

# Semi-Annual Report of the Inspector General

---



October 1, 1979 - March 31, 1980

U.S. Department of Labor  
Office of Inspector General

SEMI-ANNUAL REPORT

OCTOBER 1, 1979 - MARCH 31, 1980

OFFICE OF INSPECTOR GENERAL

U.S. DEPARTMENT OF LABOR

## TABLE OF CONTENTS

MESSAGE FROM THE INSPECTOR GENERAL	1
CHAPTER I. PROGRAM AGENCIES	9
CHAPTER II. OFFICE OF ORGANIZED CRIME AND RACKETEERING	59
CHAPTER III. DEPARTMENTAL MANAGEMENT	63
CHAPTER IV. EMPLOYEE INTEGRITY, OIG INTERNAL AFFAIRS AND THE HOTLINE	75
APPENDICES	79

MESSAGE FROM THE INSPECTOR GENERAL:

Pursuant to the provisions of the Inspector General Act of 1978, I am pleased to transmit this report concerning the activities and accomplishments of this Office during the period of October 1, 1979 - March 31, 1980. It is my second report as Inspector General. It is also the last one that I will issue in view of my decision to leave this Office, as of May 2. This message thus provides a final opportunity for me to express my thoughts on the role of the Inspector General and the lessons that I have learned during my tenure in this job.

The long-term success of this Office, and of the Inspector General movement in general, is dependent on a new way of thinking about government accountability. It is clear that the efforts of this Office, and of the other Inspectors General, to bring about change, to affect the ways in which Federal programs are designed and managed, and to create a commitment to the IG concept in its broadest sense are not quickly nor easily achieved. This kind of change must be planned and reinforced in many different ways: through careful selection of senior managers; aggressive, well-designed training programs; creative planning approaches; an effective organizational structure; and specially-tailored operating policies.

While we have pursued active audit and investigative programs, my view is that the most important accomplishments during this reporting period have been in completing our organizational development, selecting the remainder of our senior managers and creating a solid IG framework to insure that we are able to undertake effectively the kinds of initiatives envisioned by the Inspector General Act. I would like to take this opportunity to discuss these accomplishments in some detail.

First, in terms of organizational development, we now have approved organization structures for all major components of this Office. They are important not only because they are a necessary prelude to hiring senior management people to run these components, but because they reflect the organizational philosophies of our top managers about how best to design and implement our activities. For example, all three of our major program components (the Office of Investigations, the Office of Audit and the Office of Loss Analysis and Prevention) have program desks which are designed to enhance intra-Office coordination as well as facilitate coordination with DOL program agencies. Further, the division-level structures within these components will create increased emphasis on internal audits, on training, and on capacity-building in the loss prevention area.

Second, with respect to senior level recruitment, we made considerable progress. Our Assistant Inspector General for Investigations,

A.M. Statham, joined our staff during this period. He is a top-notch investigative manager who, because of his work with the U.S. Postal Inspection Service, has considerable experience in the white collar crime area and in managing inspections using the combined skills of auditors and investigators. Mr. Statham has already made substantial contributions to this Office. He has been instrumental in implementing an investigations case tracking system, in designing a system for analyzing and assigning investigative priorities, in establishing quadrant city and team approaches to field activities, and in providing leadership to joint audit and investigative projects.

A second new senior level appointee is Walter McDonough who recently joined our staff as Chief of the Administrative Management Staff. Mr. McDonough's specialized experience in the administrative management field will provide our Office with leadership in the areas of personnel, budget, training, internal communications, ADP management and administrative services.

Our capability in the Office of Organized Crime and Racketeering (OOCR) has been greatly enhanced by the reorganization of the New York Metropolitan area offices (which contain 30% of the OOCR personnel) and the appointment of Rhonda Fields to lead the new office. Ms. Fields, a former Strike Force and Assistant U.S. Attorney, brings considerable experience and expertise to the new position.

Finally, in order to achieve fully the goals of this Office, we have, on the one hand, expended considerable effort within our Office to re-orient traditional audit and investigative thinking to utilize the best of each discipline, and, on the other, to create within the Department an understanding of our unique role and responsibilities. We have designed and put into place an infrastructure to complement and support our programs, and have initiated a new IG planning process. These accomplishments are reflected in a number of ways--by the working relationships we have developed within the Department, by the training programs we have initiated, by the plans we have begun for the Office of Loss Analysis and Prevention, and the projects we have already undertaken, which will be described below.

The only major stumbling block which prevents this Office from aggressively pursuing our plans has been the difficulty we have had in staffing. This has been a constant source of frustration, and has severely hampered our ability to do our work, as I have advised the Secretary and the Assistant Secretary for Administration and Management. Apparently, the personnel process is both complex and painfully slow, especially in classifying new positions. Added to these system problems is the Presidential hiring limitations which may impact especially harshly on this Office, which is in the midst of its first substantial recruitment.

It should be noted that a disturbingly high percentage of the time of our top managers has been occupied with dealing with internal affairs matters, involving the integrity of members of our staff. While they

constitute only a small percentage, these employees consume time and effort which is disproportionate to their numbers, but made necessary both by our commitment to complete integrity, and the consuming nature of the procedures established to deal with personnel problems. This area of Internal Affairs is reviewed more fully in the body of the report.

Despite these difficulties, we have moved ahead on a number of substantive fronts. The development of our loss prevention program has continued. Prior to the establishment of the Office of Loss Analysis and Prevention (OLAP), we undertook a series of pilot loss prevention projects. These projects, which are described more fully elsewhere in this report, have focused on the Redwood Employee Protection Program, the Department's Personnel Management System, the Black Lung Benefit Program, audit contracting, CETA eligibility, and the Mine Safety and Health Administration. Since we were unable to get OLAP established and staffed during this reporting period, these projects have been directed by an ad hoc Inspector General Function Coordination Committee made up of the Deputy Inspector General and the two Assistant Inspectors General.

OLAP will be assuming lead responsibility for designing and managing the OIG loss prevention program. The establishment of this Office and the implementation of several pilot loss prevention projects have all demonstrated our commitment to a strong loss prevention posture. I have long been convinced that the OIG's overall effort must be focused on the identification and elimination of fundamental program and system



weaknesses and vulnerabilities to waste, fraud and abuse. I firmly believe that this "pro-active" approach will enhance this Office's contributions to improved management in the Department, and enable us to make better use of scarce resources. In addition to its responsibility for loss prevention projects in program and management support system areas, OLAP will be assuming responsibility for coordinating the analysis of proposed and existing regulations and legislation, the preparation of the semi-annual report, maintaining liaison with GAO, state and local governments, and non-governmental entities, and conducting research on technologies and methodologies applicable to the loss prevention program.

During this reporting period, 168 final audit reports were issued, in which \$34 million in costs were questioned. In addition, there are two special audit initiatives I would like to highlight. First, we are pleased that the Secretary's Audit Review Committee has completed its review of the Department's audit process. The OIG has had extensive input into the report. We believe that the recommendations contained in the report, if implemented, will lead to significant improvements in the audit resolution process and will result in major reductions in the backlog of unresolved audit reports. We also conducted an extensive audit review of the 1979 Summer Youth Employment Program (SYEP). We believe that the results of this review indicate that the 1979 program made major progress in achieving its goals, and that the recommendations of the report will result in even better administration of the 1980 program.

Given the complexity and magnitude of ETA programs, it stands to reason that much of our audit and investigative activity is directed toward these programs. A regular dialogue between OIG and ETA is critical to insure both that issues are discussed and resolved, and that OIG recommendations are implemented. I am very pleased with how our relationship with ETA has developed. ETA has agreed to take action on all of OIG's recommendations stemming from our SYEP review. Also, ETA plans to improve the validation process for job placement data. This recommendation resulted from an OIG investigation into alleged false placement statistics developed by a State Employment Service and subsequent conviction of a state official. Finally, ETA and OIG have established audit and investigations work groups which will be identifying and resolving interagency issues.

We can be proud of what this Office has accomplished since its creation. It has come to realize that the whole of the Office is greater than the sum of its parts, and I perceive a real IG identity and spirit within our organization. I am confident that this Office will continue to build on its record of accomplishment.

This report first reviews our work in connection with the programs the Department administers, and Departmental management, then the work of the Office of Organized Crime and Racketeering, and then matters involving Employee Integrity, OIG Internal Affairs and the Hotline.

MARJORIE FINE KNOWLES  
Inspector General

CHAPTER I.      PROGRAM AGENCIES

A.      THE EMPLOYMENT AND TRAINING ADMINISTRATION

The Employment and Training Administration (ETA) administers several employment and training programs, including those authorized by the Comprehensive Employment and Training Act (CETA). This Act was amended by the addition of the Emergency Jobs and Unemployment Assistance Act of 1974, the Emergency Jobs Program Extension Act of 1976, and the Youth Employment and Demonstration Projects Acts of 1977. The Act was re-authorized in 1978 by the CETA Amendments of 1978 (P.L. 95-524).

Under the Act, as amended, all states and cities, counties and combinations of local units with populations of 100,000 or more receive direct Federal grants to design and administer comprehensive work experience and training programs to serve the needs of their areas. At present, there are 473 such state and local units called "Prime Sponsors", which operate projects themselves or contract with other groups to provide such services.

Generally, states are responsible for programs in areas that do not meet the population criterion to receive Federal funds directly. In addition, certain grantees serve in the same capacity as Prime Sponsors in operating Indian (Native American) and Migrant Programs.

Under the Act as amended in 1978, economically disadvantaged persons who are unemployed or underemployed can get training, upgrading, retraining, education, and other services designed to qualify them for jobs. Programs include work-experience and public service employment. The 1978

amendments to CETA also provide for a demonstration program to test ways to involve private industry in providing jobs in the private sector for the disadvantaged, and to test new approaches for obtaining jobs for people on welfare.

Generally, the new CETA serves only economically disadvantaged persons. Some programs provide services to people who have special problems in getting work, such as Native Americans, persons with limited English-speaking ability, and veterans. There are programs also for young people--both in school and out--such as the Job Corps, the Young Adult Conservation Corps, the Summer Youth Employment Program and the Youth Incentive Entitlement Projects.

ETA also administers the employment security programs through the U.S. Employment Service and the Unemployment Insurance Service. The affiliated State Employment Security Agencies (SESA's) operate over 3,000 local offices to serve those seeking employment and those providing it, along with serving persons eligible for unemployment benefits. Local employment offices in most states are now identified as the Job Service (JS).

The largest single benefit program operated by the State Employment Security Agencies or directed by the U.S. DOL is Unemployment Insurance (UI). UI provides temporary income as partial compensation to unemployed workers. UI programs are administered jointly by the Employment and Training Administration's Unemployment Insurance Service and the individual

states. The Federal Government establishes guidelines and pays administrative costs from funds collected under provisions of the Federal Unemployment Tax Act (FUTA). The states have direct responsibility for operation of UI programs.

UI programs are financed from three sources. The basic benefits for 26 weeks are financed by state taxes on employers' payrolls that are maintained in state accounts in the Federal Unemployment Trust Fund. In three states, employees also contribute to that fund. Benefit extensions beyond the 26th week are financed 50 percent from state funds and 50 percent from the FUTA account. Payments for former Federal civilian employees, veterans, and individuals who lost their jobs as a result of the nation's trade policies, or as a result of a natural disaster, are made from general Federal revenue funds. Despite variations in financing, the state agencies take applications and administer payments for most programs under provisions of state laws.

#### State and Local CETA Program Audits

During this reporting period, the OIG issued 48 audit reports on state and local CETA programs which took exception to \$22.5 million. It should be noted that prime sponsors are responsible to the Department for all CETA funds granted to them even though the program may be administered through subgrantees. Unresolved subsponsor audit exceptions, improper allocation of administrative charges, and ineligible participants or the lack of documentation to support eligibility of participants, remained the major reasons for questioning program costs or recommending

disallowance of costs. Many of the unresolved subsponsor audit exceptions resulted from ineligible participants or a lack of documentation required to support eligibility.

A summary of the major reasons for the exceptions is shown below:

<u>Audit Exception</u>	<u>Amount of Exceptions</u>	<u>No. of Reports with Exception</u>
Unresolved Subsponsor Audit Exceptions	\$ 9,309,222	20
Improper Allocation of Administration Charges	1,249,028	7
Insufficient Documentation	4,002,436	19
Ineligible Participants	666,891	18
Participant Wages in Excess of Annual Rate	199,994	2
Reported Expenditure in Excess of Recorded Expenditures	4,741,757	4
Bidding Procedures Not Followed	667,820	1
Budget Exceeded	65,376	3
Errors on Close Out Report	224,691	1
Other	<u>1,441,956</u>	29
	\$22,569,171	

The illustrative examples presented below are typical findings during the reporting period.

An examination of 195 randomly selected public service employment wage payments disclosed 6 payments made to ineligible participants. Using statistical principles, it is possible to project, with 95% accuracy, an ineligible wage payments rate during the audit period of between 1.1% and 6.5%.

One audit recommended disallowances of approximately \$1.3 million as a result of: lack of contract approval; duplicate charges; excess fringe benefits; ineligible wages and fringe benefits; and, unresolved subsponsor audit exceptions. The audit disclosed that the grantee's accounting system lacked internal checks, a finding concurred in by the grantee. A double entry accounting system has now been implemented. Other findings were: the grantee erroneously reported zero cash on hand; grant closeout reports were not submitted on a timely basis; a failure to account for unclaimed checks; poor procurement practices; wage payments to participants exceeded \$10,000 per year; retirement benefits were charged in violation of the CETA regulations; and some participants were ineligible. Also, none of the costs questioned in the prior audit, \$957,238, had been resolved.

We found in another audit that: the sponsor had not prepared financial reports from the books of original entry; an accrual basis of accounting was not used during the audit period; there were no controls in effect for advances to subcontractors; and, at the time of our audit, over \$72 million in subcontracts had not been audited. The reason for the audit practice of questioning costs because of inadequate documentation is made clear by this audit. The sponsor failed to adequately control

cash advances made to subcontractors. The "advance" account on the books reflected a total of \$1.5 million outstanding on September 30, 1978. However, because the advance account was used for transactions other than cash advances, it was impossible to determine the total advances receivable without major reconstruction of the accounts. As a result, the auditors had no choice but to question disbursements of \$1.5 million.

In another audit, a review of the grantee's cash management disclosed the maintenance of excessive cash balances during the audit period. As a result, there was a loss of interest to the Federal Government of approximately \$106,297. The calculation was based on average monthly balances times the average monthly interest rates.

Weaknesses in the purchasing system at the same sponsor were also identified. The bookkeeper performed all the following functions: pre-audit of vendor invoices, check preparation, cancellation of invoices, and recording transactions in the books of account. While office memoranda were prepared detailing description, quantity, cost and appropriate approval for purchase of supplies and equipment, the memoranda were discarded when the orders were placed. These weak internal controls are an open invitation to fraud and abuse.

