal control system existed, which resulted in a serious potential for program abuse.

Indian and Native American Grantees

During this reporting period, 6 audit reports covering Indian and Native American programs were issued. Certified public accounting firms performing the work, under contract with DOL, collectively audited \$4.5 million of which \$441,183 was questioned. Audit exceptions primarily resulted from the following:

- Improper or unsupported allocations of costs (\$169,181),
- insufficient documentation of costs (\$90,901),
- ineligible participants or incomplete information to determine participant eligibility (\$74,673),
- ineligible expenditures (\$2,548), and
- other (\$103,880).

Two examples are discussed below.

o San Bernardino Indian Center

An audit report on the San Bernardino Indian Center in California questioned costs of \$141,517 out of audited costs of \$313,227. Questioned costs primarily resulted from lack of documentation to support allocation of costs (\$116,182), insufficient documentation on intake forms to determine the welfare status of participants (\$22,382), ineligible participants (\$1,656) and improper charges to the CETA program (\$1,297). In addition, the audit report contains eight procedural findings that cite deficiencies in financial management and intake procedures.

o White Mountain Apache Tribe

An audit report on the White Mountain Apache Tribe in White River, Arizona, questioned \$47,905 out of audited costs of \$1.4 million. Questioned costs resulted from ineligible participants (\$23,003) and insufficient documentation to support costs claimed (\$24,902). In addition, the audit report contains seven procedural findings that cite deficiencies in financial management, and property and intake procedures.

Migrant and Seasonal Farmworker Grantees

During this reporting period, 21 financial and compliance audit reports were issued on Migrant and Seasonal Farmworker grantees. The audits were performed by CPA firms under contract with DOL. The total amount audited was \$71.4 million of which \$6.3 million was questioned. Costs were questioned primarily because of:

- Insufficient documentation of costs (\$2,951,782),
- ineligible participants or incomplete information to determine participant eligibility (\$1,145,637),
- ineligible expenditures (\$1,104,088),
- improper or unsupported allocations of costs (\$439,128), and
- other (\$672,922).

Two examples are discussed below.

o La Raza Unida de Ohio

An audit report on La Raza Unida de Ohio in Bowling Green, Ohio, questioned all \$2,864,464 of the costs audited. The audit disclosed that the grantee's systems of internal controls were not adequate to administer CETA funds. Staff salaries were allocated on an estimated basis rather than actual charges, funds were commingled, excess cash balances were maintained, and a poor property management system was maintained.

o California Human Development Corporation

An audit report on the California Human Development Corporation in Windon, California, questioned \$212,556 of \$18.2 million audited. Questioned costs mainly consisted of indirect cost charges in excess of the approved plan (\$80,469), administrative costs above the maximum allowable amount (\$59,021), expenditures made without required prior approvals (\$34,001), and

claims by training contractors that are under current investigation (\$20,499).

Office of National Programs (ONP)

During this period, 38 audit reports were issued on ONP grants and contracts awarded to public and private agencies for administration of a variety of special programs for youth, older workers, research and demonstration projects and other special activities. Twenty-two of the reports contained audit exceptions totaling \$1,578,872 out of \$253.5 million audited, as follows:

<u>Audit Exception</u>	<u>Reports With Exceptions</u>	<u>Amount of Exceptions</u>
Unallowable indirect costs	8	\$ 568,210
Insufficient documentation	17	548,668
Exceeded budget	5	222,917
Unallowable expenses	8	114,588
Ineligible participants	4	93,907
Costs incurred without approval	3	27,642
Posting errors	1	<u>2,940</u>
TOTAL		\$1,578,872

State Employment Security Agencies

Thirteen audit reports were issued on State Employment Security Agencies during this reporting period. Of the \$2.2 billion audited, \$1.1 million in exceptions were noted as follows:

<u>Audit Exception</u>	<u>Reports With Exceptions</u>	<u>Amount of Exceptions</u>
Insufficient documentation	4	\$ 607,482
Exceeded budget	2	342,930
Unallowable costs	3	149,007
Improper transfer between grants	1	<u>47,393</u>
TOTAL		\$1,146,812

Mine Safety and Health Administration

During this reporting period, six audit reports were issued on MSHA grants to states totaling \$2.3 million. Audit exceptions totaling \$89,022 were noted as follows:

<u>Audit Exception</u>	<u>Reports With Exceptions</u>	<u>Amount of Exceptions</u>
Insufficient documentation	3	\$45,421
Unallowable expenses	2	39,449
Unallowable indirect costs	1	<u>4,152</u>
TOTAL		\$89,022

Occupational Safety and Health Administration

Seventeen audit reports of OSHA grants to states and public organizations covering \$9.8 million were issued during this reporting period. Seven of these reports contained exceptions listed below totaling \$326,616.

<u>Audit Exception</u>	<u>Reports With Exceptions</u>	<u>Amount of Exceptions</u>
Unauthorized procurement	3	\$167,274
Exceeded indirect cost rate	2	151,405
Unallowable costs	2	4,431
Exceeded budget	3	1,485
Costs charged to wrong period	1	1,438
Unallowable earned interest	1	<u>583</u>
TOTAL		\$326,616

Departmental Management

We issued 3 audit reports on contracts issued by the Office of the Assistant Secretary for Administration and Management. Audit exceptions totaled \$2,552 from one report for overbilling.

OFFICE OF ORGANIZED CRIME AND RACKETEERING

From April 1, to September 30, 1982, the Office of Organized Crime and Racketeering opened 27 cases. Twenty-six cases are being considered for prosecution by either the Department of Justice or other authorities.

There were 19 indictments involving 31 individuals during this reporting period. As a result of trials or pleadings, 44 individuals were convicted. Also there were two consent judgments entered. They relate to the complaint, based on the civil provisions of the Racketeer Influenced and Corrupt Organizations (RICO) statute, filed against the present and former officers of International Brotherhood of Teamsters Local 560. Anthony "Tony Pro" Provenzano and Nunzio Provenzano have agreed to remove themselves from any further union or fund activity. The complaint, which resulted from a joint OIG-FBI investigation and which was discussed in detail in the last semiannual report, seeks injunctive relief to prevent associates of Provenzano family and friends from committing further racketeering violations and seeks the appointment of one or more trustees to control and audit the assets of the union and benefit funds and to conduct a general election for officers under free and democratic conditions.

Two of our cases--U.S. v. Romano et al. (S.D. N.Y.) and U.S. v. Cusmano (E.D. Mich.)--involved novel applications of law in the prosecution of labor crimes. They are discussed in detail in the examples of some of our most significant cases that follow.

- o In the continuing investigation in New York City of labor racketeering and organized

crime activities in the Fulton Fish Market, to date, 32 of 44 defendants have been convicted or pled guilty to charges; 9 await trial, 2 were acquitted, and 1 is a fugitive. Included among those entering guilty pleas is Vincent Romano, brother of Carmine and Peter Romano who were sentenced in February. Vincent Romano pled guilty to conspiracy and was sentenced to 1 year and 1 day in prison. He had also been charged with making false statements to the Chemical Bank to induce the extension of more than \$260,000 in loans to the Major Fish Company, a wholesale fish company formerly located in the Fulton Fish Market. Romano, the president and sole stockholder in the company, inflated its assets to obtain the loans and then defaulted on over \$110,000. In a Fatico Hearing (in which the government presents evidence of organized crime connections to influence the sentencing) in February for Carmine and Peter Romano's sentencing, the judge found that Vincent Romano had been conducting the affairs of the United Seafood Workers Union Local 359 for his brother Carmine Romano, now serving a 12-year sentence and who ran the Market and the local for the Genovese organized crime family.

Carmine and Peter Romano, who were convicted on racketeering charges of extortion, receipt of illegal payments, obstruction of justice, and misuse of the union's pension and welfare funds, appealed the latter charge. The charge of misuse of the union's welfare and pension funds stemmed from the Romanos' having the funds transferred from a California bank to a New York bank that was offering gifts for new deposits. Using the local 359 office employees to deposit the money, the Romanos received 17 color television sets

valued at \$424 each and gave them to friends, relatives, and union officials. The charge was tried as an 18 USC 1954 violation (an offer, or acceptance, of a gift, or thing of value to influence the operation of the employee benefit plan); most prosecutions under this section have in the past been clear two-party kickback transactions. The Romanos lost their appeal.