Another audit revealed that the sponsor did not maintain a financial management system capable of providing accurate and complete results of grant activities during the audit period. Records which were used to prepare



Federal reports were not reconciled to depository balances. When a comparison of the constructed cash balance obtained from the sponsor's reports adjusted to a cash basis was made with the actual cash on hand, an unaccounted for difference of \$402,250 was disclosed. This sponsor also charged employers for a portion of their CETA employees' wages. These charges were made for two reasons: (1) because of budgetary limitations; and (2) for CETA wages in excess of the \$10,000 maximum permitted under Federal regulations. The sponsor received approximately \$400,000 during fiscal year 1978 from employers representing wages and fringe benefits paid to CETA participants in excess of budgetary and regulatory limitations. However, the refunds were deposited in a separate account and were not used for CETA program purposes. Furthermore, the sponsor did not report the receipt of these funds to the U.S. DOL/ETA. As of September 30, 1978, \$345,482 remained in the account. Withdrawals from the account which totaled \$54,071 were questioned because they were used by the sponsor to close out non-CETA grants. In addition, the auditors questioned \$345,482 pending the restoration of all refunds to the sponsor's CETA program account and the correction of Federal reports.

#### Review of the Summer Youth Employment Program

As the result of Departmental and Congressional interest in the CETA Summer Youth Employment Program (SYEP), the OIG undertook a major review of the FY 1979 SYEP program. While operations were in progress, auditors from our Office of Audit, and from 13 CPA firms conducted reviews

at 28 Prime Sponsors. Primes were selected for review from a spectrum of all types and sizes--large and medium-sized cities, rural and suburban counties, consortia of local governments and Balance of State recipients.

The objectives of this special review were to determine whether:

- SYEP worksites used by the 28 Prime Sponsors exposed participants to work situations resembling the real "world of work";
- Required monitoring of SYEP worksites was accomplished by the Prime Sponsors and their subrecipients;
- Corrective action was taken as a result of the monitoring visits;
- Payments were made only to bona fide participants.

The review which included on-site observations at 2,230 worksites, interviews with participants and their supervisors, analysis of monitoring activities, and observation of 711 worksite payroll distributions disclosed that:

Of the 2,230 worksites visited by OIG, 1,871 (84%) provided participants with work situations where:

- meaningful and sufficient work was performed,
- work rules were enforced, and
- participants were adequately supervised.

Of the 13,900 participants assigned to the 2,230 worksites, 71 percent of the participants were assigned to these 1,871 worksites.

Over 35,000 monitoring visits were performed by the 28 Primes and their subrecipients.

No instances of fraudulently-drawn SYEP paychecks were noted in the worksite payroll distributions observed during the review.

Corrective actions including reassignments of participants, closure and restructuring of worksites, and reassignment of supervisory responsibilities were promptly taken on many of OIG's observations.

The success of worksites in providing SYEP participants with real life work situations ranged from Lane County, Oregon, where no problems were noted to the District of Columbia where only 42 percent of the worksites visited by OIG met the review criteria.

The Administrator for the ETA Office of Youth Programs commented favorably on our review. He did, however, take exception to one of the criteria used in considering whether worksite participants were receiving adequate supervision, namely participant to supervisor ratio greater than ten to one. Of 104 worksites with supervision problems, only five were considered unacceptable solely on the basis of that criterion.

We concluded that the high percentage of worksites providing participants with real-life work situations was partially due to the monitoring visits made by the 28 Prime Sponsors and their subrecipients. However, in our opinion the same benefits would have been obtainable with fewer monitoring visits through more effective planning of the monitoring function, improved monitoring instruments and detailed worksite agreements.

To further improve future SYEP Programs, we recommend the Department require:

Worksite agreements specifying the names and locations of the worksite, the work rules and hours of work for each position funded, the numbers and type of positions funded, job description for the positions funded, and the names of the individuals who will directly supervise the SYEP participants.

All monitoring plans (Prime and subrecipients) be in writing with specific, measurable objectives.

Monitors to use monitoring instruments which capture objective information showing whether the worksite is meeting the SYEP objectives.

Standardization of the methods of selecting and timing of worksite visits by monitors to (a) eliminate excessive reviews and (b) assure reviews are performed in a manner which provides time to redefine objectives and take corrective action early in the program.

We have been informed that ETA is taking steps to, in some manner, implement all of the recommendations.

#### Migrant and Seasonal Farmworker Program Audits

During the reporting period 26 audit reports were issued concerning Migrant and Seasonal Farmworker program grantees. The Farmworker Programs began in the 1960's as a part of the Economic Opportunity Act and were administered by the Office of Economic Opportunity. The grantees are both state organizations and community based, non-profit corporations chartered by the various states. Farmworker programs were transferred to the Department of Labor through a Memorandum of Understanding with the Community Services Administration prior to the Comprehensive Employment and Training Act and were continued under that legislation.

These programs currently receive approximately \$81 million in CETA funds annually. Some of the grantee problems disclosed in the financial and compliance audit reports are described below.

One of the major problems for Migrant and Seasonal Farmworker program grantees that must be addressed to insure proper grant management and fiscal responsibility is that of the multi-funded organization. ETA encourages grantees to obtain as many grants as possible. We understand that approximately 95% of these grantees are multi-funded. Migrant grantees in recent years have become administrators of not only CETA Title III Section 303 funds for migrant and other seasonally employed farmworkers, but have sought and received grants from other agencies, including other CETA prime sponsors, HEW, CSA and USDA. Grantees are responsible for administering as many as 26 grants, often without staff skills needed to manage these complicated organizations. Frequently insufficient funds are allocated to the fiscal area resulting in an unacceptably low quality of administrative personnel. In the all too many instances where grant periods are short and funding sources numerous, the development of comprehensive administrative systems takes a back seat to the preparation of grant proposals.

Many of the migrant grantees in the Western and Southwestern states own or control entities created for the purpose of holding title to real and/or personal property. Typically the property is acquired through loans which are repaid by charging rent to the various government grants. By the creation of such entities, the grantees are able to circumvent regulations designed to limit grant funds paid for grantee-owned property to either depreciation or two percent of acquisition cost per year.

The process of controlling grantee administration is made all the more difficult in cases in which subcontracts are not documented in the proposed grant.

We have concluded that current reporting requirements for grantees are insufficient in that they do not compel the production of the type of information necessary for DOL grant managers to adequately monitor ongoing activity. Grantees tend to design their accounting systems around the types of reports that they are required to prepare. The result is that when the required reports are inadequate to control receipts and expenditures, the accounting system used to prepare the reports is also usually inadequate for proper control. The costs incurred in utilizing an adequate accounting and reporting system would be more than offset by better internal controls and a reduction in the misuse of funds.

Exceptions taken in the samples examined for the 26 audit reports issued during this reporting period are summarized below:

<u>Audit Exception</u>	<u>Amount of Exceptions</u>	<u>No. of Reports with Exception</u>
Ineligible Participants	\$ 559,862	25
Insufficient Documentations	1,186,593	25
Improper Allocation of Administrative Charges	1,534,289	22
Overbilling of Costs	153,354	1
Conflict of Interest	165,963	1
Budget Exceeded	39,267	4
Unqualified Staff's Salaries, Wages and Fringe Benefits	653,904	5
Other	<u>522,014</u>	25
	\$4,815,246	

A more complete picture of grant problems may be had through an analysis of the financial data contained in the audit reports of 44 grants awarded during the period 1976 through 1978.

<u>Geo. Area</u>	<u>No. of Grants</u>	<u>Total Grants Budgets</u>	<u>Total Costs Subject to Audit</u>	<u>Costs <u>1/</u> Questioned</u>	<u>Costs Rec. <u>2/</u> for Disal.</u>
Eastern	10	\$ 26,591,847	\$20,117,926	\$ 4,775,139	\$ 631,858
Midwest	16	61,916,589	42,969,330	1,967,870	1,961,299
Western	<u>18</u>	<u>32,614,109</u>	<u>27,060,057</u>	<u>10,440,551</u>	<u>747,496</u>
	44	\$121,122,545	\$90,147,313	\$17,183,560	\$3,340,653

1/ Questioned costs are expenditures without sufficient documentary evidence to enable the auditor to make a decision as to allowability.

2/ Costs recommended for disallowance are expenditures which the auditor judges, based on available evidence, to be unauthorized under the terms of the grant.

It should be noted that the amounts questioned or recommended for disallowance arise from the examination of specific transactions as part of a statistical sample. If these figures were projected based on the error rate found in the sample, the amounts would increase significantly.

Of 143,848 participants enrolled in 38 grants audited, 5,068 were sampled to evaluate participant eligibility. Of those sampled, 30% were determined to be ineligible or questionable (ineligible, 303; eligibility not determinable, 1,207). Problems related to participant eligibility generally result from inadequate intake procedures and are exacerbated by poor record retention by the grantee.

There are significant problems in indirect cost charges to the migrant grants. Many grantees, because of a lack of knowledge or expertise, have not implemented indirect cost plans. In fact, the basic concept of using indirect cost rates does not seem to be understood by many grantees. We found a general belief on behalf of grantees that indirect expenditures do not have to comply with Federal cost principles.

Examples of the inappropriate expenditures are numerous--one grantee paid salary bonuses to its administrative staff which exceeded all salary guidelines of grantee and in some cases CETA regulations; a Board Member of one grantee who was not an employee and not directly compensated for his time had unacceptable travel expenses; another grantee charged



all administrative costs to its various grants as direct costs, while collecting the indirect cost revenue from other grants and using such revenues in violation of Federal cost principles.

Native American Program Audits

Fifteen audit reports were issued for the Native American Program. These audits took exception to approximately \$1.9 million. The major problems continued to be inadequate documentation and poor record-keeping practices. The amounts of exceptions are shown below.

<u>Audit Exception</u>	<u>Amount of Exceptions</u>	<u>No. of Reports with Exception</u>
Ineligible Participants	\$ 106,820	13
Insufficient Documentation	778,675	15
Budget Exceeded	45,935	1
Improper Allocation of Administrative Charges	629,719	7
Other	<u>388,335</u>	11
	\$1,949,484	

Job Corps Program Audits

Sixteen Job Corps Center<sup>v</sup> audit reports were issued during the reporting period which took exception to \$2.9 million. The major reasons for the exceptions are shown below.

<u>Audit Exception</u>	<u>Amount of Exceptions</u>	<u>No. of Reports with Exception</u>
Bidding Procedures not Followed	\$ 651,147	10
Lack of DOL Approval for Capital Improvements, Training Projects, etc.	419,243	9
Budget Exceeded	71,109	6
Insufficient Documentation	776,008	14
Inadequate Staff Qualifications	779,284	6
Inaccurate Accounting Records	43,629	2
Other	<u>189,088</u>	2
	\$2,929,508	

-- One report took exception to approximately \$765,000 primarily because a number of instructors and counselors did not meet employment qualifications established by the contractor's proposal or they had not obtained proper certification or licensing for the positions they held. The report also noted unexplained costs reported to DOL, a lack of documentation for payroll costs and other unallowable charges.

-- A second report disclosed that the contractor was unable to demonstrate that goods, services, and capital items were purchased at the best available prices or that staff employees met educational and experience requirements. The contractor may have hired professionals who were not properly licensed or certified.

In addition, prior DOL approval was not obtained before purchasing capital items which exceeded a specified amount or before renting equipment; and, there was insufficient documentation for staff travel and personnel actions. The exceptions in this report totaled about \$346,000.

Office of National Programs/Office of Policy Evaluation and Research Audits

During the period, OIG issued 36 audit reports on grants and contracts funded largely through either the Older Americans Act or CETA. The exceptions identified in the reports are shown below.

<u>Audit Exception</u>	<u>Amount of Exceptions</u>	<u>No. of Reports with Exception</u>
Ineligible Participant	\$ 834	1
Insufficient Documentation	173,424	13
Budget Exceeded	56,270	6
Improper Allocation of Administrative Charges	347,269	8
Other	<u>80,899</u>	10
	\$658,696	

Cash Management Audit Review

For some time, we have been concerned about the effectiveness of cash management practices within the CETA program. Initial survey work has disclosed excess cash balances at CETA Prime Sponsors with a potential for improvement in both the method by which Treasury Regional Disbursing

Offices transfer funds and cash management practices within the individual Prime Sponsor organizations. We are presently identifying local impediments, both of an organizational and statutory nature, to effective cash management of CETA program funds.

We hope that our next report will contain suggestions for improvement in DOL cash management practices which, when implemented, will result in significant savings in interest costs to the U.S. Treasury.

#### State Employment Security Agency Audits and Reviews

OIG issued five financial and compliance audit reports and six ADP reviews concerning SESAs during the reporting period.

One audit disclosed that an agency had improperly expended Unemployment Compensation (UC) funds because agency management incorrectly believed that such monies were available for administrative costs under provisions of the Reed Act which makes excess funds collected under the Federal Unemployment Tax Act (FUTA) available for administration of the Employment Security (ES) Program. In this case, beginning in March 1972, the state expended all the state funds in the UC Fund, including unobligated Reed Act funds. They then borrowed another \$34.7 million from the Federal Government to pay UC benefits. This loan balance steadily increased to \$137 million until the loan was repaid in December, 1978. Consequently Reed Act funds were expended for UC benefits and therefore were not available for ES administrative expenditures. An exception of \$765,873 was taken by the auditors.

An ADP application system survey of the Unemployment Insurance System Design Center (UISDC) concluded that the design center concept has merit. However, the survey also found that the UISDC did not really exist as a bona fide independent entity. The survey also found that there was little or no cost benefit analysis performed in conjunction with any of UISDC's projects. Additionally, it was found that no long-range plans for the UISDC existed. The report recommended that UISDC should exist as a completely independent entity free of any State Employment Security Agency operations and control, including fiscal management. It was further recommended that cost-benefit analyses be performed on all development projects by the national office Unemployment Insurance Service prior to the projects being assigned to UISDC for development and implementation. The report also recommended that the UISDC remain a true design center with full research and development capability and that the Unemployment Insurance Service, in cooperation with UISDC, develop long-range (e.g. 5 year) work plans.

A technical security report of ADP systems and facilities in a State Employment Security Agency (SESA) and the state agency that provides it with ADP services, concluded that grantee data and systems were vulnerable to unauthorized access, i.e., to unauthorized modification, destruction and disclosure of data, either accidentally or intentionally. This particular SESA distributes and collects billions of dollars annually through its ADP systems. The report recommended that a significant number of mandatory actions be taken with respect to

external and internal controls, authorization/authentication of the user access process and audit trails to improve the security posture of grantee's systems. The Agency has initiated actions to implement our recommendations.

#### Gaps in Audit Coverage

There have been large gaps in audit coverage of programs operated by State Employment Security Agencies. The Unemployment Insurance (UI) Program has been especially subject to gaps in audit coverage. As a result, the Office of Audit conducted a survey to review the extent of UI audits by either state or Federal auditors. Information obtained in the survey was provided to the Unemployment Insurance Service. Our principal conclusion was that OIG and ETA needed to work together to vigorously implement requirements for recipient-procured audits (CFR Title 41 Part 29-70), including necessary funding for additional state audits that would adequately cover UI operations.

Our survey reviewed the extent to which audits had been made covering UI agencies for fiscal years 1977 through 1979. Of the fifty-four UI agencies included in our survey, twenty-seven (50%) had not been audited by the states. Four of the UI agencies not receiving state audit coverage did receive some Federal coverage. Thus, there were twenty-three UI agencies which had not received any audit coverage.

Most of the work done by state auditors was in auditing the states' Unemployment Compensation Trust Fund transactions, which included employer contributions. However, considerably less audit work was performed for determining claimants' eligibility, conducting cross-matches between wages

and benefits, and reviewing fraud/overpayment detection procedures. For example, only 45% of the audits covering FY 1977 included either a determination of claimants' eligibility for benefits or a review of the agencies' fraud/overpayment detection procedures. For FY 1978 only 38% of the audits covered claimant eligibility and 42% covered fraud/overpayment detection procedures. Special Federal unemployment benefit programs which are not funded by the state were generally not reviewed by the state auditors.

The most viable method, in our opinion, for improving the basic financial and compliance audit coverage of UI and related benefit programs seems to be implementation of the recently enacted requirements for recipient audits. However, funding for additional audits will continue to be a major hurdle. SESA's do not currently have funds available for obtaining audits and funds will be available only from savings in other areas or additional grants by ETA.

#### OIG Interest in Benefit Payment Control

One of the major areas of interest to the OIG in the UI programs is benefit payment control which refers to the systems used by State Employment Security Agencies (SESA's) to detect overpayments of unemployment benefits. For the year ended June 1979, overpayments detected, due both to fraud and non-fraud, totaled about \$127.5 million or 1.4% of the approximately \$8.6 billion of unemployment benefits paid under state programs. (This does not include benefits paid under Federal programs.) The primary responsibility for controlling fraud and overpayments

rests with each SESA. DOL's Employment and Training Administration (ETA) allocated 2,020 positions to the SESA's for FY 1979 to administer benefit payment control programs in the various states.

The SESA's use a variety of techniques to detect overpayments. While such techniques include investigating anonymous leads and suspicious items, the most productive and cost-effective detection technique is believed to be the crossmatch of benefit payment records with individual wage information for the same quarter. ETA has developed a model UI crossmatch system which uses a formula to select cases for further investigation.

Only the 42 state agencies which maintain quarterly wage records can use the crossmatch. The ETA model UI crossmatch system is presently utilized in 12 states, with 8 states in the process of adopting the system. Eleven other states have made inquiries about obtaining the system. Still other states utilize an in-house developed crossmatch system. Many of the request-reporting states have substituted what is called a "back-to-back check". It involves comparison of base-year wage information with benefit payments from the most recent prior claim to detect overlaps in wages and benefit payment. According to ETA, two states are not utilizing any crossmatch system.

ETA, the National Commission on Unemployment Compensation, and the Interstate Conference of Employment Security Agencies are making a study of UI benefit overpayments. The major objective of the study is to produce



a valid estimate of the amount and rate of overpayments, in total and by specific categories (i.e., fraud vs. non-fraud), occurring in Buffalo, New York City, Pittsburgh, Oklahoma City, Nashville, Salt Lake City, and Phoenix. The estimates will be based on a sample of "key weeks paid" in the study cities during the period October 1, 1979 through March 30, 1980. The findings of the study will also be suited to develop recommendations for improving benefit payment controls. However, the OIG believes much more will have to be done before a valid nationwide estimate of overpayments can be made.

ETA has aided the SESA's in recovering overpayments established, by providing a handbook on overpayment recovery and an automated overpayment record-keeping and billing system. Five SESA's are operating the system and four have requested information on the system. The main features of the system are: maintenance of up-to-date individual overpayment records, containing all transactions which have occurred relative to the overpayment; production of a complete printout of overpayment records upon user request; automatic billing of overpaid claimants; and statistical and management reports.

#### Plans for Additional OIG Initiatives in State Employment Security Agencies

OIG plans to review ETA's study of benefit overpayments and any recommendations of the study designed to produce a valid estimate of the amount and rate of overpayments of state unemployment benefits. We will follow up on any action planned or taken by ETA to improve benefit payment control and thereby reduce fraud and overpayments of unemployment benefits in both the state and Federal programs. Improving audit coverage of SESA's with emphasis on unemployment benefit programs will continue to be a primary OIG concern.

Review of Eligibility Abuse within the Redwood Employee Protection Program (REPP)

The newly-created Office of Loss Analysis and Prevention (OLAP) recently completed a loss vulnerability assessment relating to eligibility qualification abuses within the Redwood Employee Protection Program (REPP), which is administered by ETA, in conjunction with the Labor Management Services Administration.

The basis for REPP is Public Law 95-250, enacted by Congress on March 27, 1978. This law amended the Redwood National Park Act of 1968 by expanding the Redwood National Park by 48,000 acres in Humboldt and Del Norte Counties, California. Public Law 95-250 was designed to achieve the preservation of park land while at the same time providing protections for workers who may be deprived of employment as a direct result of the park expansion.

Title II of the Act provides for government paid benefits for covered employees. In substance, it provides that any worker who is laid off during the period May 31, 1977 through September 30, 1980, and who has five or more years of employment with an "affected employer" (statutorily defined), is entitled to a weekly benefit payment equal to his/her former earnings during any period the worker is on lay-off through September 30, 1984. In the case of specific categories of older workers, this benefit period is extended until September 30, 1989. In addition to cash benefits, Title II also provides for continuing pension rights and credits, vacation replacement benefits, retention and accrual

of seniority rights, continuation of health and welfare benefits, employment services, retraining services, job search allowances, job relocation allowances, and return relocation allowances (including reimbursement for losses incurred in the sale of a residence).

With respect to eligibility for REPP benefits, the Act provides that an affected employee will be eligible if registered with the Employment and Training Service, and is eligible for unemployment insurance (UI) under the California Insurance Code. Thus a worker becomes eligible for REPP benefits by successfully establishing eligibility for UI and then applying for REPP.

The California Employment Development Department (EDD) is the Agency responsible for local REPP operations. DOL's ETA is responsible for REPP benefit funding and liaison with EDD, and DOL's LMSA has overall administrative authority for the program.

Although it was the stated intent of Congress to provide benefits to workers displaced by the Redwood Park expansion, it became obvious soon after the program began that nonaffected workers were qualifying for REPP, and would be eligible for benefits to cover any periods of layoff through September 30, 1984. Such apparently unintended eligibility qualification took a number of forms, basically involving many non-park expansion related types of layoffs (maintenance, routine shut downs, fires, etc.). Because of the generous benefits involved (100% of salary), there was great pressure for employees to qualify, and great pressure on employers to

help them qualify. One of the major abuses reported was that senior workers were being laid off first, were in fact actively seeking layoffs, in order to qualify for REPP.

In addition to adverse public and press relations, REPP eligibility abuses have had a significant financial impact on the Federal assets intended for the displaced worker. At the time the bill was enacted, the legislators estimated that a maximum of 1500 workers would be covered by REPP, at a maximum cost of about 40 million dollars over the total life of the Program. Current estimates are now closer to 3000 employees, at a cost in excess of 100 million dollars. It has been noted that, depending on the number of maintenance and other short-term shut-downs, and "voluntary" contrived and collusive layoffs, the majority of all workers who were on the payroll of affected employers during the May 31, 1977-September 30, 1980 "window period" may possibly become eligible for REPP.

The original purpose of the study was to evaluate and attempt to design ways to counteract REPP vulnerability to eligibility abuse relating to out-of-seniority order employee layoffs. However, based on the determination that this problem was but one manifestation of abuse in eligibility qualification practices, the scope of the analysis was expanded to address program-wide benefit eligibility weaknesses. Based on this analysis, we identified the "conclusive presumption" clause within the enabling REPP legislation as the underlying cause of eligibility abuse.

This clause provides that any partial or total layoff of a covered employee during the period May 31, 1977 through September 30, 1980 (other than for a cause that would disqualify the employee for unemployment insurance) is conclusively presumed to be attributable to the Redwood Park expansion. Based on this conclusive presumption clause, there is no legal support for DOL to deny REPP coverage concerning maintenance and other non-Park expansion layoffs. In addition, the REPP Act does not prevent layoffs out of order of seniority. We concluded that, although the stated legislative intent was to provide benefits for workers displaced by the Park expansion, this clause makes it legitimate for employees to qualify on the basis of non-Park related layoffs. We also found that two prior DOL review groups had identified the conclusive presumption clause as the underlying symptomatic factor. However, DOL has not recommended to Congress that the Act be amended.

We believe that when legislation is enacted creating a benefit program which is designed so as to be extremely vulnerable to abuse, the Congress must be informed of this problem. It is the responsibility of both the Congress and the Executive Branch to deal with significant loss prevention problems such as that created by the REPP legislation. Not only the Inspector General, but the entire Executive Branch, has an important responsibility in this regard. We have begun preliminary discussions with interested offices within the Executive Branch on this subject.

CETA Eligibility Determination and Verification Programs - Evaluation and Proposed Enhancements

The Office of Loss Analysis and Prevention (OLAP) has recently undertaken the task of evaluating CETA eligibility determination and verification systems, and developing recommendations for nationwide program improvement. This analysis is in response to our concern with abuse, error and inefficiency in the eligibility determination systems of some CETA grantees. Although there is little comprehensive data concerning the nature and extent of various underlying causes of eligibility problems, there is general agreement that mismanagement and administrative inefficiency may be significant causal factors. Thus, it is deemed desirable to evaluate, and improve, accountability for agency eligibility determination problems, and other problem areas in eligibility determination systems.

This OLAP improvement project is designed to assess the relative integrity of select CETA eligibility determination and verification programs, identify those program applications and procedures that prove to be the more effective operational models, and determine the feasibility of proposing wide scale replication of such models, or select aspects thereof. In undertaking this work, OLAP will be working in close cooperation with ETA, particularly its Office of Management Assistance. This major project is scheduled to be completed in August 1980.

### Investigations Involving ETA Programs

During the period October 1, 1979 to March 31, 1980, this Office opened 152 investigative cases involving ETA programs, and closed 199 cases. During this period, we referred to the U.S. Attorney for criminal prosecution 112 cases involving CETA and other employment and training related violations. These cases and others referred previously have resulted in 26 indictments and 15 convictions. The balance of the cases are either pending further action or have been declined for prosecution. When cases are declined by the U.S. Attorneys, they are either referred to state or local authorities for prosecution or to program officials for administrative action. Tables showing a breakdown, by region, of the current status of cases referred to U.S. Attorneys during the reporting period are in the Appendix.

Monetary results due to investigative activities amounted to \$714,129.34 in recoveries, \$638,522 in savings, \$5,277.88 in collections, \$13,294.62 in fines, and \$1,231,002 in claims. \*/ The following table shows a breakdown of these data by region.

---

\*/ Fines are the sums of money imposed as a penalty upon defendants after an administrative hearing, civil suit, or criminal prosecution; recoveries include the restoration, restitution, or recovery of money or property of known value that was lost through a crime, mismanagement, etc.; collections are the receipt of payments of an indemnity to end a civil transaction, suit or proceeding; savings are the prevention of dollar value losses to the Government; claims are the dollar value of indemnities which have been administratively determined by a DOL agency. For example, if a state loses \$10,000 in CETA property, and an OIG investigation determines that the loss was attributable to negligence, the DOL program agency administratively estimates a claim against the state for \$10,000.

CETA AND OTHER EMPLOYMENT AND TRAINING RELATED INVESTIGATIONS

REGION	REGION. INV. OFFICE	CASES OPENED	CASES CLOSED	RECOVERIES	SAVINGS	MONETARY SUMMARY COLLECTIONS	FINES	CLAIMS
I	Boston	9	17	36,078.59	222,522.00			
II	New York	7	18	15,566.00	416,000.00			459,056.00
III	Philadelphia	22	6				2,294.62	
IV	Atlanta	29	100	23,985.35				
V	Chicago	4	8					
VI	Dallas	20	2	525,000.00				
VII	Kansas City	7	1					
VIII	Denver	6	2			5,277.88		
IX	San Francisco	30	35	113,500.00			11,000.00	
X	Seattle	18	10					771,946.00
	TOTAL	152	199	714,129.94	638,522.00	5,277.88	13,294.62	1,231,002.00



The more significant convictions and indictments during the period October 1, 1979 to March 31, 1980 involving ETA programs are described below.

-- A former West Virginia public employment service official was convicted in Charleston, West Virginia of conspiracy and causing false job placement data to be submitted to the U.S. Department of Labor. This represents the first known prosecution of anyone for filing false placement data under the Labor Department-funded state employment services program. The conviction was based on findings that during 1977 the defendant directed a conspiracy to submit false placement data to the Department's Employment and Training Administration (ETA) concerning summer employees hired by the Union Carbide Co. in Charleston.

During the trial the importance of the false placement data to the Labor Department's decision-making process was demonstrated quite vividly. For example, testimony by Labor Department officials revealed that the placement data provided by the West Virginia Department of Employment Security was used in formulating Labor Department policy, plans and budgets. The amount of funds each state employment services agency receives is heavily influenced by the agency's performance in placing applicants in jobs. As a result of this investigation, ETA is changing the emphasis of the placement formula and is also increasing validation efforts, including the initiation of special Employment Security Automated Reporting Systems Validation Surveys in selected states.

-- A former Executive Director of a Religious Foundation in Texas was sentenced to 6 months in prison followed by 18 months probation. He was indicted on 13 counts of misappropriation of CETA funds on November 6, 1979 and pleaded guilty to one count on January 11, 1980. This organization, a subgrantee, had received a \$500,000 one-year CETA grant and the defendant misappropriated in excess of \$30,000. This investigation represents the first major multiple count indictment handed down in that district of Texas involving CETA fraud. The indictment received wide attention in the press and television media, and should serve as a deterrent against further misapplication of DOL funds. As a direct result of this investigation, the City of Dallas has modified its monitoring program and increased its investigative staff.

-- A school teacher pleaded guilty in U.S. District Court, Boston, Massachusetts, to ten counts of a thirty-three count indictment charging willful embezzlement of \$3,500 in CETA funds. This individual holds a Masters Degree in education, and was employed as an "English-as-a Second Language" teacher for a subgrantee of the Massachusetts Balance of State Prime Sponsors. During the period November 2, 1977 to July 19, 1978, this individual converted 110 CETA participant allowance checks to her own use. She was responsible for reporting the time and attendance for the student participants and then distributing their weekly checks. This case illustrates a serious potential for abuse--allowing one person to have control over more than one phase of the payroll process. The various functions in taking attendance, reporting the data to payroll,

distributing checks, and securing signatures for receipt of checks must be kept separate. Recommendations to mandate the separation of these functions and closely monitor compliance have been made.