Others who entered guilty pleas since April 1, 1982, are: Gennaro Prisinzano, Domenick Lategano and Thomas Gillio, employers of fish unloading companies, charged with income tax evasion; Walter Cole, accountant for local 359 and for several businesses in the Market, who withdrew an earlier plea for improperly filing annual labor reports and pled guilty to preparing false tax returns for Vincent Romano's Major Fish Company; Frank Fogliano, employee of the local, charged with accepting illegal payments from Market businesses; and businesses--C. G. Wadman, Mazur & Jaffee Fish Company, Inter-City Fish, Tam Fillet, and Fulton Fish Mongers Association--charged with making illegal payments.

Seven men were indicted on conspiracy to commit theft and robbery from interstate shipments. Since at least 1979, the defendants allegedly have stolen thousands of pounds of fish from trucks they were unloading, and put the stolen fish into their own boxes, which were then taken to a wholesale fish company owned by Kenneth Gillio in the Fulton Fish Market. Gillio's codefendants are: Philip Almeraris, Robert Gillio, Thomas Gillio, Paul Guglielmo, Carl DePasquale, and John Talerico, who is also charged with obstruction of justice and perjury.

Additional indictments included Richard Sabatino, owner of Neptune Fish, an alleged organized crime connected company in the Market, who was charged with wire fraud in connection with defrauding a fish dealer of \$57,000 worth of fish; and Victor Grande, charged with conspiracy to commit extortion and income tax evasion. He allegedly requested parking fees from individuals who parked their vehicles on public streets in the Fulton Fish Market. His requests were often allegedly accompanied by threats of violence and force. Those who did not pay would find their vehicles vandalized and fish stolen. Between 1977 and 1980, he allegedly failed to report over \$135,000 of income he received.

This joint investigation with the IRS and the New York City Police Department continues. U.S. v. Romano et al. (S.D. N.Y.)

- o John F. Duff, vice president of the Distillery, Wine and Allied Workers International Union, was sentenced in two separate trials. In the first case, Duff, who is a salaried official of three Chicago local unions in addition to his position with the International, had been indicted with codefendant Howard J. Hansen, president of local union 3 in Chicago, on charges of embezzlement. Duff pled guilty to two counts of the indictment and agreed to immediately resign all fiduciary positions with all labor unions and affiliated pension, health and welfare plans. Codefendant Hansen pled guilty to a one-count information and agreed to resign all fiduciary positions immediately prior to trial.

Duff, who had been charged with embezzling \$94,064 from two locals, was sentenced to 6 months in prison on a work release program, 5 years' probation, and fined \$5,000. Hansen had been charged with embezzling \$27,192 from two locals and was sentenced to 3 years' probation and fined \$1,000. The amounts embezzled included unauthorized salary increases, year-end bonuses and expense payments. They had also taken and converted dues check-off money from one local to another.

In the Detroit case, a spin-off from the Chicago case, Duff and Daniel Triglia, president of Distillery Workers Union Local 42, had been charged with 15 counts of embezzlement of union funds, obstruction of justice and falsification of union records. Duff pled guilty to one count of embezzling \$4,500 and one count of accepting an illegal payment, and was sentenced to 2 years in prison.

Triglia, who is allegedly associated with major organized crime figures in the Detroit area, pled guilty to two counts of embezzling \$11,000 from local 42 in the form of unauthorized Christmas bonuses for himself, Duff, and three other union officials and \$2,844 he and Duff kept after selling some of local 42's office furniture and equipment. Triglia is awaiting sentencing. The Bureau of Alcohol, Tobacco, and Firearms assisted in this case. U.S. v. Duff and Hansen (N.D. Ill.) and U.S. v. Duff and Triglia (E.D. Mich.)

- o Joseph D. Cusmano, president and part owner of the Detroit-based J&J Cartage Company, was convicted of violating and conspiracy to violate the Hobbs Act and sentenced to 3

years in prison and fined \$5,000. Previously convicted in 1977 on the same charges following an LMSA-IRS investigation that began in 1974, Cusmano had his first conviction reversed by the U.S. Court of Appeals for the Sixth Circuit because of an improper jury instruction. The case was transferred to OIG when preparation for retrial was begun.

Cusmano and three codefendants were charged with forcing the company's employees, who were members of Teamsters Local 299, to pay their own contributions to the health and welfare and pension funds, thus deviating from the union contract. This case represents the first known reported conviction of an employer extorting his union-represented employees. Most Hobbs Act prosecutions in the labor context have been against union members or officers shaking down management.

His codefendants, who were convicted in 1979, are Vincent Meli, identified in the Senate Permanent Subcommittee hearings on organized crime as a high-level Detroit organized crime figure; James "Jack" Russo, the other owner of the company; and Roby G. Smith, business agent for Teamsters Local 299. U.S. v. Cusmano (E.D. Mich.)

- o An ongoing investigation of the Joel Sokol Dental Plan in New Jersey has resulted in the conviction and sentencing of Stanley Resnick, president of Metro Dental Service, Inc., which functioned as the administrative and financing arm of the Sokol clinic. He was sentenced to 1 year and 1 day for conspiracy and interstate transportation of stolen property.

Resnick had conspired with other defendants to obtain financing for the Sokol operation from the Chase Manhattan Bank through the use of a falsified invoice from the Professional Equipment Manufacturing Company, which purposely overvalued the dental equipment.

His codefendant, John Burke, a salesman for a company that supplied dental equipment to Metro for the Sokol clinic, had previously pled guilty to making a false credit application. He was sentenced to 5 years' probation and fined \$1,000. U.S. v. Resnick and Burke (D. N.J.)

- o The Matsushita Electric Corporation of America (MECA)--also known as Panasonic--pled guilty to 1 count of wire fraud and 10 counts of giving things of value to local 805 of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, its officers and employees between 1966 and 1976. During this period, local 805 represented some of the MECA employees. The wire fraud count charges that MECA, a wholly-owned subsidiary of Matsushita Electric Industrial Co., Ltd., of Japan, defrauded the parent company by giving MECA corporate assets to local 805, its officers and employees. MECA, located in Secaucus, New Jersey, received the maximum fine of \$101,000. The investigation was initiated by LMSA and transferred to OIG. U.S. v. Matsushita (S.D. N.Y.)

- o Daniel Cunningham, president of the Allied International Union of Security Guards and Special Police and the Federation of Special Police and Law Enforcement Officers, was sentenced to 5 years' imprisonment to be followed by 5 years' probation and fined

\$80,000. Herman Jaffe, business agent for the same organizations, was sentenced to serve 3 months of a 5-year term and the rest on probation and fined \$5,000. They had been convicted of violating the Racketeer Influenced and Corrupt Organizations (RICO) statute, RICO conspiracy, embezzlement, obstruction of justice and attempted bribery of an OIG Special Agent. Both men were released on their own recognizance pending appeal of their sentences. Following attempted bombings of a vehicle owned by Cunningham's father-in-law, who was a government witness during Cunningham's trial, Cunningham's bail was revoked. At Cunningham's bail revocation hearing, testimony was heard pertaining to his threat to kill his father-in-law if he testified. Testimony was also presented relating to Cunningham's involvement in the attempted bombings of the vehicle. U.S. v. Cunningham and Jaffe (E.D. N.Y.)

- o An insurance kickback scheme involving various pension and welfare plans of the Laborers International Union of North America has resulted in the convictions and sentencing of eight defendants, including several officials of the union, on charges of conspiring to violate the RICO statute.