-- A Dallas County CETA Coordinator was indicted by a Federal Grand Jury on nine counts of misapplication of CETA funds. This individual was charged with falsifying intake forms for ineligible applicants in return for payments. The false placements resulted in a misapplication of over \$400,000 in CETA funds.

-- Three individuals were indicted by a Federal Grand Jury at Hartford, Connecticut, on a total of one hundred twenty counts of misapplication of CETA funds, false statements, and conspiracy. Investigation disclosed that during the period October 12, 1976 to June 28, 1978 these men converted at least \$35,874 in CETA funds to their own use. One individual was a job counselor with a CETA Subprime Consortium and the other two were accomplices in the scheme. They conspired to issue fraudulent checks to CETA participants which the job counselor forged and deposited to his own business account. The Consortium held contracts with various CETA Prime Sponsors in Connecticut to provide training and placement for CETA participants.

-- The former Property and Procurement Officer for CETA, Atlanta, Georgia, along with the Assistant Property and Procurement Officer, a private vendor of goods and supplies and a former CETA participant, were indicted by a Federal Grand Jury on twenty-six counts of conspiracy, false statements and extortion. Investigation disclosed that CETA payrolls were padded with ineligible applicants and non-existent individuals. Funds and equipment were also misapplied and kickbacks were obtained. It is believed that this is the first time an extortion charge has been used in a CETA indictment.

-- In Los Angeles, California, the Director of a CETA subgrantee and three co-subjects were sentenced pursuant to their convictions for misapplication of CETA funds. The four were charged with conspiring to misapply part of a \$263,199 CETA Grant and to make false statements to DOL. As part of the scheme a "ghost" employee was created, carried on the books and checks were issued to this non-existent employee. The Director, who had been convicted on five counts of conspiracy and misapplication of funds, was sentenced to three years in prison and fined \$2,500. Sentence was later suspended to 45 days and four years probation. The other three co-conspirators, all of whom pleaded guilty, received \$1,000 fines and varying prison sentences with probation. One of these defendants also entered into a court-approved agreement to make restitution of monies received illegally.

## B. THE EMPLOYMENT STANDARDS ADMINISTRATION

The Employment Standards Administration (ESA) administers programs concerned with employment standards, workers compensation, and equal employment opportunity by Federal contractors and subcontractors, through three component offices--the Office of Workers Compensation Programs (OWCP), the Office of Federal Contract Compliance Programs (OFCCP), and the Wage and Hour Division.

The Office of Workers Compensation Programs (OWCP) is responsible for administering claims under the Federal Employees' Compensation Act. Under this Act, coverage is now available to over 3 million Federal white and blue collar employees. Amendments have brought still other groups of workers under the Act such as members of the Peace Corps and VISTA volunteers. OWCP also administers the Longshoremen's and Harbor Worker's Compensation Act of 1927. This Act now covers all maritime workers injured or killed upon the navigable waters of the U.S., as well as employees working on adjoining piers, docks and terminals. A number of other groups are included through extension of the Act. The Black Lung Benefit Program, authorized by the Black Lung Benefits Act, is the third major program administered by the OWCP. Under this program, monthly payments and medical treatment are provided to coal miners totally disabled from pneumoconiosis (black lung) arising from their employment in the nation's coal mines. Monthly payments are also made to surviving dependents.

The Office of Federal Contract Compliance Programs (OFCCP) was established in 1965 to administer Executive Order 11246. The Order calls for government-wide efforts to assure that Federal contractors and subcontractors using public funds do not discriminate against employees because of race, color, religion, or national origin, and requires that such contractors take

affirmative action to hire and promote protected groups. In 1967, the Executive Order was amended to also prohibit discrimination based on sex. In 1978, the Executive Order was further amended to consolidate all its operational enforcement activities in the Department of Labor.

OFCCP also administers section 402 of the Vietnam Era Veterans' Readjustment Assistance Act of 1974 and section 503 of the Rehabilitation Act of 1974. Section 402 requires government contractors and subcontractors to take affirmative action to employ, and advance in employment, qualified disabled veterans and veterans of the Vietnam era. Section 503 requires government contractors to take affirmative action to employ, and advance in employment, qualified handicapped individuals.

The Wage and Hour Division administers the Fair Labor Standards Act, which includes minimum wage, overtime pay and child labor provisions. Today nearly 60 million people are protected by the law. The Wage and Hour Division's responsibility also includes other laws and regulations which protect workers against unfair employment practices.

#### Investigations Involving ESA Programs

During the period October 1, 1979 to March 31, 1980, this Office opened 65 cases and closed 98 cases concerning ESA/workers compensation violations. Monetary results during this period due to investigative activities amounted to \$29,300.34 in recoveries, \$2,387,208.49 in savings, \$13,962.57 in collections, and \$2,259,271.26 in claims. \*/ A table showing, by region, a breakdown of these data follows.

---

\*/ Recoveries include the restoration, restitution, or recovery of money or property of known value that was lost through a crime, mismanagement, etc.; collections are the receipt of payments of an indemnity to end a civil transaction, suit or proceeding; savings are the prevention of dollar value losses to the Government; claims, in OWCP cases, are the potential future overpayment involved in the case. This is an estimate of the future benefits on a fraudulent compensation claim computed on the rate at which benefits are paid and the actuarial lifetime of such a claim.

ESA RELATED INVESTIGATIONS

REGION	REGION. INV. OFFICE	CASES OPENED	CASES CLOSED	RECOVERIES	SAVINGS	MONETARY SUMMARY COLLECTIONS	FINES	CLAIMS
I	Boston	1	8	29,300.34	317,283.00			
II	New York	4	15		26,278.00			
III	Philadelphia	10	1					
IV	Atlanta	15	36		524,624.35			1,319,768.26
V	Chicago	9	5					
VI	Dallas	4	1		971,230.00			
VII	Kansas City	2	3					
VIII	Denver	4	0		547,793.14	13,962.57		563,602.00
IX	San Francisco	12	27					
X	Seattle	4	2					375,901.00
	TOTAL	65	98	29,300.34	2,387,208.49	13,962.57		2,259,271.26

During the period October 1, 1979 to March 31, 1980, this Office referred to the U.S. Attorney for criminal prosecution 24 cases involving workers compensation-related violations. These cases and others referred previously resulted in 4 indictments and 2 convictions. The balance of the cases are either pending further action or have been declined for prosecution. In these instances, the cases are referred to program officials for administrative action. Tables showing, by region, a breakdown of referrals, indictments, convictions, and declinations are in the Appendix.

Examples of prosecutions and indictments relating to ESA/workers compensation violations during the period October 1, 1979 to March 31, 1980 are described below.

-- A former postal employee was sentenced to six months probation for making false statements in connection with his claim for workers disability compensation. Investigation determined that the defendant was gainfully employed on a full-time basis performing heavy physical labor while receiving disability payments for a back injury sustained while a postal employee.

-- An Unemployment Insurance Claims Fraud Investigator for the State of New Mexico was indicted on eight counts for false claims and false statements to obtain temporary workers disability compensation. Investigation revealed that the defendant had received over \$56,000 in benefit payments and would have been eligible for almost a quarter of a million future



disability payments had the fraud not been uncovered. It is also to be noted that as an employee of the New Mexico Employment Security System, the defendant's salary was underwritten by the Department of Labor.

#### FECA Form Revision Project

Based on our investigative experience, many declinations of prosecution on the part of U.S. Attorneys' Offices concerning FECA cases have been due to the poor design of FECA forms used by claimants to establish claims and receive benefits. These forms have permitted ineligible claimants to use ambiguous data in their application thus frustrating the government in meeting its burden of demonstrating willful falsification.

OIG's proposals were used by a joint OIG/OWCP planning group in revising many of these forms. The new forms should clarify and simplify what is required to be reported by claimants and in the case of falsification, facilitate demonstrating intent to defraud.

#### FECA Investigative Project

OWCP officials estimate the potential cost to the government for each claimant on the FECA periodic rolls to be \$10,000 per year, with an average actuarial life of 24 years. This means that an average fraudulent claim costs the government approximately \$240,000 without considering inflationary or other cost increasing factors.

The number of FECA claims has increased since the law was liberalized in 1974, from 12,000 total injury claims in that year, to 80,000 claims in 1976 to more than 100,000 claims by the end of 1979. According to

OWCP officials, as of January 1980, there were 47,624 claimants on the FECA periodic rolls (claimants whose prognosis indicates they are permanently disabled).

The Office of Investigations has been conducting a series of exploratory conferences with its counterparts in other Federal agencies. The need for joint investigative efforts has been recognized as the only viable means to effectively utilize available investigative resources. As the lead agency for this project, the OIG/DOL will provide data from the OWCP computerized charge back system and will provide a review and analysis of selected OWCP/FECA claimant case records, while investigators from the claimant agency will be responsible for the field investigation pertaining to their employees.

A profile which meets investigative requirements is being developed based on length of time on the periodic roles, age limits, pay location, type of injury, and minimum amount of yearly benefits received. When the profile parameter is completed, the universe of all periodic role beneficiaries should be reduced to a workable size of about 8,000. Further refinements should reduce the profile universe to about 375 claimants per region. The Postal Inspection Service, U.S. Air Force Office of Special Investigations, Naval Investigative Service, OIG/HEW, and OIG/DOT have expressed interest in participating in this investigative and monitoring project.

### Black Lung Project

Another project conducted by the OIG which involves the combined use of our investigative, audit, and analytic resources is focusing on the Black Lung Benefit Program. This project is designed to identify loss vulnerabilities and develop appropriate prosecutive and preventive measures.

The Black Lung Benefit Program has grown significantly in recent months, as identified by an expenditure level of approximately \$670,000,000 in benefit and related medical payments for the period of January 1, 1979 to November 1, 1979. It is anticipated that the program will continue to expand, with the current volume of about 100,000 claimants increasing over the next year to a projected level of 200,000. There is presently some concern that this program may be vulnerable to fraud and abuse.

On the basis of this concern, and the fact that recent legislative and organizational changes may affect quality control and error identification, the OIG special project was initiated. The investigative component of this project, begun in January with the review of case files in the Pikeville, Kentucky District Office, is designed to identify and combat ongoing fraud and abuse within the program. Field work on this component of the plan has been completed, and a list of potential targets for criminal investigation has been referred to the Office of Investigations.

It should be noted that this was an important learning experience for the Office of Inspector General. The Black Lung Project was one of the first projects in which our investigators and auditors were asked to work together. We believe that we have learned valuable lessons which will enable us in the future to marshal all disciplines in offices within the Office of the Inspector General together in a productive working relationship.

The second aspect of the Black Lung Project is a loss analysis and prevention project, which is being conducted by staff detailed to OLAP. The goals of this recently initiated project component are to identify and assess loss vulnerabilities within the Black Lung Benefit Program payment systems and operations, and to develop appropriate countermeasures to eliminate or minimize identified hazards. During this loss prevention review, the Office of Loss Analysis and Prevention will be working in close cooperation with ESA's Black Lung Benefit Project officials. The project is currently scheduled to be completed in September 1980. Some of the specific objectives of this project include: (1) determining if the present system effectively processes claimant independent status and other changes affecting eligibility and payment rates; (2) determining the availability and effectiveness of a reapplication control system; (3) assessing a need for a field application investigatory component to supplement basic documentation verification capability on a select case basis; (4) determining if, on a select basis, a face-to-face recertification capability would be effective; and (5) assessing the availability and adequacy of various Black Lung Benefit Program computerized systems.

### Wage-Hour Division Audit

An audit of the Wage-Hour Division was conducted in five Wage-Hour offices located in four regions (Atlanta, Chicago, Dallas and San Francisco). Its purpose was to obtain sufficient data from which conclusions could be drawn pertaining to the Wage-Hour system nationwide. (These offices account for over 60 percent of the 71,161 compliance actions performed in fiscal year 1978.) In addition, operations in twenty of the ninety Wage-Hour Area Offices were reviewed. A sample of 160 employer investigation cases, randomly selected from the more than 15,000 cases contained on the fiscal year 1978 computer files, was used as a data base for the review of Area Office operations. The 160 cases contained total findings of \$318,047 in wages due to 1,775 employees, with \$268,378 of wages actually paid to 1,760 employees.

The audit revealed that considerable improvements were necessary to provide greater control and consistency in the processing of back wages.

Specifically, the following were disclosed:

- Cash receipts were not deposited in a timely manner;
- Numerous employers were delinquent in making their back wage payments. Some delinquencies existed for extended periods of time;
- In litigated cases, the Regional Offices were inconsistent in the method and frequency of making back wages distributions to employees. There were inordinate delays before some individuals received their money;
- Regional Offices often performed unnecessary payroll functions because employers did not conform with the terms of the court judgments;

- Documentation existed to support only about two thirds of the amount of administrative back wage payments to employees;
- Significant internal control weaknesses existed in all of the offices visited;
- Efforts to locate employees by the various Area Offices varied substantially, thus resulting in different degrees of program effectiveness; and
- The results of operations, as reported in the management information system, were misleading and presented a picture which overstated the effectiveness of Wage-Hour activities.

The review also disclosed other inconsistencies in the ultimate disposition of unclaimed back wages. With respect to litigated cases, some unclaimed back wages were deposited in the Treasury, while in other cases the funds were deposited with the clerks of the court, depending on the language of the judgment. In administrative cases, unclaimed wages were returned to employers.

Several general conclusions can be drawn from the review. Uniform policies should be developed for making back wage distributions. The accounting for back wage distributions should be centralized and computerized at the regional level. A policy should be established to uniformly and consistently deal with the ultimate disposition of back wages.

The review permitted us to make numerous detailed recommendations to the management of ESA. Such recommendations, pertaining specifically to the regional offices, include:

- Daily deposit of back wages;
- Follow-up on delinquent cases;
- Timely payment to employees;
- Computerization of the payment process;
- Direct payment to the Wage-Hour Office, by-passing the Regional Solicitor's Office;
- Timely transfer of unclaimed wages to the Treasury;
- Reductions in installment cases requiring payroll processing.

Recommendations pertaining to the Area Offices were:

- Centralize receipt and disbursement functions;
- Require third party documentation to support payments;
- Apply maximum effort to locate employees;
- Report only back wages actually paid;
- Require logs be kept of back wages received;
- Require adequate segregation of functions related to receipt and disbursement.

Management generally concurred with the specific findings, and indicated that they intend to take positive action on most of the recommendations contained in the report. Wage-Hour management suggested that, as a result of its plans to improve overall Wage-Hour performance, most of the problems noted during the review were currently being addressed.

In reference to the general conclusions outlined above, ESA essentially considered the existing policies and procedures governing back wage distributions to be adequate. With regard to the recommendation that back wage distributions be centralized and computerized regionally, ESA disagreed because of what it considered to be the logistical problems involved in such a centralization. Finally, with respect to the matter of possible legislation pertaining to the disposition of unclaimed wages, ESA did acknowledge the problem; however, they indicated a reluctance to pursue those situations where the only unresolved issues were unclaimed wages.