A joint OIG-FBI-IRS investigation found evidence that the scheme, which operated from 1970 to 1977, was to get money for the defendants and co-conspirators by setting up or purchasing insurance companies and then influencing unions and trust funds to funnel insurance business into them. The defendants would then charge union members for the most expensive insurance and loot the insurance premiums paid by using them for kickbacks,

payoffs, unearned salaries and fees, and improper personal expenses.

The union insurance business was funneled into what was intended to be a nationwide company that Joseph Hauser, a convicted insurance-swindler-turned-government-witness, was to arrange. Hauser's company received over \$39 million from various employee benefit plans nationwide; approximately \$8 million from Florida. Kickbacks were given from these premiums in the forms of cash and other things of value.

Convicted and sentenced were: James Caporale, secretary-treasurer of the Chicago and vicinity District Council of the Laborers Union, to 12 years in prison; Seymour Gopman, former legal counsel to Florida Laborers' locals and benefit plans, to 5 years and 4 months (he had been convicted in 1978 on labor violations following a joint LMSA-IRS investigation and some of that evidence was used to corroborate evidence used in the current conviction); Lewis Ostrer, former operator of benefit plans in New York (currently serving a jail sentence in a federal penitentiary as a result of an IRS investigation), to 7 years concurrent with the sentence he is now serving; Alfred Pilotto, alleged organized crime figure in Chicago and a high ranking Laborers official in the Chicago area, to 20 years; Bernard G. Rubin, former principal union official of the Laborers Union in Southeastern Florida (currently serving a jail sentence following a joint LMSA-IRS investigation), to 8 years concurrent with the sentence he is now serving; George Wuagneux, real estate developer (now serving a jail sentence for a racketeering conviction resulting from

another investigation conducted by OIG Special Agents of the Office of Organized Crime and Racketeering, the FBI and the IRS), to 7 years concurrent with the sentence he is now serving; John Giardiello, president and business agent of Laborers Local 767 of West Palm Beach and trustee of the local's welfare fund and of the Southeast Florida Laborers District Council Dental, Vision and Preventive Care Trust Fund, to 12 years; and Salvatore Tricario, business agent and recording secretary of local 767's welfare fund and special International representative, to 12 years.

Anthony Accardo, alleged syndicate boss of Chicago; Angelo Fosco, general president of the Laborers International; and Terrance J. O'Sullivan, president of World Wide Insurance Company of Washington, D.C., and former general secretary-treasurer of the International union, were acquitted.

Five other defendants, including Santo Trafficante who is the reputed head of organized crime in Tampa, are awaiting trial. U.S. v. Accardo et al. (S.D. Fla.)

- o James Paone, recording secretary of International Brotherhood of Teamsters Local 863, Biagio Federico, owner and president of Federico Trucking of Edison, New Jersey, and Thomas Pecora, general manager of Federico Trucking, were indicted on conspiracy to violate the RICO statute, following a joint OIG-IRS-New Jersey State Police investigation.

Federico Trucking has a subcontract to carry bakery goods for Shop-Rite Foods, while local 863 has the Shop-Rite drivers under union

contract. The indictment charges that, from November 1972 until about December 1981, Federico Trucking had no-show employees on its payroll to generate payoffs that amount to about \$255,000 in kick-backs to Paone and others with intent to obtain their influence as representatives within the local. This "sweetheart" arrangement enabled the trucking company to avoid having its drivers organized by local 863. Also, Federico Trucking allegedly paid health and welfare contributions of about \$8,000 from 1975 through 1981 on behalf of a relative of Paone although she was never an employee. Pecora is the son of Joseph "Joe Peck" Pecora, Sr., a reputed member of the Genovese crime family and former chief operating officer of local 863; his brother, Joseph Jr., is the current chief operating officer of the local. U.S. v. Paone et al. (D. N.J.)

- o Ralph Torraco, accountant for the Trucking Employees of North Jersey Welfare and Pension Fund, pled guilty to a one-count information charging him with willful violations of the reporting requirements of ERISA and to one count of income tax evasion. He was sentenced to 1 year in prison and fined \$10,000. Torraco had been indicted in Newark with having evaded payments of substantial amounts of income tax for the years 1975-78, and, in a separate indictment, with having defrauded the Trucking Employees of North Jersey Welfare Fund and Pension Fund through fraudulent billings for accounting work. This was a joint OIG-IRS investigation. U.S. v. Torraco (D. N.J.)
- o Following the shooting and wounding of the father of a protected witness, who is an important potential witness in the investiga-

tion of Bartenders Local 54, OIG Special Agents and law enforcement officials from other agencies supplied enough information from witness interviews to the Department of Justice to eventually lead to the revocation of bail for Nicodemo Scarfo, reputed boss of the Bruno organized crime family.

Both the father and son had testified against Scarfo in a murder trial, and the son had testified recently before the U.S. Senate Labor Committee and the New Jersey Gaming Commission that Scarfo controlled local 54.

Scarfo had been convicted of possession of a revolver in 1981 while he was a convicted felon. While he appealed his conviction, he was out on bail on the condition that he not consort with convicted felons.

In Scarfo's bail revocation hearing, an OIG Special Agent provided material testimony. Testimony was also given by law enforcement officers from the New Jersey State Police, Atlantic County Prosecutor's Office, Atlantic City Police Department, New Jersey State Crime Commission, Pennsylvania State Crime Commission, and the FBI. These witnesses testified to about 15 instances in which Scarfo was under surveillance and met with convicted felons associated with organized crime. U.S. v. Scarfo (D. N.J.)

COMPLAINT CENTER

From April 1 to September 30, 1982, 187 out of 312 complaints received by the complaint center have warranted either audit, investigative, or program agency attention. These do not include the number of calls, complaints, or inquiries received and handled without the need to open a formal complaint file. The sources of the complaints received were Hotline telephone (89), mail (57), General Accounting Office Fraud Task Force Referrals (39), and others (2). The number of complaint files opened in this period represents an increase of 66 percent over the 112 case files opened during the last reporting period.

Of the complaint files opened, 170 pertained to four Departmental agencies. The Employment and Training Administration (ETA) accounted for 78 complaints, the Employment Standards Administration (ESA) for 59, the Occupational Safety and Health Administration (OSHA) for 20, and the Mine Safety and Health Administration (MSHA) for 13. The remaining 17 complaints were dispersed throughout eight other DOL agencies.

After preliminary review of the 187 complaints, the center forwarded 46 for initial inquiry by OIG investigators, 8 for OIG audit attention, and referred 128 to respective program agencies and 5 to other sources for inquiry.

The substance of the complaints received remained consistent with the last reporting period, with ETA complaints dealing mainly with alleged abuses in the CETA program and unemployment compensation fraud. ESA complaints concerned mostly FECA and Black Lung

benefit recipient fraud or the mishandling and slow processing of claims by OWCP offices. The OSHA and MSHA complaints related to employee integrity issues, such as misuse of government vehicles and telephones, conflicts of interest, and abuse of leave. Matters of waste, mismanagement, or employee integrity were alleged in complaints against the remaining agencies.

During this reporting period, 152 complaint files were closed based on responses received or actions taken after initial referral. Some of the closed files related to complaints referred for action in earlier reporting periods. Of the 152 complaints, 132, or about 86 percent, were determined to be unfounded or could not be substantiated while the remaining 20 complaints, or about 14 percent, were found to have some substantiation to the allegations.

Examples of actions taken on some substantiated complaints follow.

- o An OSHA employee was suspended for 5 days for misuse of his assigned GSA vehicle.
- o A BLS supervisor was suspended for 7 days without pay and had his supervisory responsibilities reduced, and his wife, a BLS employee under his supervision, was allowed to resign and ordered to repay \$193.64 for improperly-claimed travel funds. They had been secretly married and she had been filing for travel that originated at a fraudulent address, allowing her to claim more for travel than she should have.
- o A FECA recipient had his monthly compensation reduced by \$400 per month and has been required to repay \$2,683 in overpayments he

received because he claimed support of a dependent child when, in fact, he did not provide such support.