Review of Federal Employees' Compensation Act Periodic Roll Case Management in Process

An audit of Federal Employees' Compensation Act periodic roll case management is being performed. A random sample of 185 case files is being reviewed in five district offices to determine if cases are being managed properly and in accordance with applicable procedures. Emphasis is being placed on determining whether claimants met the initial eligibility criteria for payment of compensation and whether they continue to be eligible to receive compensation.



## C. THE MINE SAFETY AND HEALTH ADMINISTRATION

The Federal Mine Safety and Health Amendments Act, which was signed into law in 1977, brought all mines in the U.S.--more than 20,000 underground and surface, coal and noncoal facilities--under a single safety and health program. It is the first single safety and health measure to cover all of the nation's 500,000 miners. On March 9, 1978, responsibility for administering and enforcing mine safety and health was transferred from the U.S. Department of Interior to the U.S. Department of Labor. The Act created a new Mine Safety and Health Administration (MSHA) headed by an Assistant Secretary of Labor.

The approximately 2,000 MSHA mine inspectors are required to make four inspections of each underground mine and two inspections of surface mines annually to determine mine operator compliance with Federal health and safety regulations. Should an inspector find a condition or practice that poses an immediate threat to miners, the affected area of the mine is to be ordered closed until the condition is corrected. There are various civil and criminal penalties for violations.

### MSHA Project

A comprehensive investigative/audit review of MSHA is currently being undertaken by the OIG. The inspections portion of the plan is basically proceeding as follows:

1. Reviewing complaints and allegations of misconduct, collusion, and lack of safety enforcement in the mines.
2. Comparing mine accident reports with MSHA inspection reports.

3. Comparing any disparity of assessment fines for similar violations.
4. Analyzing and evaluating disciplinary action taken against MSHA personnel including a comparison of provable offenses and ultimate disposition.

After the target area is defined, an intensive audit and investigation will be conducted with the objective being the collection of positive information concerning programmatic problems and/or criminal activity. To date, the project has focused on MSHA's inspection, testing, and procurement functions.

#### D. THE OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

The Occupational Safety and Health Administration (OSHA) is responsible for administering and enforcing the Occupational Safety and Health Act of 1970. This Act requires employers to provide their employees with safe and healthful working conditions, and directs the Secretary of Labor to set and enforce occupational safety and health standards for about 5 million business establishments with over 62 million workers. The Act also authorizes the individual states to set and enforce their own occupational safety and health standards under state plans approved by the Secretary. Fifty percent matching grants are provided to assist states in administering approved state job safety and health programs. The law gives the Department of Labor the right to make inspections without notice at any reasonable time, either acting on its own or at the request of employees, or authorized representatives. If an inspector finds an alleged violation, DOL will issue a citation and a date for correcting the violation, which will become final unless contested. There are various civil and criminal penalties for violations.

A project similar to that being done in the MSHA area will be explored with the management of OSHA to ensure that its concerns are addressed in the project design.

#### OSHA Audits

During the reporting period 12 audit reports which took exception to \$429,051 were issued on OSHA grants. The exceptions, identified in the samples examined, are shown below:

<u>Audit Exception</u>	<u>Dollar Amount of Exceptions</u>	<u>No. of Reports with Exception</u>
Insufficient Documentation	\$409,144	8
Budget Exceeded	15,512	6
Other	<u>4,395</u>	2
	\$429,051	

Two of the more significant OSHA audit reports, questioning approximately \$340,000, disclosed that wages paid to employees were not supported by time distribution records.

CHAPTER II. OFFICE OF ORGANIZED CRIME AND RACKETEERING

Through the establishment of mission statements and implementation of strategies, the Office of Organized Crime and Racketeering (OOCR) has begun a program designed to effect the existence of syndicate infiltration of labor unions. The mission statements will also facilitate the effective allocation of precious resources and investigative time through rational selection of cases. Since the last semi-annual report, Special Agents-in-Charge have submitted drafts of their mission statements and strategy papers, the first of three criminal intelligence analysts is about to join the staff, and the New York metropolitan field offices have been reorganized.

Investigations by the OOCR are conducted as a part of the Department of Justice Strike Force Program and are enhanced by the participation and guidance of the attorneys in the 14 field offices.

SUMMARY OF INVESTIGATIVE AND PROSECUTIVE MATTERS  
OCTOBER 1, 1979 - MARCH 31, 1980

Cases Opened - 52

Cases Closed - 68

Referred to DOJ - 36

No. of indictments - 23

Accepted for Prosecution - 17

Individuals Indicted - 32

Declined - 9

No. of Convictions - 16

Pending - 10

Some of the significant cases are briefly described below.

U.S.A. v. William Feeney and Hugo Germer

A New Jersey Laborers Union official was indicted for receiving a 10% kickback in return for using his influence in securing a loan of nearly \$500,000 from the Union-affiliated Pension Fund. The Department had previously brought a civil suit to protect the Plan's assets. To date, two individuals have been convicted of felonies and are awaiting sentencing.

U.S.A. v. David Friedland and Jacob Friedland

A joint investigation by OIG and FBI resulted in the conviction of two New Jersey attorneys, one a current and one a former public official. The investigation disclosed that they accepted a kickback of \$360,000 in return for using their influence, as legal counsel to a Teamster Union-affiliated Pension Fund, to insure the approval of over \$4 million in pension fund loans. In addition, the suspects were charged with attempting to corruptly influence the testimony of witnesses. The Department had initiated a civil suit to recover the pension fund's losses.

U.S.A. v. Joseph P. Uzzalino, Joseph A. Uzzalino and Joseph A. Mendola

Also in New Jersey, a joint OIG-FBI investigation resulted in the indictment of three Teamster Union Officials who are also Trustees of the Union-affiliated Benefit Plans, and guilty pleas to informations by three Trucking Company executives. The indictment charges that the union officials used their positions to receive \$10,000 from the company in return for delaying, hindering and obstructing the collection of approximately \$80,000 which the company owed the benefit plans and that they embezzled cash contributions of the benefit plans.

U.S.A. v. Vincent Meli, James Russo and Ruby G. Smith

In Detroit, a joint investigation conducted by agents of OIG and the IRS resulted in the convictions of a Teamster union official and two trucking company executives--one a reported high ranking Detroit syndicate member--charged with violating the Hobbs Act and conspiracy after \$120,000 was diverted from the Company's employees to the Company.

U.S.A. v. Charles Cohen

An OIG investigation in New York resulted in the indictment of a former official of the Retail, Wholesale and Department Store Workers Union for embezzlement of \$21,000 from welfare plan and union funds.

U.S.A. v. George Wuagneux

An OIG investigation in Miami, Florida, resulted in the indictment of a major building developer who was charged with three counts of embezzlement of union-affiliated employee benefit plan funds, income tax violations, fraud by wire, bank fraud and racketeering. The indictment charges, in part, that he embezzled over \$190,000 from the benefit plan and defrauded the benefit plan of an additional \$185,000.

U.S.A. v. Charles Stanfield

An OIG investigation in New Orleans resulted in the indictment of an official of the United Food and Commercial Workers International Union. He was indicted and charged with violating the Racketeer Influenced and

Corrupt Organizations Statute and the Taft-Hartley Act. It is alleged that the union official solicited \$131,00 from ten employer representatives to insure labor peace and grant sweetheart contracts.

U.S.A. v. George Snyder

An OIG-FBI investigation in Brooklyn, New York resulted in the indictment of a Teamster Union Official for embezzlement of more than one million dollars from pension and welfare funds. A judgment ordering repayment was entered in a civil suit brought by the Department.

U.S.A. v. Howard Norman Garfinkle and Bernard Tolkow

In Brooklyn, an OIG investigation of an official of an Independent Union and a real estate developer resulted in guilty pleas to accepting kickbacks and filing false reports to a welfare fund.

U.S.A. v. Sante Nicolia

Also in Brooklyn, an executive of a construction supply company pleaded guilty to filing false reports with a Teamster Union-affiliated pension and welfare fund following an OIG investigation.



### CHAPTER III. DEPARTMENTAL MANAGEMENT

#### Review of the Personnel Management System

In the belief that responsibility for loss prevention and for promoting economy and efficiency requires reviews of management support systems (in a very real sense, the structural steel upon which the program agencies build their towers) we undertook a review of the Department's personnel management system. The purposes of the personnel management study were as follows:

1. To develop a methodology for Inspector General studies of the economy, efficiency and effectiveness of management support systems;
2. To ascertain the degree to which the personnel system and Government, DOL, agency and local practices support departmental program managers and program objectives;
3. To assess the effectiveness of DOL's internal personnel management planning and evaluation mechanisms;
4. To analyze what aspects of the personnel management systems are particularly vulnerable to losses due to waste, fraud and abuse.

The basic study approach was to focus on four important, complex and controversial programs and to determine the degree to which the personnel system, and the way in which it is used by DOL

managers and personnel officials, contributes to, or detracts from, the achievement of mission objectives. The four programs were the CETA program (ETA), the Occupational and Health compliance program (OSHA), the Federal Employee Compensation Program (OWCP-ESA), and the Federal Contract Compliance Program (OFCCP-ESA). Geographical coverage included national offices of ETA, OSHA and ESA plus visits to regional offices and field activities in the following locations: Chicago, Cleveland, Philadelphia, Reading, Atlanta, Jacksonville, Dallas, Ft. Worth and Houston.

The methods used were:

1. Review of previous CSC/OPM and DOL personnel management studies and evaluations;
2. Review of general program studies and evaluations;
3. Review of personnel management program statistics and attitude survey data;
4. A priori analysis of the personnel system from the standpoint of vulnerability to waste, fraud and abuse;
5. Observation of processes and work settings;
6. Interviews with top program managers, middle managers and personnel administrators;
7. Review of staff projects presently being worked upon in connection with Civil Service Reform implementation and other major changes.

With respect to the first study objective we have concluded that it is possible for non-specialist personnel who are skilled auditors, investigators and systems analysts to conduct insightful studies of highly technical management support systems, but that in some cases it is necessary to have a technical specialist available as a resource person.

It is not as easy to summarize our conclusions concerning the impact of the personnel system on DOL program delivery. We found that DOL has moved out smartly to take advantage of the opportunities for system improvement provided by Civil Service Reform and that major improvements in departmental personnel management leadership have been made. These are commendable accomplishments. On the other hand we found weaknesses in the areas of staffing, manager training, occupational management and manpower requirements analysis as well as problems associated with the Department's structure for personnel administration. In some of these areas, the Department has already undertaken major management improvement efforts. In others, we have suggested additional possible improvements.

We found the Department's personnel management evaluation system to be effective, but recommend that more rigorous methods be developed to ensure that agencies comply with departmental findings which require corrective action. We also recommend a somewhat more ambitious evaluation program than is presently contemplated.

Personnel management in DOL is big business, involving 22,000 direct hire personnel, an annual wage bill of about \$500,000,000 and a personnel administration apparatus involving 600 people and costing \$20,000,000 per year. The Federal personnel system is highly complex, involving many decision points where costs and benefits must be carefully weighed. Given these conditions, it is inevitable that there will be some waste and abuse as well as occasional willful fraud.

We looked at several normally weak junctures in the system with the following conclusions. The Department and its agencies presently have an inadequate system to determine manpower requirements. We have been advised that a workforce planning system has been developed over the last year and is now being implemented in the agencies to begin to address this problem. We also feel that greater care should be taken to obtain pre-employment background information on personnel hired for positions whose incumbents are particularly susceptible to being compromised. In anything as expensive and complex as the DOL personnel management system, there are areas where management study and improved management practices must produce significant economies. Our recommendation is that future IG and other DOL studies of the system concentrate on these areas with a view to recouping resources to address mission areas which appear to be understaffed at present.

One final, somewhat somber, thought. In the course of our study we talked with scores of people who seem to be spending altogether too much time and energy trying to do rather simple things working through the incredibly complex instrumentality which the Federal personnel system has become. We could not escape concluding that, useful as the changes subsumed under Civil Service Reform are, many additional changes are required before that system will be simple and sensible enough so that normally intelligent, honest and hard working people can use it as a real aid in providing high quality, timely and cost effective service to the public.

#### Audit of Departmental Payroll System Completed

An audit of the Departmental Payroll System was completed. This audit consisted of reviewing and testing the payroll and personnel procedures (as well as ADP Operations relating to payrolling departmental employees) in all ten regions and seven administrative units in Washington, D.C. The OIG contractor selected an initial sample of 50 employees at each of the seventeen administrative units and reviewed 6,217 personnel actions, 1,700 time and attendance cards, and 850 employees for both leave balances and earnings and deductions. The audit disclosed critical error rates ranging from two percent to forty-six percent as follows:

- Personnel actions missing, or inadequate documentation of administrative pay increases and within-grade increases (2%);

- Time and attendance documentation of leave not initialed by the employee or not supported by Standard Form 71 (5%);
- Error in annual and sick leave balances (37%); and
- Earnings and deductions differing from the authorizations in the employee file (46%).

The many detailed recommendations contained in this report can be consolidated into three comprehensive recommendations that the Assistant Secretary for Administration and Management should consider to correct most of the problems described in the report. First, a change in pay period timing--to allow more time to prepare accurate payrolls--would eliminate:

- Estimation of regular hours for the last two (or more) days of the pay period;
- Use of amended time and attendance records; and
- Numerous manual checks.

Second, training of timekeepers and payroll clerks would result in more accurate preparation and processing time and attendance records, and other payroll forms.

Third, a formal periodic monitoring program would assure that the following procedures and controls are properly functioning:

- Payroll deduction compared to employee payroll files;
- Leave hours properly supported;
- Overtime properly supported; and
- Supervisory review and approval of error reports changes.

Management's response to most of the recommendations contained in the report indicated that corrective action would be taken. We will periodically follow-up on the status of such action.

Review of Selected Property Management Practices and Procedures

The OIG was requested by the Inspector General of the General Services Administration to participate in an inter-agency review of property management. The objectives of the review were to determine whether:

- Furniture acquisitions were properly justified;
- DOL properly accounted for all property acquired;
- Useable furniture was being disposed of or declared excess without proper approval or justification;
- Federal Property Management Regulations were adequate.

Our first finding was that the need for new furniture purchased was often not adequately documented. Of fiscal year 1979 obligations for furniture totaling \$991,000, we reviewed 254 requisitions totaling \$876,000, and found that 177 requisitions for \$339,000 had no justifiable documentation. Management officials agreed with the need for better documentation and on December 4, 1979, issued strong instructions to require justifiable documentation on all future requisitions.