- o A Texas training organization receiving CETA funds was sent a demand letter ordering repayment of \$207,000, after an audit disallowed various indirect costs for lack of proper documentation.
- o A former CETA subgrantee employee agreed to repay \$2,326 in misapplied CETA payroll check funds she received after leaving her CETA position.

PART III

MONEY OWED TO THE DEPARTMENT OF LABOR

In accordance with a request in the Senate Committee on Appropriations' report on the Supplemental Appropriation and Rescission Bill of 1980, the chart on the following page shows unaudited estimates provided by the agencies of the Department of the amounts of money owed, overdue, and written-off as uncollectible during this 6-month reporting period.

SUMMARY OF ESTIMATED DEPARTMENT OF LABOR RECEIVABLES
(Estimated in thousands of dollars)

<u>Program Name</u>	<u>Outstanding Receivables 1/ 9/30/82</u>	<u>Delin- quencies 2/ 9/30/82</u>	<u>Adjustments & Write-Offs FY 82 3/</u>
<u>Employment Standards Administration</u>			
Federal Employees Compensation Act			
o overpayments to beneficiaries/ providers	\$ 12,983	\$ 12,983	\$ 858
Black Lung Program			
o Responsible Mine Operator reimbursement & overpayments to beneficiaries/ providers	174,319	166,494	159,200
<u>Employment & Training Administration</u>			
o disallowed costs from auditing or monitoring outstanding cash balances after contract termination; erroneous overpayments to grantees	139,992	121,552 4/	220
<u>Mine Safety & Health Administration</u>			
o civil penalties from mine operators	8,650	8,390	1,709
<u>Occupational Safety & Health Administration</u>			
o civil penalties from businesses	9,596	9,596	900
<u>Pension Benefit Guaranty Corporation</u>			
o terminated plan assets subject to transfer, employer liability, and accrued premium income	<u>155,925</u>	<u>137,675</u>	<u>-</u>
TOTALS	\$501,465	\$456,690	\$162,887

1/ As defined by OMB Bulletin No. 81-17, this column includes actual receivables and amounts identified as contingent receivables that are subject to an appeals process that can eliminate or reduce the amounts identified.

2/ Any amount more than 30 days overdue is delinquent. Includes items under appeal and not in collection mode.

3/ Includes write-offs of uncollectible receivables and adjustments of contingent receivables as a result of the appeals process.

4/ \$105 million of this amount is either under appeal or covered by a repayment schedule; only \$16.5 is immediately collectible.

APPENDIX

SELECTED STATISTICS

Audit Activities

Reports issued on DOL activities		354
Audit Exceptions	\$	80,278,147
Reports issued for other federal agencies		4
Dollars resolved	\$	80,818,788
Allowed	\$	40,972,088
Disallowed	\$	39,846,700

Fraud Investigation Activities

Cases opened		269
Cases closed		324
Cases pending as of 9/30/82		469
Cases referred for prosecution		92
Individuals or entities indicted		100
Individuals or entities convicted		70
Cases referred to DOL agencies for administrative action		74
Employees suspended		7
Employees terminated		23
Fines	\$	103,779
Recoveries	\$	609,018
Collections	\$	784,523

Organized Crime and Racketeering Investigation Activities

Cases opened		27
Cases closed		34
Cases referred to DOJ/others		26
Individuals indicted		31
Individuals convicted		44

Audit Resolution Activity
April 1, 1982 to September 30, 1982

<u>Agency/Program</u>	<u>April 1, 1982</u>		<u>Issued</u>	
	<u>Balance Unresolved</u>	<u>Reports Dollars 1/</u>	<u>(Increases)</u>	<u>Reports Dollars</u>
<u>Employment and Training Administration</u>				
CETA Sponsors				
Prime Sponsors	97	\$57,929,398	244	\$70,379,533
Native Americans	165	18,108,558	6	441,183
Migrants	18	3,283,627	21	6,313,557
Job Corps	1	199,689	-	-
Older Workers	1	14,318	2	180,724
Policy, Evaluation & Research	3	513	11	475,039
Other National Pgms	14	932,817	25	923,109
State Employment Security Agencies	5	5,888,509	13	1,146,812
<u>Employment Standards Administration</u>	-	-	4	-
<u>Occupational Safety & Health Administration</u>	7	94,692	18	326,616
<u>Mine Safety & Health Administration</u>	6	95,522	7	89,022
<u>Office of the Asst. Secy for Admin and Mgmt</u>	5	4,093	3	2,552
Total	<u>2/ 322</u>	<u>\$86,551,736</u>	<u>354</u>	<u>\$80,278,147</u>

1/ "Dollars" signifies both questioned costs (costs that are inadequately documented or that require the grant officer's interpretation regarding allowability) and costs recommended for disallowance (costs that are in violation of law or regulatory requirements).

2/ The differences between the beginning balances in this schedule and the ending balances in the schedule in the previous Semiannual Report are a result of refining our management information system.

<u>Reports</u>	<u>Resolved (Decreases) 3/</u>		<u>September 30, 1982</u>	
	<u>Allowed</u>	<u>Disallowed</u>	<u>Balance Unresolved Reports</u>	<u>Dollars</u>
143	\$33,314,977	\$22,453,176	198	\$72,540,778
161	4,583,984	10,105,417	10	3,860,340
17	804,127	2,246,210	22	6,546,847
1	1,814	197,875	-	-
1	-	14,318	2	180,724
8	-	513	6	475,039
16	551,189	306,615	23	998,122
6	1,385,078	4,503,431	12	1,146,812
3	-	-	1	-
14	235,397	18,744	11	167,167
10	95,522	401	3	88,621
<u>5</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>6,645</u>
<u>385</u>	<u>\$40,972,088</u>	<u>\$39,846,700</u>	<u>291</u>	<u>\$86,011,095</u>

3/ Audit resolution occurs when a final determination for each audit finding has been issued by the grant officer and accepted by the Office of Inspector General. Thus, this table does not include activity subsequent to the final determination such as: the appeals process; the results of the program agency's debt collection efforts; or revisions to prior determinations.

SUMMARY OF AUDIT REPORTS ISSUED
DURING THE CURRENT REPORTING PERIOD

During the current semiannual reporting period April 1, 1982 to September 30, 1982, we issued 358 audit reports as follows:

DEPARTMENT OF LABOR

Employment and Training Administration

CETA Sponsors:

State and Local Prime Sponsors	244	
Native American Grantees	6	
Migrant and Seasonal Farmworkers Grantees	21	
National Programs for Older Workers Grantees	2	
Policy, Evaluation and Research Grantees	11	
Other National Programs Grantees	<u>25</u>	309

State Employment Security Agencies	13
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Mine Safety and Health Administration

MSHA Sponsors	6
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Internal Audit	1
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Office of Assistant Secretary for
Administration and Management

OASAM Contractors	3
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Occupational Safety and Health Administration

OSHA Sponsors	17
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Internal Audit	1
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Employment Standards Administration

Internal Audits	4
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OTHER FEDERAL AGENCIES

Federal Emergency Management Administration	1
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Small Business Administration	<u>3</u>
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Total	<u>358</u>
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LIST OF AUDIT REPORTS ISSUED
APRIL 1, 1982 TO SEPTEMBER 30, 1982

EXTERNAL AUDITS

<u>Region 1/</u>	<u>Program 2/</u>	<u>Date Sent To Program Agency</u>	<u>Report Number</u>	<u>Name of Contractor or Grantee</u>
I	PRIME	04/19/82	01-2-010-C	NEW BEDFORD CSRT
I	PRIME	06/09/82	01-2-011-C-002-012	MASSACHUSETTS BOS
I	PRIME	07/27/82	01-2-016-L-006-017	HAMPDEN CO
I	PRIME	07/27/82	01-2-018-C-001-007	RHODE ISLAND GOV'S GRANT
I	PRIME	08/11/82	01-2-013-L-005	HARTFORD CSRT
I	PRIME	09/02/82	01-2-014-C-001-015	LOWELL ETR
I	PRIME	09/02/82	01-2-015-C-002-015	LOWELL ETR
I	SESA	06/15/82	01-2-012-L-004	VERMONT DET

1/ The Regions are I-Boston; II-New York; III-Philadelphia; IV-Atlanta; V-Chicago; VI-Dallas; VII-Kansas City; VIII-Denver; IX-San Francisco; X-Seattle; and NO-Washington, D.C. National Office.