Another finding dealt with year-end spending. Fifty-two percent or \$514,000 of the \$991,000 of furniture obligations occurred in September. Of the September obligations, \$398,000 were for "systems furniture"

for which feasibility studies had been started in May and June. However, two out of the three feasibility studies required had not been completed until September. "Systems furniture" is the furniture associated with open space layouts and requires specific cost-benefit justification. Accepting management's explanation that "systems furniture" could not have been obligated before September, we still are concerned that \$116,000, or 23 percent of the annual non-systems furniture purchases, were made during the last month of the year. We have recommended that DOL agencies plan furniture acquisitions so that potentially unjustified year-end spending will be avoided.

It should also be noted that during fiscal year 1979, four agencies in the Department were authorized by GSA to procure systems furniture for 621 persons at a cost of \$478,000. Since most of the systems furniture was acquired for existing staff, it was suggested to us by DOL management officials that GSA should consider requiring a control program to assure that conventional furniture made excess by systems furniture acquisition be fully utilized and not discarded. We think this is a good suggestion, and we intend to follow up on the utilization of the replaced conventional furniture in DOL.

Our examination of the DOL warehouse showed that almost two thousand property items were awaiting disposition action--rehabilitating, scrapping, surplusing or selling. Also, some furniture already declared excess to



GSA was still being stored in the DOL warehouse. While we did not ascertain the length of time all the property was awaiting disposition action, we were informed that some items had been in the warehouse over 18 months. We were shown some items which, according to warehouse personnel, had been awaiting GSA disposition for over a year. Some DOL agencies with property in excess of their needs were storing it in hallways and offices because at the time of the audit, the excess items had not been scheduled for turn-in to the warehouse. Although we were informed of recent action to rehabilitate an accumulation of wooden furniture, we are still concerned that delays in disposition determinations can lead to unnecessary new furniture acquisition, particularly since, at the time of our audit, listings of warehouse property were not available. We are also concerned about the need for quicker action by GSA to pick up surplus furniture from the DOL warehouse.

Based upon our review of property management in the Department of Labor, we think that the Federal Property Management Regulations would provide better guidance to Federal agencies, and would reduce the potential for mismanagement of property, if changes were made in the following areas:

1. More specific criteria or guidance for determining the stock level or pool of furniture that can be kept for future use; and
2. More specific instructions on how often to conduct surveys in order to fully utilize excess property, and a requirement for survey documentation.

When we observed the Department's pool or reserve of furniture, we noted considerable quantities of certain items--approximately 125 desks, 76 file cabinets and 325 chairs. Departmental officials could provide only very general criteria or justification for the quantity of furniture maintained in the pools. By providing agencies with criteria or standards, GSA would have greater assurance that excessive furniture is not being stockpiled for future use.

#### Audit of the Departmental Property Management System In Progress

A nationwide audit of the Departmental Property Management System (DPMS) has been performed, by a CPA firm under contract with the OIG, and a draft report has been issued. The purpose of the audit was to determine: (1) the adequacy of controls over input and output documents, and the integrity of processing accountability of property documents; (2) whether access to the computerized system is adequately safeguarded to prevent unauthorized use; and (3) whether there is compliance with applicable laws, regulations, and procedures.

Significant weaknesses were noted in property management controls and ADP controls. In summary we found:

#### Property Management Controls

- Failure to adequately control and prepare input documents;
- Inaccuracies in DPMS inventory listings; and
- Lack of annual certified inventories and failure to properly tag property items.

### Automated Data Processing Controls

- Failure to adequately control and prepare input/output documents;
- Lack of appropriate separation of functions between property management and ADP functions;
- Lack of separation of functions between programming and operational duties;
- Inadequate program maintenance procedures; and
- National Office agencies' excess reliance on Departmental Property Management Office for the processing of DPMS transactions and the commingling of agency transactions during the data conversion process.

Recommendations have been made to Departmental Management on each finding in this draft report and their comments are due on April 4, 1980.

CHAPTER IV. EMPLOYEE INTEGRITY, OIG INTERNAL AFFAIRS AND THE HOTLINE

Employee Integrity and OIG Internal Affairs

It is imperative that the Office of Inspector General be itself a model of integrity and efficiency. We have established an Internal Affairs (IA) staff to ensure that we meet those standards. This staff will be responsible for planning, developing and implementing the internal inspection of OIG's programs, operations and systems and making recommendations for improvement. The immediate staffing plan for IA provides for an Internal Affairs Chief assisted by detailees from each OIG component. The IA Chief will also be responsible for conducting investigations of alleged or suspected misconduct by OIG employees, and the orientation of all employees to the high standards by which OIG staff must conduct themselves.

The inspection function will require periodic reviews of each IG office to determine compliance with operating requirements, policy directives, administrative procedures and standards of conduct; to establish whether the work of the office is being administered efficiently and effectively; and to determine whether internal procedures are sufficient to detect and prevent waste, fraud and abuse.

To date, several Internal Affairs investigations have been conducted by staff members on detail to this function. These investigations have resulted in a number of changes, including administrative removal.

We are also in the process of conducting an extensive pro-active review of our own audit contracting procedures. The subject of this project is the management of OIG's extensive contracting for audit services from Certified Public Accounting firms. Our purpose is to identify those areas in which contracting procedures can be improved. Field work on this project is almost complete, and, based on results obtained to date, we expect that the report will result in recommendations for changes in the contracting procedure which will enhance competition for, and lessen the cost of, OIG audit contracts. The recommendations should also result in improvements in the criteria used to identify quality audit contractors.

#### Employee Integrity Investigations and Hotline Complaints

During the period October 1, 1979 to March 31, 1980, this Office referred to the U.S. Attorney for criminal prosecution four cases involving employee integrity-related violations. Three of these cases were declined for prosecution and subsequently referred for administrative action. The remaining case is awaiting prosecutive decision. During the same period, this Office opened 12 cases, closed 7 cases, and recorded a \$1,254 monetary collection.

A significant prosecution in a related area was the sentence to six months in prison and two years probation on February 27, 1980 of a partner in a Washington, D.C. CPA firm which performed services for the Department of Labor as a contract auditor. A criminal information

was filed against him on January 3, 1980 charging him with misrepresenting and concealing the true qualifications and experience of his audit staff when he applied for a DOL contract and of attempting to overcharge DOL by submitting invoices totaling \$827,750.88 for unauthorized audit work done outside the scope of his contract. He pleaded guilty to one count on January 11, 1980. This investigation was initiated by this Office and subsequently concluded with FBI investigative assistance.

During the period October 1, 1979 to March 31, 1980, the Department of Labor OIG Hotline complaint system received 86 complaints. Seven of these complaints were from DOL sources and 79 from outside DOL. Three were walk-in complaints, 49 by telephone, and 34 were received in the mail. Of the 86 complaints received, 56 were referred to program agencies for administrative action, 17 were closed and 13 retained for OIG action.

During the reporting period October 1, 1979 to March 31, 1980, the General Accounting Office (GAO) referred 195 hotline summaries to this Office. These summaries are screened and sent to the various OIG program branches (ETA, ESA, etc.). After the branch chiefs review the summaries they are either referred to OIG Regional Investigative Offices or sent directly to the program agencies for appropriate administrative action. Of the 195 summaries received, 126 concerned ETA matters, 38 concerned ESA matters, and 31 involved employee integrity matters. The vast majority were referred to the program agencies for administrative action.

Vulnerability Identification and Control Outreach Program

The Office of Loss Analysis and Prevention is currently engaged in the design of an Outreach Program to solicit from DOL employees information concerning program and systems vulnerabilities to fraud, waste and abuse and, where possible, recommendations for corrective action.

Employees who are very knowledgeable about DOL systems and procedures should be an invaluable source of assistance in identifying weaknesses and suggesting possible solutions. The focus will be on systems weaknesses. The Program is scheduled for implementation within the next few months. An account of its progress will be provided in the next semi-annual report.

APPENDICES

Summary of Investigative Activities - October 1, 1979 to March 31, 1980

Cases Opened	-	236	<u>1/</u>
Closed	-	305	
Pending	-	511	
Referred to U.S. Attorney	-	140	
Declinations	-	46	
Indictments	-	30	
Convictions	-	17	
Fines	-	\$13,294.62	<u>2/</u>
Recoveries	-	\$743,430.28	<u>3/</u>
Collections	-	\$20,494.45	<u>4/</u>
Claims	-	\$3,490,273.26	<u>5/</u>
Savings	-	\$3,025,730.49	<u>6/</u>

- 1/ Includes program investigations, employee integrity, and other matters, but excludes cases handled by the Office of Organized Crime and Racketeering.
- 2/ Fines are the sums of money imposed as a penalty upon defendants after an administrative hearing, civil suit, or criminal prosecution.
- 3/ Recoveries include the restoration, restitution, or recovery of money or property of known value that was lost through a crime, mismanagement, etc.
- 4/ Collections are the receipt of payments of an indemnity to end a civil transaction, suit or proceeding.
- 5/ Claims are the dollar value of indemnities which have been administratively determined by a DOL agency.
- 6/ Savings are the prevention of dollar value losses to the Government.



U. S. DEPARTMENT OF LABOR  
OFFICE OF INVESTIGATIONS (OIG)  
CASES REFERRED TO THE U.S. ATTORNEYS  
INVOLVING ETA PROGRAMS

<u>Region</u>	<u>Program</u>	<u>Nature of Offense</u>	<u>Date Referred to U. S. Attorney</u>	<u>Date of Indictment</u>	<u>Date of Conviction</u>	<u>Date of Declination</u>	<u>Status</u>
I BOSTON	CEFA	Theft of Funds and Equipment	10/79	-	-	10/79	Closed
		False Statements	10/79	01/80	-	-	Pending
		Embezzlement	09/79	10/79	02/80	-	Closed
		False Statements	01/80	-	-	-	Pending
		Embezzlement	02/80	-	-	02/80	Closed
		False Statements	10/79	-	-	10/79	Closed
	USES	False Statements & Conspiracy to Violate Labor Certification Laws	09/79	-	-	10/79	Closed
II NEW YORK	CEFA	Misapplication of Funds	10/79	-	-	11/79	Closed
		Embezzlement	10/79	-	-	11/79	Closed
		Misapplication of Funds	12/79	-	-	12/79	Closed
		Embezzlement	10/79	-	-	11/79	Closed
		Misapplication of Funds	10/79	-	-	-	Pending
		Embezzlement	12/79	-	-	-	Pending
		Embezzlement	11/79	-	-	-	Pending
		Misapplication of Funds	10/79	-	-	03/80	Closed

U. S. DEPARTMENT OF LABOR  
OFFICE OF INVESTIGATIONS (OIG)  
CASES REFERRED TO THE U.S. ATTORNEYS  
INVOLVING ETA PROGRAMS

<u>Region</u>	<u>Program</u>	<u>Nature of Offense</u>	<u>Date Referred to U. S. Attorney</u>	<u>Date of Indictment</u>	<u>Date of Conviction</u>	<u>Date of Declination</u>	<u>Status</u>
II NEW YORK	CEFTA	Nepotism	11/79	-	-	01/80	Closed
		Misapplication of Funds	11/79	-	-	11/79	Closed
		Nepotism	11/79	-	-	01/80	Closed
		False Invoices	10/79	-	-	01/80	Closed
III PHILA.	CEFTA	Demands Against the Government	05/79	10/79	10/79	-	Closed
		Embezzlement & Mail Fraud	11/79	01/80	-	-	Pending
		Embezzlement & False Statements	12/79	-	-	-	Pending
		False Statements	12/79	-	-	-	Pending
		False Statements	12/79	-	-	-	Pending
		False Reports	04/79	08/79	12/79	-	Closed
		False Reports	04/79	08/79	12/79 (Acquitted)	-	Closed
IV ATLANTA	CEFTA	False Reports	04/79	08/79	-	-	Pending
		Embezzlement	04/79	07/79	02/80	-	Closed
		False Statements/ Conspiracy/Extortion Conspiracy/False Statements	02/80	02/80	03/80	-	Pending
			02/80	02/80	03/80	-	Pending

U. S. DEPARTMENT OF LABOR  
OFFICE OF INVESTIGATIONS (OIG)  
CASES REFERRED TO THE U.S. ATTORNEYS  
INVOLVING ETA PROGRAMS

<u>Region</u>	<u>Program</u>	<u>Nature of Offense</u>	<u>Date Referred to U. S. Attorney</u>	<u>Date of Indictment</u>	<u>Date of Conviction</u>	<u>Date of Declination</u>	<u>Status</u>
IV ATLANTA	CETA	Conspiracy/ False Statements	02/80	02/80	02/80	-	Closed
		Conspiracy	02/80	02/80	-	-	Pending
		False Statements	01/80	-	-	01/80	Closed
		False Statements	01/80	-	-	01/80	Closed
		False Statements	01/80	-	-	01/80	Closed
		False Statements	01/80	-	-	01/80	Closed
		False Statements	01/80	-	-	01/80	Closed
		False Statements	01/80	-	-	01/80	Closed
		False Statements	01/80	-	-	01/80	Closed
		False Statements	01/80	-	-	01/80	Closed
		False Statements	01/80	-	-	01/80	Closed
		False Statements	01/80	-	-	01/80	Closed
		False Statements	01/80	-	-	01/80	Closed
		False Statements	01/80	-	-	01/80	Closed
		False Statements	10/79	10/79	11/79	-	Closed
		Embezzlement/False Statements	01/80	-	-	-	Pending
		Embezzlement/False Statements	01/80	-	-	-	Pending
		Embezzlement/False Statements	01/80	-	-	-	Pending
		Embezzlement/False Statements	01/80	-	-	-	Pending

U. S. DEPARTMENT OF LABOR  
OFFICE OF INVESTIGATIONS (OIG)  
CASES REFERRED TO THE U.S. ATTORNEYS  
INVOLVING ETA PROGRAMS

<u>Region</u>	<u>Program</u>	<u>Nature of Offense</u>	<u>Date Referred to U. S. Attorney</u>	<u>Date of Indictment</u>	<u>Date of Conviction</u>	<u>Date of Declination</u>	<u>Status</u>
IV ATLANTA	CEYA	Embezzlement/False Statements	01/80	-	-	-	Pending
		Embezzlement/False Statements	01/80	-	-	-	Pending
		Embezzlement/False Statements	01/80	-	-	-	Pending
		Embezzlement/False Statements	01/80	-	-	-	Pending
		Embezzlement/False Statements	01/80	-	-	-	Pending
		Embezzlement/False Statements	01/80	-	-	-	Pending
		Embezzlement/False Statements	01/80	-	-	-	Pending
		Embezzlement/False Statements	01/80	-	-	-	Pending
		False Statements	01/80	-	-	-	Closed
		False Statements	01/80	-	-	-	Closed
		False Statements	01/80	-	-	-	Closed
		False Statements	01/80	-	-	-	Closed
		False Statements	01/80	-	-	-	Closed
		False Statements	01/80	-	-	-	Closed
		False Statements	01/80	-	-	-	Closed
		False Statements	01/80	-	-	-	Closed
		False Statements	01/80	-	-	-	Closed
		False Statements	01/80	-	-	-	Closed
		False Statements	01/80	-	-	-	Closed