2/ Indicates name of program audited; PRIME - State and Local Prime Sponsor; SESA - State Employment Security Agency; JOBCP - Job Corps Contractor; OSHA - OSHA Grantee; DINAP - National CETA Native American Programs Grantee; MIGRANT - National CETA Migrant and Seasonal Farmworkers Grantee; ONP - Other National CETA Programs Grantee; OPER - ETA Office of Policy, Evaluation and Research Grantee; NPOW - National Programs for Older Workers Grantee; I - Indirect Cost Audit; MSHA - Mine Safety & Health Administration; and OMCP - Office of Workers' Compensation Programs.

LIST OF AUDIT REPORTS ISSUED
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<u>Region</u>	<u>Program</u>	<u>Date Sent To Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
II	ONP	05/21/82	11-2-0114-F	PUERTO RICO
II	PRIME	04/20/82	02-2-0177-L-040	TOWN OF HEMPSTEAD
II	PRIME	04/20/82	02-1-1125-L-015	BERGEN CO
II	PRIME	05/06/82	02-2-0779-C-658	SCHENECTADY CO
II	PRIME	05/06/82	02-2-0778-C-657	BURLINGTON CO
II	PRIME	05/17/82	02-2-0829-C-707	SOMERSET CO
II	PRIME	05/17/82	02-2-0830-C-708	BROOME CO
II	PRIME	06/02/82	02-2-0430-L-042	PONCE, PR
II	PRIME	06/29/82	02-2-1163-C-936	ULSTER CO
II	PRIME	07/09/82	02-2-1212-C-985	ORANGE CO
II	PRIME	07/19/82	02-2-1238-G-183	NEW YORK CITY AGENCIES
II	PRIME	07/28/82	02-2-1313-C-1081	CITY OF ALBANY
II	PRIME	08/11/82	02-2-1326-C-1082	STEUBEN CO
II	PRIME	08/12/82	02-2-1330-C-1096	CHEMUNG CO
II	PRIME	08/13/82	02-2-1331-C-1097	OSWEGO CO
II	PRIME	09/20/82	02-2-1461-C	SOMERSET CO
II	PRIME	09/20/82	02-2-1462-C	CUMBERLAND CO
II	PRIME	09/21/82	02-2-1463-G	MONROE CO

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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
III	OSHA	04/07/82	03-2-180-C-086	PENNA FOUNDRYMEN'S ASSN
III	PRIME	04/02/82	03-2-112-C-018-050	MONTGOMERY CO, MD
III	PRIME	04/15/82	03-2-220-C-107-047	FREDERICK CO
III	PRIME	06/07/82	03-2-289-C	CHESTER CO
III	PRIME	06/07/82	03-2-108-G-093-029	WASHINGTON CO
III	PRIME	06/08/82	03-2-197-C	CITY OF SCRANTON
III	PRIME	06/10/82	03-2-308-C	MONTGOMERY CO, PA
III	PRIME	06/10/82	03-2-270-C	PENINSULA OFFICE OF MANPOWER
III	PRIME	06/10/82	03-2-068-C	CITY OF ERIE
III	PRIME	07/12/82	03-2-210-C	RICHMOND AREA MANPOWER PLNG SERV
III	PRIME	07/26/82	03-2-306-C	PRINCE WILLIAM CO
III	PRIME	07/27/82	03-2-182-C	ALLEGHENY CO
III	PRIME	07/27/82	03-2-107-C	LAWRENCE CO
III	PRIME	08/02/82	03-2-275-C	LYCOMING/CLINTON CSRT
III	PRIME	08/06/82	03-2-278-C	CITY OF ALEXANDRIA
III	PRIME	08/17/82	03-2-277-G-111-031	WESTMORELAND CO
III	PRIME	08/18/82	03-2-283-G-115-014	SCRANTON/LACKAWANA CSRT
III	PRIME	08/30/82	03-2-307-G-128-003	BERKS CO
III	PRIME	09/01/82	03-2-282-G-114-017	LEHIGH VALLEY MNPWR CSRT
III	PRIME	09/03/82	03-2-322-G-135-020	SUSQUEHANNA CO
III	PRIME	09/03/82	03-2-319-G-134-032	YORK CO

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<u>Region</u>	<u>Program</u>	<u>Date Sent to Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
III	PRIME	09/09/82	03-2-324-G-137-023A	PENNA - GOV'S SPECIAL GRANT
III	PRIME	09/13/82	03-2-323-G-136-023	PENNA - BOS
III	SESA	08/09/82	03-2-001-L	DELAWARE EMPL SERV
III	SESA	08/09/82	03-2-069-L	DELAWARE EMPL SERV
III	SESA	08/11/82	03-2-318-L	VIRGINIA EMPL COMM
IV	BLS	04/06/82	04-2-0248-C	NORTH CAROLINA DOL
IV	BLS	08/16/82	04-2-0353-C	KENTUCKY DOL
IV	BLS	08/25/82	04-2-0123-C	FLORIDA DOL
IV	OSHA	04/01/82	04-2-0121-C	GEORGIA TECH - RESEARCH INSTITUTE
IV	OSHA	04/06/82	04-2-0249-C	NORTH CAROLINA DOL
IV	OSHA	08/06/82	04-2-0319-C	MISSISSIPPI STATE BD OF HEALTH
IV	OSHA	08/10/82	04-2-0356-C	UNIV OF ALABAMA
IV	OSHA	08/25/82	04-2-0122-C	FLORIDA DOL
IV	OSHA	08/25/82	04-2-0454-C	UNIV OF ALABAMA
IV	OSHA	09/24/82	04-2-0519-C	UNIV OF NORTH CAROLINA
IV	PRIME	04/01/82	04-2-0018-L	NASHVILLE/DAVIDSON CO
IV	PRIME	05/04/82	04-2-0330-C	SEMINOLE CO
IV	PRIME	05/04/82	04-2-0247-C	BREVARD CO

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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
IV	PRIME	05/05/82	04-2-0335-C	HEARTLAND CO
IV	PRIME	05/17/82	04-2-0337-C	VOLUSIA CO
IV	PRIME	06/07/82	04-2-0365-C	VOLUSIA CO
IV	PRIME	06/28/82	04-2-0017-C	FLORIDA BOS
IV	PRIME	07/12/82	04-2-0430-C	ORANGE CO
IV	PRIME	07/15/82	04-2-0287-C	DEKALB CO
IV	PRIME	07/22/82	04-2-0376-C	LEE CO
IV	PRIME	07/29/82	04-2-0351-C	FULTON CO
IV	PRIME	07/29/82	04-2-0041-C	MOBILE CSRT
IV	PRIME	07/30/82	04-2-0140-C	DAVIDSON CO
IV	PRIME	08/02/82	04-2-0236-L	CITY OF CHARLOTTE
IV	PRIME	08/04/82	04-2-0237-C	SARASOTA CO
IV	PRIME	08/04/82	04-2-0238-L	ALABAMA BOS
IV	PRIME	08/06/82	04-2-0338-C	SARASOTA CO
IV	PRIME	08/23/82	04-2-0288-C	CITY OF CHATTANOOGA
IV	PRIME	08/23/82	04-2-0289-C	HAMILTON CO
IV	PRIME	08/23/82	04-2-0290-C	KNOXVILLE/KNOX CSRT
IV	PRIME	08/26/82	04-2-0331-C	COLUMBUS ENT
IV	PRIME	08/27/82	04-2-0489-C	MANATEE CO
IV	PRIME	08/31/82	04-2-0398-L	TENNESSEE BOS
IV	PRIME	08/31/82	04-2-0349-C	HUNTSVILLE/MADISON CSRT
IV	PRIME	09/01/82	04-2-0317-C	SULLIVAN CO
IV	PRIME	09/02/82	04-2-0286-L	KENTUCKY BOS

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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
IV	PRIME	09/02/82	04-2-0505-C	SOUTH FLORIDA EMPETING CSRT
IV	PRIME	09/09/82	04-2-0155-C	CUMBERLAND CO
IV	PRIME	09/10/82	04-2-0362-C	FLORIDA BOS
IV	PRIME	09/10/82	04-2-0361-C	GULF COAST ETA
IV	PRIME	09/10/82	04-2-0421-C	BIRMINGHAM
IV	PRIME	09/13/82	04-2-0357-C	MIDDLE GEORGIA CSRT
IV	PRIME	09/15/82	04-2-0156-C	CITY OF DURHAM
IV	PRIME	09/15/82	04-2-0425-C	SAVANNAH/CHATHAM CSRT
IV	PRIME	09/17/82	04-2-0452-C	HILLSBOROUGH CO
IV	PRIME	09/20/82	04-2-0350-C	HEARTLAND CSRT
IV	PRIME	09/22/82	04-2-0497-C	MARION CO
IV	PRIME	09/22/82	04-2-0446-C	AUTAUGA/ELMORME CSRT
IV	PRIME	09/24/82	04-2-0293-C	ALABAMA CO
IV	PRIME	09/24/82	04-2-0400-C	NASHVILLE/DAVIDSON CO
IV	PRIME	09/24/82	04-2-0506-C	PALM BEACH CO
IV	SESA	07/07/82	04-2-0348-L	GEORGIA DOL
IV	SESA	08/05/82	04-2-0380-L	TENNESSEE DES

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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
V	PRIME	04/06/82	82-000311	CHICAGO (SYEP)
V	PRIME	04/09/82	81-000422	LAKE CO
V	PRIME	04/13/82	81-000488	CHICAGO (ELEGIBILITY)
V	PRIME	04/14/82	81-000523	CITY OF CLEVELAND
V	PRIME	04/29/82	80-000094	CHICAGO
V	PRIME	05/12/82	80-000408	WAYNE CO
V	PRIME	05/20/82	82-000085	CLARK CO
V	PRIME	05/21/82	80-000353	GLSF CSRT
V	PRIME	05/25/82	82-000467	WINNEFOND CSRT
V	PRIME	05/28/82	80-000116	OAKLAND
V	PRIME	06/03/82	82-000175	CITY OF DULUTH
V	PRIME	06/10/82	82-000332	CANTON/STARK/WAYNE CSRT
V	PRIME	06/15/82	81-000141	ROCK ISLAND CO
V	PRIME	06/22/82	82-000232	LIVINGSTON CO
V	PRIME	06/22/82	80-000195	CLEVELAND AREA WESTERN RES
V	PRIME	06/23/82	81-000106	RICHLAND/MORROW CSRT
V	PRIME	06/23/82	81-000365	SHAWNEE CSRT
V	PRIME	06/24/82	81-000455	CITY OF CLEVELAND (STAFF SALARIES)
V	PRIME	06/25/82	82-000625	CITY OF DETROIT (CASH FUND)
V	PRIME	06/28/82	82-000164	HENNEPIN CO
V	PRIME	06/29/82	82-000117	MARATHON CO
V	PRIME	07/01/82	82-000265	ROCK CO
V	PRIME	07/01/82	82-000142	NW WISCONSIN CEP

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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
V	PRIME	07/07/82	79-01785	ILLINOIS GOV'S GRANT
V	PRIME	07/07/82	82-000614	CITY OF CLEVELAND
V	PRIME	08/02/82	82-000052	WISCONSIN DILHR
V	PRIME	08/02/82	81-000073	QUAD COUNTIES CSRT
V	PRIME	08/02/82	81-000400	MAHONING CO
V	PRIME	08/05/82	82-000120	CITY OF HAMMOND
V	PRIME	08/05/82	81-000512	MADISON CO
V	PRIME	08/09/82	81-000411	MCLEAN CO
V	PRIME	08/13/82	81-000354	PORTAGE CO
V	PRIME	08/17/82	81-000128	NORTHEAST MICHIGAN
V	PRIME	08/17/82	82-000028	CITY OF EAST ST LOUIS
V	PRIME	08/17/82	82-000423	MC HENRY CO
V	PRIME	08/18/82	80-000498	STATE OF INDIANA
V	PRIME	08/18/82	82-000478	W-O-W CSRT
V	PRIME	08/20/82	80-000386	INDIANA - BOS
V	PRIME	08/20/82	81-000387	AKRON/SUMMIT/MEDINA
V	PRIME	08/20/82	80-000162	MUSKOGON AREA CSRT
V	PRIME	09/01/82	79-010162	CITY OF MINNEAPOLIS
V	PRIME	09/08/82	81-000376	CENTRAL OHIO RURAL CSRT
V	PRIME	09/08/82	82-000118	CITY OF GARY
V	PRIME	09/10/82	81-000534	WILL-GRUNDY CSRT
V	PRIME	09/10/82	82-000062	TOLEDO CSRT
V	PRIME	09/10/82	80-000465	CITY OF DAYTON
V	PRIME	09/14/82	82-000107	MACON CO

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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
V	PRIME	09/17/82	82-000287	DAKOTA CO
V	PRIME	09/17/82	82-000084	ST CLAIR CO
V	PRIME	09/17/82	81-000095	ASHTABULA CO
V	PRIME	09/17/82	82-000445	OUTAGAMIE CO
V	PRIME	09/17/82	82-000636	ELKHART CO
V	PRIME	09/21/82	81-000321	TRUMBULL CO
V	PRIME	09/21/82	82-000254	SANGAMON/CASS CSRT
V	PRIME	09/21/82	80-000331	MUSKEAN/OCEANA CSRT
V	PRIME	09/22/82	82-000748	LA SALLE CO
V	PRIME	09/23/82	82-000658	YOUNGSTOWN
V	PRIME	09/24/82	82-000682	CITY OF DAYTON
V	PRIME	09/24/82	82-000344	MADISON/DANE CSRT
V	PRIME	09/24/82	82-000105	CITY OF DETROIT
V	PRIME	09/24/82	82-000186	MID-COUNTIES CSRT
V	PRIME	09/24/82	82-000096	HAMILTON CO
V	PRIME	09/24/82	82-000030	LAKE CO
V	SESA	07/28/82	80-000410	MINNESOTA DES
VI	PRIME	04/12/82	82-204	HILDAGO CO
VI	PRIME	04/16/82	82-294	WEST CENTRAL TEXAS COG
VI	PRIME	05/27/82	82-300	CITY OF AUSTIN

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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
VI	PRIME	06/22/82	82-353	OUACHITA PARISH
VI	PRIME	06/22/82	82-268	REGION IX CSRT
VI	PRIME	06/30/82	82-385	CITY OF ALBUQUERQUE
VI	PRIME	06/30/82	82-386	NEW MEXICO BOS
VI	PRIME	06/30/82	82-383	CALCASIEU PARISH
VI	PRIME	06/30/82	82-377	JEFFERSON PARISH
VI	PRIME	06/30/82	82-382	CITY OF SHREVEPORT
VI	PRIME	06/30/82	82-374	TEXARKANA CONSORTIUM
VI	PRIME	06/30/82	82-384	LOUISIANA BOS
VI	PRIME	06/30/82	82-376	CITY OF BATON ROUGE
VI	PRIME	06/30/82	82-380	OUACHITA PARISH
VI	PRIME	06/30/82	82-379	CITY OF NEW ORLEANS
VI	PRIME	06/30/82	82-378	LAFAYETTE PARISH
VI	PRIME	06/30/82	82-375	ARKANSAS BOS
VI	PRIME	06/30/82	82-373	CENTRAL ARKANSAS
VI	PRIME	06/30/82	82-409	ALAMO MANPOWER CSRT
VI	PRIME	06/30/82	82-388	OKLAHOMA CO
VI	PRIME	06/30/82	82-416	WEST CENTRAL TEXAS COG
VI	PRIME	06/30/82	82-403	CENTRAL TEXAS MANPOWER CSRT
VI	PRIME	06/30/82	82-411	WEBB CO
VI	PRIME	06/30/82	82-389	OKLAHOMA CITY
VI	PRIME	06/30/82	82-410	NORTH TEXAS STATE
VI	PRIME	06/30/82	82-390	CITY OF TULSA