U. S. DEPARTMENT OF LABOR  
OFFICE OF INVESTIGATIONS (OIG)  
CASES REFERRED TO THE U.S. ATTORNEYS  
INVOLVING ETA PROGRAMS

<u>Region</u>	<u>Program</u>	<u>Nature of Offense</u>	<u>Date Referred to U. S. Attorney</u>	<u>Date of Indictment</u>	<u>Date of Conviction</u>	<u>Date of Declination</u>	<u>Status</u>
V CHICAGO	CETA	Collusive Bidding	10/79	-	-	10/79	Closed
		Misapplication of Funds	11/79	-	-	12/79	Closed
		False Statements	10/79	10/79	01/80	-	Closed
		Invoices	03/80	-	-	-	Pending
VI DALLAS	CETA	False Statements	03/80	03/80	-	-	Open
		False Statements	03/80	03/80	-	-	Open
		False Invoices	03/80	03/80	-	-	Open
		False Invoices	03/80	-	-	-	Open
		Misapplication of Funds and Bribery	07/79	11/79	04/80	-	Closed
		False Statements	10/79	11/79	-	-	Open
		Embezzlement	10/79	11/79	02/80	-	Closed
		False Statements	02/80	02/80	03/80	-	Open
		Bribery	02/80	02/80	03/80	03/80	Open
		Bribery	02/80	-	-	-	Open
		Misapplication of Funds	10/79	-	-	-	Open
		Misapplication of Funds	02/80	-	-	-	Open
		Misapplication of Funds	02/80	-	-	-	Open
		Misapplication of Funds	02/80	-	-	-	Open

U. S. DEPARTMENT OF LABOR  
OFFICE OF INVESTIGATIONS (OIG)  
CASES REFERRED TO THE U.S. ATTORNEYS  
INVOLVING ETA PROGRAMS

<u>Region</u>	<u>Program</u>	<u>Nature of Offense</u>	<u>Date Referred to U. S. Attorney</u>	<u>Date of Indictment</u>	<u>Date of Conviction</u>	<u>Date of Declination</u>	<u>Status</u>
VI DALLAS	CEFA	Misapplication of Funds	02/80	-	-	-	Open
		Misapplication of Funds	02/80	-	-	-	Open
		Misapplication of Funds	02/80	-	-	-	Open
		Misapplication of Funds	02/80	-	-	-	Open
		False Labor Certificates	03/80	-	-	-	Open
		Misapplication of Funds	10/79	-	-	-	Open
		False Labor Certificates	03/80	-	-	-	Open
VII KANSAS CITY	CEFA	Misapplication of Funds & False Statements	02/80	03/80	-	-	Pending
		Misapplication of Funds & False Statements	02/80	-	-	-	Pending
		Misapplication of Funds, False Statements, and Conspiracy	03/80	-	-	-	Pending
VIII DENVER	CEFA	Embezzlement	10/79	-	-	-	Pending
		False Statements	01/80	-	-	-	Pending
		Misapplication of Funds	02/80	-	-	-	Pending
	UIS	Fraudulent Claims	02/80	-	-	-	Pending
		Fraudulent Claims	02/80	-	-	-	Pending

U. S. DEPARTMENT OF LABOR  
OFFICE OF INVESTIGATIONS (OIG)  
CASES REFERRED TO THE U.S. ATTORNEYS  
INVOLVING ETA PROGRAMS

<u>Region</u>	<u>Program</u>	<u>Nature of Offense</u>	<u>Date Referred to U. S. Attorney</u>	<u>Date of Indictment</u>	<u>Date of Conviction</u>	<u>Date of Declination</u>	<u>Status</u>
IX SAN FRAN.	CEYA	Misapplication of Funds	10/79	11/79	03/80	-	Pending
		Misapplication of Funds	11/79	-	-	-	Pending
		Misapplication of Funds	10/79	-	-	-	Pending
		Misapplication of Funds	11/79	-	-	-	Pending
		Misapplication of Funds	03/80	-	-	-	Pending
		Misapplication of Funds, Conspiracy, False Statements	10/79	11/79	01/80	-	Pending
		Misapplication of Funds	01/80	-	-	-	Pending
		Misapplication of Funds	01/80	-	-	-	Pending
		Misapplication of Funds	02/80	-	-	-	Closed
		Misapplication of Funds, False Statements, Deprivation of Employment	02/80	-	-	-	Pending
X SEATTLE	CEYA	Kickbacks	12/79	-	-	01/80	Closed
		Misapplication of Funds	11/79	-	-	11/79	Closed
		False Statements	11/79	-	-	11/79	Closed
		False Statements	11/79	-	-	11/79	Closed
		False Statements	11/79	-	-	11/79	Closed
		Embezzlement	03/80	-	-	-	Pending
		Kickback	03/80	03/80	03/80	-	Closed

U. S. DEPARTMENT OF LABOR  
OFFICE OF INVESTIGATIONS (OIG)  
CASES REFERRED TO THE U.S. ATTORNEYS  
INVOLVING ETA PROGRAMS

<u>Region</u>	<u>Program</u>	<u>Nature of Offense</u>	<u>Date Referred to U. S. Attorney</u>	<u>Date of Indictment</u>	<u>Date of Conviction</u>	<u>Date of Declination</u>	<u>Status</u>
X SEATTLE	CETA	Misapplication of Funds	11/79	-	-	11/79	Closed
		Misapplication of Funds	02/80	-	-	03/80	Closed
		Embezzlement	11/79	-	-	11/79	Closed
		Nepotism	11/79	-	-	11/79	Closed
		False Statement	03/80	-	-	-	Pending
		Misapplication of Funds	11/79	-	-	-	Closed
		False Statements	10/79	-	-	10/79	Closed
		False Statements	10/79	-	-	11/79	Closed



U. S. DEPARTMENT OF LABOR  
OFFICE OF INVESTIGATIONS (OIG)  
CASES REFERRED TO THE U.S. ATTORNEYS  
INVOLVING FSA PROGRAMS

<u>Region</u>	<u>Program</u>	<u>Nature of Offense</u>	<u>Date Referred to U. S. Attorney</u>	<u>Date of Indictment</u>	<u>Date of Conviction</u>	<u>Date of Declination</u>	<u>Status</u>
I BOSTON	FECA	Fraudulent Claim	03/79	06/79	10/79	-	Closed
II NEW YORK	FECA	Fraudulent Claim	10/79	-	-	-	Pending
		Fraudulent Claim	10/79	-	-	-	Pending
		Fraudulent Claim	10/79	-	-	-	Closed
		Fraudulent Claim	02/80	-	-	-	Closed
		Fraudulent Claim	10/79	-	-	-	Pending
III PHILA	FECA	Fraudulent Claim	10/79	-	-	Pending	
IV ATLANTA	FECA	False Statements	11/79	03/80	-	-	Pending
		False Statements	10/79	-	-	10/79	Closed
		False Statements	11/79	-	-	11/79	Closed
		False Statements	10/79	-	-	10/79	Closed
		False Statements	03/80	-	-	-	Pending
		False Statements	11/79	03/80	-	-	Pending
		False Statements	12/79	-	-	12/79	Closed
		False Statements	10/79	-	-	10/79	Closed
		False Statements	10/79	-	-	10/79	Closed
		False Statements	10/79	-	-	10/79	Closed
False Statements	10/79	-	-	10/79	Closed		

U. S. DEPARTMENT OF LABOR  
OFFICE OF INVESTIGATIONS (OIG)  
CASES REFERRED TO THE U.S. ATTORNEYS  
INVOLVING ESA PROGRAMS

<u>Region</u>	<u>Program</u>	<u>Nature of Offense</u>	<u>Date Referred to U. S. Attorney</u>	<u>Date of Indictment</u>	<u>Date of Conviction</u>	<u>Date of Declination</u>	<u>Status</u>
V CHICAGO	FECA	Fraudulent Claim	06/79	-	-	-	Pending
VI DALLAS	FECA	Fraudulent Claim	11/79	01/80	03/80	-	Open
		Fraudulent Claim	02/80	-	-	-	Open
		Fraudulent Claim	03/80	-	-	-	Open
		Fraudulent Claim	03/80	-	-	-	Open
VII DENVER	FECA/BLACK LUNG	False Statements	06/79	-	-	-	Pending
		False Statements	03/80	-	-	-	Pending
X SEATTLE	FECA	Fraudulent Claims	11/79	-	-	11/79	Closed
		Fraudulent Claims	11/79	-	-	11/79	Closed
		Fraudulent Claims	03/80	-	-	-	Pending

AUDIT RESOLUTION ACTIVITY <sup>1/</sup>  
 OCTOBER 1, 1979 - MARCH 31, 1980

Agency/Program	October 1, 1979		Issued		Resolved		March 31, 1980	
	Balance Unresolved	Reports	(Increases)	Reports	(Decreases)	Reports	Balance Unresolved	Reports
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
<u>Employment &amp; Training Adminis.</u>								
CETA Sponsors:								
State & Local Primes	245 \$110,352,968	42	\$22,569,171	54	\$15,464,651	233	\$117,457,488	
Native American Primes	367 44,902,009	15	1,949,484	22	701,731	360	46,149,762	
Migrant & Seasonal Primes	83 7,084,491	26	4,815,246	1	1,372	108	11,898,365	
Other National Program Sponsors	147 9,832,650	23	658,696	11	432,216	159	10,059,130	
Pre-CETA								
Categorical Sponsors	269 48,850,742	-	-	57	5,369,275	212	43,481,467	
Job Corps	10 2,288,072	16	2,929,508	3	215,714	23	5,001,866	
SESA Sponsors	47 42,969,382	5	1,242,153	3	4,113,180	49	40,098,355	
<u>Occupational Safety &amp; Health Admin.</u>								
OSHA Sponsors	23 338,755	11	429,051	10	238,789	24	529,017	
<u>Bureau of Labor Statistics</u>								
BLS Contractors	3 79,018	-	-	1	6,112	2	72,906	
<u>Office of Assistant Secretary for Administration &amp; Management</u>								
OASAM Contractors	40 2,412,657	-	-	7	65,471	33	2,347,186	
GRAND TOTAL	1234 <sup>3/</sup> \$269,110,744	139 <sup>4/</sup>	\$34,593,309	169	\$26,608,511	1203	\$277,095,542	

<sup>1/</sup> For the purpose of this table, audit resolution occurs when the grantor agency contracting official has issued a determination as to the appropriate disposition of questioned items of cost, and the auditor has no disagreement with the determinations.

<sup>2/</sup> "Dollars" signifies both questioned costs and costs recommended for disallowance. Thus, these audit exceptions may be attributable to different kinds of problems, ranging from poor management to statutory violations. The program agency grant officer will determine the extent to which the unresolved costs are actually disallowed.

<sup>3/</sup> Some changes have been made in data and categories from the prior Semi-Annual Report. For example, Job Corps data is now shown separately.

<sup>4/</sup> This number represents external audits and is exclusive of all internal audits, ADP reviews or any other reports issued which did not question or recommend for disallowance any costs.

LIST OF AUDIT REPORTS

REGION	PROGRAM	STATE	DATE SENT TO PROGRAM AGENCY	AUDIT REPORT NUMBER	NAME OF CONTRACTOR OR GRANTEE
01	Prime	Connecticut	10/79	01-9-336-C-327-006	City of Waterbury
02	Job Corps	New Jersey	01/80	02-0-217-C-179	New Jersey Job Corps Center
02	Job Corps	New Jersey	01/80	02-0-218-C-180	New Jersey Job Corps Center
02	Job Corps	Puerto Rico	10/79	02-0-001-C-001	Puerto Rico Job Corps Center
02	Job Corps	Puerto Rico	12/79	02-0-150-C-147	Puerto Rico Job Corps Center
02	Prime	New Jersey	09/79	02-9-426-L-006	State of New Jersey DOL and Industry
02	Prime	New Jersey	10/79	02-9-167-L-019	Essex County
02	Prime	New Jersey	02/80	02-9-741-L-010	Hudson County Consortium
02	Prime	New York	12/79	02-9-446-L-008	City of New York
02	Prime	New York	10/79	02-9-1153-L-018	P/RA Research, Inc.
02	Prime	New York	10/79	02-0-036-L-002	Chevra Machzikei Hashchuna
02	Prime	New York	03/80	02-9-029-L-001	Nassau County Consortium
02	Prime	New York	02/80	02-0-133-L-005	City of New York (Admin.Costs)
02	Prime	Puerto Rico	01/80	02-9-131-L-002	Commonwealth of Puerto Rico Special Grants to Governor
03	OSHA	Delaware	02/80	03-9-865-C-484	State of Delaware
03	OSHA	Delaware	02/80	03-9-866-C-485	State of Delaware
03	OSHA	Maryland	11/79	03-9-776-C-446	State of Maryland, Division of Labor and Industry
03	OSHA	Maryland	11/79	03-9-777-C-447	Commonwealth of Virginia
03	OSHA	Virginia	01/80	03-9-985-C-569	Commonwealth of Virginia
03	OSHA	Virginia	01/80	03-9-986-C-570	Commonwealth of Virginia
03	OSHA	Virginia	01/80	03-9-987-C-571	Commonwealth of Virginia
03	OSHA	West Virginia	01/80	03-9-805-C-458	State of West Virginia
03	OSHA	West Virginia	01/80	03-9-806-C-459	State of West Virginia
03	Prime	Pennsylvania	12/79	02-9-1003-L-C10-007	Delaware County Manpower
03	Prime	Pennsylvania	11/79	03-9-940-G-400-018	Mercer County Consortium

1/ The Regions are: 01-Boston; 02-New York; 03-Philadelphia; 04-Atlanta; 05-Chicago; 06-Dallas; 07-Kansas City; 08-Denver; 09-San Francisco; 10-Seattle; and, 11-Washington, D.C. National Office.

2/ Indicates name of program to which the Report was sent; Prime - CETA State and Local Prime Sponsor; SESA - State Employment Security Agency; Job Corps - Jobs Corps Center; OSHA - OSHA Grantee; ONP-I - National CETA Native American Programs Grantee; ONP-M - National CETA Migrant and Seasonal Farmworkers Grantee; ONP - Other National CETA Programs Grantee; OPER - CETA Office of Policy, Evaluation and Research; and, ADP - Automatic Data Processing.

LIST OF AUDIT REPORTS (cont'd.)

REGION	PROGRAM	STATE	DATE SENT TO PROGRAM AGENCY	AUDIT REPORT NUMBER	NAME OF CONTRACTOR OR GRANTEE
03	Prime	Pennsylvania	11/79	03-9-981-G-402-018	Mercer County Consortium
03	Prime	Pennsylvania	11/79	03-9-527-C-271-022	City of Philadelphia
03	Prime	Pennsylvania	02/80	03-0-129-G-037-030	So. Alleghenies Consortium
03	Prime	Pennsylvania	02/80	03-0-130-G-038-030	So. Alleghenies Consortium
03	Prime	Pennsylvania	02/80	03-0-220-C-162-039	Richmond Area Manpower
03	Prime	West Virginia	10/79	03-9-526-L-006-044	West Virginia Governor's Office of Economic & Comm. Dev.
04	Job Corps	Georgia	11/79	04-9-1249-C-0300-G-0001	Atlanta Job Corps Center
04	Job Corps	Mississippi	02/80	04-9-1250-C-0301-G-0001	Mississippi Job Corps Center
04	Prime	Florida	11/79	04-9-1626-L-0008-G-0001	Balance of State, Florida
04	Prime	Florida	11/79	04-9-1844-L-0015-G-0001	Leon-Gadsden Consortium
04	Prime	North Carolina	02/80	04-9-1747-L-0044-G-0001	State of North Carolina, Div. of Comm. Emp.
04	SESA	North Carolina	03/80	04-0-0623-L-0205-G-0001	North Carolina Employment Security Commission
05	Prime	Illinois	01/80	A-059-79-00413-2-EMB2-CPO11-1	Rockford Consortium
05	Prime	Illinois	02/80	A-059-79-00453-6-BMB2-CPO20-1	McClean County
05	Prime	Minnesota	10/79	A-059-78-0026-1-BMB2-CPO-26-1	Quad-Counties Consortium
05	Prime	Minnesota	01/80	A-059-79-0024-3-BMB2-CPO-66-7	City of St. Paul
05	Prime	Mississippi	02/80	A-059-79-00728-2-EMB2-CPO40-1	City of Warren
05	Prime	Mississippi	02/80	A-059-79-00503-2-EMB2-CPO43-1	Kalamazo County
05	Prime	Mississippi	02/80	A-059-79-00000-0-BMB2-CPO41-1	Berrien County
05	Prime	Ohio	11/79	A-059-78-0030-5-EMB2-CPO130-1	Lake Erie Consortium
05	Prime	Ohio	10/79	A-059-79-00042-0-BMB2-CPO71-1	Couton-Stark Wayne Consortium
05	Prime	Wisconsin	02/80	A-059-01122-8-BMB2-CPO94-J	Marathon City
05	Prime	Wisconsin	01/80	A-059-79-01020-6-BMB2-CPO93-1	Wisconsin Bos

LIST OF AUDIT REPORTS (cont'd.)

REGION	PROGRAM	STATE	DATE SENT TO PROGRAM AGENCY	AUDIT REPORT NUMBER	NAME OF CONTRACTOR OR GRANTEE
06	Job Corps	Oklahoma	12/79	06-9-331-C-219	Teledyne Econ. Development Corp. Guthrie Job Corps Center
06	Job Corps	Texas	10/79	06-9-304-C-197	Texas Educational Foundation, Inc., Gary Job Corps Center
06	Job Corps	Texas	10/79	06-9-316-C-206	Texas Educational Foundation, Inc., Gary Job Corps Center
07	ADP	Kansas	10/79	07-0-L-001	Kansas Dept. of Human Resources
07	Prime	Nebraska	11/79	07-0-L-002	City of Omaha, Nebraska
07	Prime	Nebraska	11/79	07-0-L-003	Nebraska Dept. of Labor
07	SESA	Iowa	10/79	7-9-L-010	Iowa Dept. of Job Service
08	Prime	Colorado	09/79	79-8-1-06-004	Boulder County
08	Prime	Colorado	12/79	80-8-1-12-001	Weld County
09	Job Corps	California	11/79	09-79-C-179-J1	San Jose Job Corps Center
09	Job Corps	California	11/79	09-79-C-179-J2	San Jose Job Corps Center
09	Job Corps	Hawaii	11/79	09-79-C-176-J2	Hawaii Job Corps Center
09	CSHA	Arizona	02/80	09-80-C-501	Industrial Commission of Arizona
09	OSHA	Arizona	02/80	09-80-C-502	Industrial Commission of Arizona
09	Prime	California	11/79	09-79-G-067-P1	City of Long Beach
09	Prime	California	10/79	09-79-G-098-P1	County of Sonoma
09	Prime	California	12/79	09-79-L-072-P1	County of Monterey
09	Prime	California	01/80	09-79-G-064-P1	Inland Manpower Association
09	Prime	California	02/80	09-79-G-095-P1	County of Santa Cruz
09	Prime	California	02/80	09-79-L-078-P1	Orange City Manpower Consortium
09	Prime	California	01/80	09-79-L-138-P1	American Samoa
10	OSHA	Alaska	11/79	10-80-S-401-001	Alaska DOL OSHA
10	Prime	Washington	11/79	10-80-C-019-003	King-Snohomish MA Consortium
10	Prime	Washington	10/79	10-80-S-025-001	Yakima Co. Div. of Manpower Div.
10	Prime	Washington	11/79	10-80-S-231-001	Washington ES Dept. CETA III TAT

LIST OF AUDIT REPORTS (cont'd.)

REGION	PROGRAM	STATE	DATE SENT TO PROGRAM AGENCY	AUDIT REPORT NUMBER	NAME OF CONTRACTOR OR GRANTEE
10	Prime	Washington	03/80	10-80-S-021-009	Pierce County Bd. of Commissioners
10	Prime	Washington	02/80	10-80-S-100-001	King-Snehomish MA Consortium
10	SESA	Alaska	11/79	10-80-S-301-001	Alaska DOL ES Division
10	SESA	Oregon	02/80	10-80-L-303-001	Oregon Dept. of Human Resources Employment Division
10	SESA	Washington	12/79	10-80-S-304-001	State of Washington
11	ADP	California	01/80	-	California Health & Welfare
11	ADP	Kansas	02/80	-	Employment Services Systems Inst.
11	ADP	Louisiana	10/79	-	Louisiana Dept. Employment Security
11	ADP	Louisiana	01/80	-	Unemployment Insurance System Design Center
11	ADP	Virginia	02/80	-	Virginia Dept. of Computer Services
11	Job Corps	Arkansas	01/80	A-200-80-0000-40	Ovachita Conservation Center
11	Job Corps	Arkansas	01/80	A-200-80-0000-56	Cass Conservation Center
11	Job Corps	North Carolina	03/80	A-200-80-0000-67	Lyndon B. Johnson Conservation Center
11	Job Corps	North Carolina	02/80	A-200-80-0000-78	Schonik Conservation Center
11	ONP	Arizona	11/79	11-9-180-C-146	American Indian Consultants
11	ONP	Colorado	01/80	11-9-202-F-037	University So. Colorado
11	ONP	Colorado	01/80	11-9-053-C-047	Joseph Asoco
11	ONP	Colorado	12/79	11-0-024-C-022	Colorado Dept. of National Resources
11	ONP	District of Columbia (DC)	10/79	11-9-209-C-168	National Retired Teachers Assoc.
11	ONP	DC	03/80	11-9-206-C-165	Epilepsy Fdn. of America
11	ONP	DC	01/80	11-9-204-C-163	Joint Action in Comm. Serv.
11	ONP	DC	01/80	11-9-203-C-162	Int'l. Brotherhood of Painters
11	ONP	DC	01/80	11-9-161-C-132	Natl. Alliance of Business
11	ONP	Idaho	01/80	11-8-302-C-261	Preretirement Planning Center
11	ONP	Indiana	10/79	11-9-192-C-157	Indianapolis-SMSA Committee on Apprenticeship
11	ONP	Louisiana	01/80	11-9-246-F-052	LA State University
11	ONP	Michigan	02/80	11-9-037-C-051	Trade Union Leadership Coun.
11	ONP	Michigan	01/80	11-9-052-C-046	Trade Union Leadership Coun.

LIST OF AUDIT REPORTS (cont'd.)

REGION	PROGRAM	STATE	DATE SENT TO PROGRAM AGENCY	AUDIT REPORT NUMBER	NAME OF CONTRACTOR OR GRANTEE
11	ONP	Minnesota	11/79	11-9-162-C-133	Impact, Inc.
11	ONP	Minnesota	11/79	11-9-163-C-134	Impact, Inc.
11	ONP	New Jersey	01/80	11-9-183-C-148	N.J. Dept. Comm. Affairs
11	ONP	New York	02/80	11-0-001-C-001	Recruit & Training Program
11	ONP	Ohio	11/79	11-9-056-C-050	Elevator Industry National Recruitment & Training
11	ONP	Pennsylvania	01/80	11-9-200-C-161	Oppor. Ind. Center
11	ONP	Texas	01/80	11-9-156-C-127	Assoc. Ind. Elec. Contr.
11	ONP	Utah	11/79	11-9-155-C-126	Promotion of Apprenticeship
11	ONP	Wisconsin	01/80	11-9-141-F-024	Univ. of Wisc.-Milwaukee
11	ONP-I	Alaska	11/79	11-9-017-C-017	Bristol Bay Native Assn.
11	ONP-I	Alaska	11/79	11-9-063-C-057	Mauneluk Association
11	ONP-I	Alaska	11/79	11-9-068-C-062	Kodial Area Native Assn.
11	ONP-I	Arizona	02/80	11-0-029-C-26	Navajo Nation
11	ONP-I	California	11/79	11-9-184-C-149	CA. Tribal Chairmen's Assn.
11	ONP-I	District of Columbia	02/80	11-9-224-C-173	Native American Consult.
11	ONP-I	Florida	09/79	11-9-075-C-068	Seminole Tribe of Florida
11	ONP-I	Illinois	12/79	11-0-015-C-014	Indians for Indians
11	ONP-I	New Mexico	02/80	11-9-105-C-097	All Indian Pueblo
11	ONP-I	New York	02/80	11-9-087-C-079	Native American Mpu. Prog.
11	ONP-I	Oklahoma	11/79	11-9-045-C-039	Choctaw Nation of OK.
11	ONP-I	Oklahoma	11/79	11-9-168-C-139	Cheyenne-Arapaho Tribes of OK.
11	ONP-I	Oklahoma	01/80	11-0-003-F-001	Oklahoma State University
11	ONP-I	Oklahoma	02/80	11-9-088-C-080	Ponca Tribe
11	ONP-I	South Dakota	11/79	11-9-094-C-086	Lower Brule Sioux Tribe
11	ONP-M	California	02/80	11-9-252-C-192	City of Los Angeles
11	ONP-M	California	01/80	11-9-187-C-154	Calif. Poly. State University Foundation
11	ONP-M	California	01/80	11-9-208-C-167	San Diego Univ. Fdn.
11	ONP-M	California	01/80	11-9-146-C-119	Orange County Mpv.
11	ONP-M	Delaware	02/80	11-9-128-C-112	Delmarva Ecumenical Agency
11	ONP-M	Georgia	02/80	11-9-144-C-117	Georgia DOL



LIST OF AUDIT REPORTS (cont'd.)

REGION	PROGRAM	STATE	DATE SENT TO PROGRAM AGENCY	AUDIT REPORT NUMBER	NAME OF CONTRACTOR OR GRANTEE
11	ONP-M	Iowa	12/79	11-9-205-C-164	Migrant Action Program
11	ONP-M	Illinois	01/80	11-0-016-C-015	Illinois Migrant Council
11	ONP-M	Indiana	01/80	11-0-005-C-004	Indiana Off. of Econ. Dev.
11	ONP-M	Massachusetts	02/80	11-9-185-C-150	New England Farmworkers
11	ONP-M	Michigan	01/80	11-0-010-C-009	Community Action Council S. TX.
11	ONP-M	Minnesota	01/80	11-9-225-C-174	Minnesota Migrant Council
11	ONP-M	Mississippi	02/80	11-9-190-C-155	Mississippi Delta Council
11	ONP-M	Nebraska	02/80	11-9-148-C-120	Nebraska Human Resources
11	ONP-M	New Mexico	02/80	11-9-143-C-116	Eastern N.M. University Rosewell
11	ONP-M	New Mexico	02/80	11-9-114-C-106	Northern New Mexico Comm. College
11	ONP-M	New Mexico	01/80	11-9-145-C-118	Home Ed. Livelihood Prog.
11	ONP-M	North Dakota	02/80	11-9-178-C-144	North Dakota Migrant Council
11	ONP-M	Ohio	01/80	11-0-026-C-024	La Raza Unida
11	ONP-M	Tennessee	02/80	11-9-236-C-183	Tennessee Opportunity Programs
11	ONP-M	Texas	02/80	11-9-142-C-115	University of Texas - El Paso
11	ONP-M	Texas	01/80	11-0-004-C-003	Motivation Ed. & Training
11	ONP-M	Texas	01/80	11-9-174-C-143	Community Action Coun. S. Tex.
11	ONP-M	Texas	02/80	11-9-160-C-131	Econ. Opportunity Development Corporation
11	ONP-M	West Virginia	02/80	11-0-012-C-011	State of West Virginia
11	ONP-M	Wisconsin	01/80	11-0-011-C-010	United Migrant Opportunity Ser.
11	OPER	California	01/80	11-9-221-F-045	Univ. of California-Berkeley
11	OPER	Connecticut	12/79	11-9-217-F-041	Yale University
11	OPER	Illinois	01/80	11-9-226-C-175	Anna Mental Health
11	OPER	Michigan	12/79	11-9-214-F-038	Univ. of Michigan-Ann Arbor
11	OPER	Minnesota	12/79	11-9-165-C-136	Impact, Inc.
11	OPER	Minnesota	12/79	11-9-164-C-135	Impact, Inc.
11	OPER	New York	01/80	11-9-222-F-046	Research Fdn.-CUNY
11	OPER	New York	02/80	11-0-002-C-002	Recruit & Training Prog.
11	OPER	Texas	12/79	11-9-118-F-012	Insyte Technology Corp.
11	OPER	Texas	12/79	11-9-119-F-013	Insyte Technology Corp.
11	OPER	Texas	12/79	11-9-120-F-014	Insyte Technology Corp.
11	OPER	Washington	12/79	11-9-115-F-009	University of Washington
11	OPER	Washington	12/79	11-9-220-F-044	State of Washington, ES Dept.

LIST OF AUDIT REPORTS (cont'd.)

REGION	PROGRAM	STATE	DATE SENT TO PROGRAM AGENCY	AUDIT REPORT NUMBER	NAME OF CONTRACTOR OR GRANTEE
11	OASAM	Indiana	12/79	11-8-414-F-042	Purdue Research Foundation
11	OASAM	Maryland	12/79	11-9-250-C-190	Information Planning Assoc.
11	OASAM	Minnesota	09/79	11-9-241-C-186	Design Origins, Inc.
11	OASAM	Virginia	12/79	11-0-009-C-008	National Image
11	MSHA	Pennsylvania	12/79	11-9-135-F-018	Applied Science Assoc.
11	Internal	-	12/79	11-0-019-L-001	Longshore Harbor Workers
11	Internal	-	02/80	11-0-028-L-002	National Planning Assoc.
11	Internal	-	03/80	11-0-030-L-003	Property Management
11	Internal	-	03/80	11-0-031-C-027	Payroll, Personnel and Budget Systems