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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
VI	PRIME	06/30/82	82-404	COSTAL BEND CSRT
VI	PRIME	06/30/82	82-417	EAST TEXAS CETA CSRT
VI	PRIME	06/30/82	82-399	TARRANT CO
VI	PRIME	06/30/82	82-395	CITY OF DALLAS
VI	PRIME	06/30/82	82-401	TEXAS PANHANDLE ALLIANCE
VI	PRIME	06/30/82	82-407	HIDALGO CO
VI	PRIME	06/30/82	82-414	GREATER PASADENA CSRT
VI	PRIME	06/30/82	82-396	GALVESTON CO
VI	PRIME	06/30/82	82-408	REGION XI CSRT
VI	PRIME	06/30/82	82-415	SOUTH PLAINS MP CSRT
VI	PRIME	06/30/82	82-397	HARRIS CO
VI	PRIME	06/30/82	82-531	SUMMARY - CETA ELIGIBILITY
VI	PRIME	06/30/82	82-387	COMANCHE CO
VI	PRIME	06/30/82	82-412	TEXAS BOS
VI	PRIME	06/30/82	82-400	CAPITAL AREA MANPOWER CSRT
VI	PRIME	06/30/82	82-405	CITY/COUNTY OF EL PASO
VI	PRIME	06/30/82	82-392	CLEVELAND CO
VI	PRIME	06/30/82	82-398	CITY OF HOUSTON
VI	PRIME	06/30/82	82-418	PERMIAN BASIN
VI	PRIME	06/30/82	82-393	CAMERON CO
VI	PRIME	06/30/82	82-413	GULF COST E&T CSRT
VI	PRIME	06/30/82	82-406	FORT WORTH CSRT
VI	PRIME	06/30/82	82-394	DALLAS CO

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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
VI	PRIME	06/30/82	82-419	GOLDEN TRIANGLE
VI	PRIME	06/30/82	82-381	RAPIDES PARISH
VI	PRIME	06/30/82	82-402	SOUTH EAST TEXAS E&T
VI	PRIME	06/30/82	82-391	OKLAHOMA BOS
VI	PRIME	07/06/82	81-368	COMANCHE CO
VI	PRIME	07/08/82	82-352	CENTRAL TEXAS CSRT
VI	PRIME	07/09/82	82-275	CALCASIEU PARISH
VI	PRIME	07/12/82	82-301	LAFAYETTE PARISH
VI	PRIME	07/12/82	82-312	GREATER PASADENA
VI	PRIME	07/15/82	82-649	CITY OF SAN ANTONIO
VI	PRIME	07/20/82	82-372	TEXAS DEPT OF COMM AFFAIRS
VI	PRIME	07/30/82	82-632	TEXAS PANHANDLE
VI	PRIME	07/30/82	82-647	TEXAS GOVERNORS OFFICE
VI	PRIME	07/30/82	82-621	OKLAHOMA CO
VI	PRIME	08/09/82	82-274	CLEVELAND CO
VI	PRIME	08/31/82	82-631	NORTH TEXAS STATE
VI	PRIME	09/02/82	82-420	DALLAS CO
VI	PRIME	09/24/82	82-648	REGION IX CSRT
VI	SESA	09/07/82	82-049	NEW MEXICO DES

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<u>Region</u>	<u>Program</u>	<u>Date Sent To Program Agency</u>	<u>Audit Report Number</u>	<u>Name of Contractor or Grantee</u>
VII	BLS	06/02/82	7-2-L-013	MISSOURI DOL&IR
VII	ONP	07/21/82	7-2-L-015	DRAKE UNIVERSITY
VII	OSHA	04/15/82	7-2-L-010	KANSAS DEPT OF HUMAN RESOURCES
VII	OSHA	06/14/82	7-2-L-012	MISSOURI DOL&IR
VII	PRIME	04/12/82	7-2-L-003	KCK/WYANDOTTE CO CSRT
VII	PRIME	04/25/82	7-2-S-002	IOWA BOS
VII	PRIME	04/28/82	7-2-S-004	LINN CO CSRT
VII	PRIME	06/23/82	7-2-L-016	CITY OF SPRINGFIELD
VII	PRIME	08/12/82	7-2-S-005	DAVENPORT/SCOTT CSRT
VII	PRIME	08/16/82	7-2-C-017	TOPEKA/SHAMNEE CSRT
VII	SESA	06/04/82	7-2-S-014	MISSOURI DOL&IR
VIII	OSHA	04/01/82	08-2-013-C	COLORADO BLDG CONST TRADES CNCL
VIII	OSHA	07/29/82	08-2-021-C	OIL CHEM & ATOMIC WRKRS INT'L UNION
VIII	OSHA	07/29/82	08-2-020-C	OIL CHEM & ATOMIC WRKRS INT'L UNION
VIII	PRIME	04/23/82	08-2-012-C	PUEBLO CO
VIII	PRIME	04/23/82	08-2-003-C	COLORADO SPGS/EL PASO CSRT

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VIII	PRIME	07/20/82	08-2-017-C	ARAPAHOE CO
VIII	PRIME	08/04/82	08-2-018-C	BOULDER CO
VIII	PRIME	08/09/82	08-2-014-C-010-505	WYOMING DIV OF MNPWR PLNG
VIII	PRIME	08/13/82	08-2-009-L-001-045	CITY & COUNTY OF DENVER
VIII	PRIME	08/20/82	08-2-024-C-019-105	MONTANA DOLÉI
VIII	PRIME	08/20/82	08-2-023-C	MONTANA RURAL CETA CEP
VIII	SESA	05/20/82	08-2-015-G	COLORADO JOB SERVICE
IX	PRIME	04/29/82	09-82-C-164-P1	NEVADA SCETO
IX	PRIME	05/04/82	09-82-G-068-P1	LOS ANGELES
IX	PRIME	05/11/82	09-82-C-095-P1	SANTA CRUZ CO
IX	PRIME	06/28/82	09-82-G-071-P1	MERCED CO
IX	PRIME	07/21/82	09-82-C-108-P1	SACRAMENTO EMPL & TRNG AGENCY
IX	PRIME	08/17/82	09-82-C-058-P1	CITY OF GLENDALE
IX	PRIME	08/18/82	09-82-G-048-P1	CALIFORNIA EDD - GOV'S GRANT
IX	PRIME	08/18/82	09-82-G-046-P1	CALIFORNIA EDD - BOS
IX	PRIME	09/21/82	09-82-C-072-P1	MONTREY CO
IX	SESA	04/29/82	09-82-G-301	ARIZONA DES

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X	PRIME	04/16/82	10-82-S-025-009	YAKIMA CO
X	PRIME	06/15/82	10-82-L-005-006	IDAHO MANPOWER CSRT
X	PRIME	08/11/82	10-82-C-011-001	MULTNOMAH/WASHINGTON CSRT
X	PRIME	09/24/82	10-82-C-001-009	CITY OF ANCHORAGE
X	SESA	06/30/82	10-82-L-302-001	IDAHO DES
X	SESA	07/30/82	10-82-S-304-001	WASHINGTON DES
NO	DINAP	04/23/82	11-2-061-C	NORTH PACIFIC RIM
NO	DINAP	06/24/82	11-2-230-C	METLAKATLA INDIAN COMM
NO	DINAP	08/02/82	11-2-126-C	CANDELARIA AMERICAN INDIAN COMM
NO	DINAP	08/10/82	11-1-178-CB	SAN BERNARDINO INDIAN CENTER
NO	DINAP	08/11/82	11-2-042-C	WHITE MT APACHE TRIBE
NO	DINAP	08/13/82	11-2-217-C	COLLVILLE CONFED TRIBES
NO	MIGRANT	04/23/82	11-2-033-C	EVANGELINE COMMUNITY ACTION INC
NO	MIGRANT	06/08/82	11-2-101-C	MOFFORTUNITIES INC
NO	MIGRANT	07/14/82	11-2-074-C	NEBRASKA ASSN OF FRMWRKS INC
NO	MIGRANT	07/20/82	11-2-141-C	RURAL MISSOURI INC

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NO	MIGRANT	07/27/82	11-1-022-C	NORTHWEST RURAL OPPORTUNITIES INC
NO	MIGRANT	07/27/82	11-2-128-C	ARKANSAS CNCL OF FRMWRKS INC
NO	MIGRANT	08/02/82	11-2-192-C	LA RAZA UNIDA DE OHIO
NO	MIGRANT	08/04/82	11-2-185-C	NW COMM ACTION PGMS OF WYOMING IN
NO	MIGRANT	08/04/82	11-2-109-C	NORTHWEST RURAL OPPORTUNITIES INC
NO	MIGRANT	08/04/82	11-2-089-C	UTAH MIGRANT CNCL
NO	MIGRANT	08/04/82	11-2-222-C	PORTABLE PRACTICAL ED PREP INC
NO	MIGRANT	08/11/82	11-2-197-C	PENOBSCOT CSRT
NO	MIGRANT	08/13/82	11-2-201-C	ILLINOIS MIGRANT CNCL
NO	MIGRANT	08/13/82	11-2-193-C	MICHIGAN ECONOMICS FOR HUMAN DEVEL
NO	MIGRANT	08/20/82	11-2-199-C	RURAL NEW YORK FRMWRKS OPPORTUNITIES
NO	MIGRANT	08/20/82	11-2-210-C	HOME EDUCATION LIVLIHOOD PGM INC
NO	MIGRANT	08/25/82	11-2-200-C	NEW ENGLAND FRMWRKS
NO	MIGRANT	08/25/82	11-2-248-C	CALIFORNIA HUMAN DEVELOPMENT CORP
NO	MIGRANT	08/30/82	11-2-212-C	WICHITA SER/JOBS FOR PROGRESS INC
NO	MIGRANT	09/01/82	11-2-115-C	ALABAMA MIGRANT & SEASONAL FRMWRKS
NO	MIGRANT	09/22/82	11-2-196-C	MONTANA DOL & I
NO	MSHA	04/06/82	11-2-159-P	UNIV OF NEVADA
NO	MSHA	04/09/82	11-2-021-C	NORTH CAROLINA
NO	MSHA	07/14/82	11-2-150-C	STATE OF MINNESOTA

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NO	MSHA	07/20/82	11-2-211-C	DYNAMIC DATA PROCESSING INC
NO	MSHA	07/22/82	11-2-124-C	STATE OF IDAHO - DEPT OF LABOR
NO	MSHA	08/10/82	11-2-276-F	WESTINGHOUSE ELECT CORP
NO	NPOW	07/27/82	11-2-157-C	NAT'L CAUCUS & CENTER ON BLACK AGED
NO	NPOW	07/30/82	11-2-140-C	GREEN THUMB INC
NO	OASAM	08/10/82	11-2-257-F	DATA SOLUTIONS CORP
NO	OASAM	08/10/82	11-2-258-FA	THE BROOKINGS INSTITUTION
NO	OASAM	08/10/82	11-2-256-F	ICF INC
NO	ONP	04/20/82	11-2-050-F	VIRGIN ISLANDS
NO	ONP	05/13/82	11-2-162-C	CONSORTIUM VENTURE CORP
NO	ONP	06/24/82	11-2-094-C	NAT'L WOMEN EMP'L & EDUC INC
NO	ONP	06/30/82	11-2-134-C	TEXAS ASSN OF DEVELOPING COLLEGES
NO	ONP	07/20/82	11-2-232-C	MEL HARRIS AND ASSOCIATES
NO	ONP	07/20/82	11-2-147-C	LABORERS INT'L UNION OF NORTH AMERICA
NO	ONP	07/21/82	11-2-105-C	JOBS FOR DELAWARE GRADUATES INC
NO	ONP	07/21/82	11-2-082-C	NATIONAL AUTOMOBILE DEALERS ASSOC

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NO	ONP	07/21/82	11-2-137-C	INT'L UNION OF ELECT RADIO & MACH WKRS
NO	ONP	07/22/82	11-2-152-C	SOLAR AMERICA INC
NO	ONP	07/22/82	11-2-133-C	SOUTHERN CALIF AREA CONSTR OPP PGM
NO	ONP	07/22/82	11-2-149-C	YOUTH EMPLOYMENT SERVICE
NO	ONP	07/22/82	11-2-111-C	INT'L ASSN OF FIREFIGHTERS
NO	ONP	07/22/82	11-2-146-C	GREATER CLEVELAND GROWTH CORP
NO	ONP	07/22/82	11-2-151-C	WATTS LABOR COMMUNITY ACTION COMM
NO	ONP	07/22/82	11-1-177-C	SER-JOBS FOR PROGRESS
NO	ONP	07/30/82	11-2-127-C	NAT'L IRONWORKERS & EMPL TNG PROG
NO	ONP	08/02/82	11-2-187-C	NAT'L OFFICE FOR SOCIAL RESP
NO	ONP	08/03/82	11-2-132-C	NAT'L CNCL OF LA RAZA
NO	ONP	08/27/82	11-2-084-C	MORGAN MANAGEMENT
NO	ONP	09/02/82	11-2-180-C	YWCA OF OKLAHOMA
NO	ONP-I	06/25/82	11-2-246-C	EVALUATION TECHNIQUES
NO	ONP-I	09/09/82	11-2-289-F	HOWITZ, ALLEN AND ASSOC
NO	OPER	04/15/82	11-1-148-C	NAT'L INST OF PUBLIC MANAGEMENT
NO	OPER	05/12/82	11-2-171-F	UNIV OF HOUSTON
NO	OPER	05/12/82	11-2-186-F	STATE OF COLORADO
NO	OPER	06/25/82	11-2-247-C	UNIV OF CONNECTICUT
NO	OPER	06/25/82	11-2-241-C	UNIV OF CHICAGO

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NO	MSHA	06/04/82	DPIA 82-1	ENFORCEMENT, ASSESSMENT, COLLECTION PROC
NO	OSHA	06/18/82	DPIA MEMO	TRANSFER OF TRAINING OFFICE STAFF
NO	OWCP	05/10/82	DPIA 82-2	ROLE OF EMPLOYING AGENCIES IN FECA ADMIN
NO	OWCP	06/02/82	DPIA MEMO	ISSUANCE OF IRS FORMS 1099
NO	OWCP	08/04/82	WAO MEMO	FECA INTERNAL CONTROLS - PHILA DIST OFC
NO	OWCP	09/12/82	WAO MEMO	CASH RECEIPTS/ACCTS RECEIVABLE CONTROLS

INTERNAL AUDITS

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NO	OPER	07/08/82	11-2-255-C	ANALYSIS GROUP INC
NO	OPER	07/30/82	11-2-264-F	BOSTON & HARVARD UNIVERSITIES
NO	OPER	08/10/82	11-2-258-FB	THE BROOKINGS INSTITUTION
NO	OPER	08/10/82	11-2-275-F	GROUP OPERATIONS
NO	OPER	08/11/82	11-2-113-C	VERA INSTITUTE OF JUSTICE
NO	OPER	09/08/82	11-2-281-F	UNIV OF MINNESOTA
 <u>OTHER FEDERAL AGENCIES</u>				
NO	FEMA	05/11/82	11-2-168-C	USDA GRADUATE SCHOOL
NO	SBA	09/01/82	11-2-278-C	JAMES H LOWRY
NO	SBA	09/01/82	11-2-267-C	MARK BATTLE ASSOC
NO	SBA	09/01/82	11-2-279-C	SAM HARRIS ASSOC

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