

# 2006 Performance Report

## Office of Inspector General U.S. Department of Labor

*The Office of Inspector General (OIG) at the U.S. Department of Labor (DOL) is pleased to submit our FY 2006 performance report detailing our accomplishments. This report also assesses the OIG's progress in achieving the goals as presented in its Strategic Plan.*

### OIG Goals

Goal 1	Optimize performance and accountability of employment and training programs
Goal 2	Safeguard and improve worker and retiree benefit programs
Goal 3	Optimize the performance and accountability of worker protection and workplace safety programs
Goal 4	Assist DOL in maintaining an effective strategic management process
Goal 5	Combat the influence of organized crime and labor racketeering in the workplace

### About the OIG

The OIG is an independent agency within DOL and was created by the Inspector General Act of 1978. The OIG is responsible for conducting audits, investigations, and evaluations of DOL programs and operations; identifying actual and potential problems or abuses; developing and making recommendations for corrective action; and informing the Secretary and the Congress of problems or concerns. The OIG is also responsible for carrying out a criminal investigations program to eliminate the influence of organized crime and labor racketeering on employee benefit plans, labor-management relations, and internal union affairs.

## OIG Mission Statement

The Office of Inspector General serves the American worker and taxpayer by conducting audits, investigations, and evaluations that result in improvements in the effectiveness, efficiency and economy of Departmental programs and operations. We detect and prevent fraud, waste, and abuse in DOL programs and labor racketeering in the American workplace. We provide advice to the Secretary and the Congress on how to attain the highest possible program performance.

## OIG Vision Statement

To be a world-class agency that is sought after:

- By the Congress – for objective, relevant information;
- By the Administration – for expert advice and reliable assessments; and
- By talented professionals – for careers in an agency that recognizes outstanding public service.

**For detailed information about work, visit our  
website: [www.oig.dol.gov](http://www.oig.dol.gov)**

## How Achievement is Measured

Achievement of OIG strategic goals is measured in terms of how well our work products effect positive change in DOL programs; reduce vulnerabilities that make programs susceptible to abuse; produce a positive return on invested resources; and reduce criminal activity in the form of fraud and labor racketeering. Indicators to measure outcomes include the number of audits and investigations conducted, the percentage of recommendations agreed to and implemented, and convictions that result from OIG investigations.

In order to demonstrate the impact of our work, we also measure the monetary results of OIG investigations and questioned costs and funds put to better use recommendations that are contained in our audits.

## FY 2006 Selected Statistics

### Investigations

Monetary Impact .....	\$118.5 million
Cases Opened .....	684
Cases Closed .....	512
Indictments.....	520
Convictions.....	503

### Audits

Number of Audit Reports Issued.....	125
Questioned Costs.....	\$97 million

## Significant Accomplishments

In FY 2006, the OIG conducted a number of significant audits and investigations, highlights of which follow.

## 2005 Hurricanes

When the OIG initially established targets for FY 2006, the Hurricanes had not yet devastated the Gulf Coast area. As a result of the Hurricanes, the OIG diverted significant resources to ensure that DOL funds used for Hurricane response were being spent appropriately. DOL's response concentrated on its state partners' payment of unemployment benefits to individuals who became unemployed as a result of the hurricanes, and on DOL's funding of National Emergency Grants (NEGs).

The OIG assessed risks and identified vulnerabilities that might hinder the effective delivery of services and benefits. We provided advice to DOL and the states on how to mitigate potential fraud risks. Audit work led to the identification of significant vulnerabilities including:

- evacuees who were found to be receiving unemployment benefits from a state affected by the disaster could obtain employment in another state while continuing to receive unemployment benefits.
- finding that \$1.8 million in NEG funding was used to cover the educational expenses of over 500 students who were mass enrolled in NEG-funded college courses, even though they were already attending college. Moreover, the State of Mississippi accepted eligibility self-certifications without later verifying the students' eligibility for training.

With respect to the investigative efforts of the OIG, the OIG initiated a two-phased approach. The first phase focused on addressing thousands of possible cases of fraudulent claims for Unemployment benefits. The OIG opened hundreds of investigations and had much success in obtaining convictions of those found guilty of defrauding these programs. For example,

- The owner and operator of an Indiana-based labor leasing company was charged with mail fraud and failure to account for and remit

employee withholding taxes relating to its disaster reconstruction work.

- A former contractor at the Baton Rouge Career and Job Center pled guilty for his role in filing approximately 80 fraudulent unemployment benefit claims with Louisiana. He assisted in the filing and processing of claims for people he knew were not qualified to receive such assistance.
- An individual pled guilty to charges of false use of Social Security numbers for his scheme to obtain Louisiana DUA debit cards. He fraudulently submitted 11 different claims for Louisiana DUA. At the time of the arrest, 29 weeks of DUA benefits had been credited to each of the 11 cards, resulting in a total loss of approximately \$28,420.

The second phase of the OIG's investigative work began in May 2006 and is concentrating on labor racketeering schemes in reconstruction and debris removal. We expect that these types of investigations will continue over the next few years as billions of dollars for reconstruction are spent.

### **Goal 1 Optimize performance and accountability of employment and training programs**

In FY 2006, DOL's foreign labor certification (FLC) and Job Corps programs were two major areas of concern within this goal. As a result of our increased attention in these two areas, we surpassed both its audit and investigative goals.

From an investigative perspective, we completed 64 investigations, surpassing our target of 40. Moreover, we set a goal to produce a conviction rate of 85% of cases that resulted in indictment and achieved 100%. For example:

- A company owner was sentenced to 44 months in prison and three years probation for his leading role in a large-scale immigration fraud ring. The investigation found that the defendants assisted aliens in

obtaining green cards through the Permanent FLC program and profited by more than \$4.5 million by charging the aliens as much as \$120,000 to pursue their visa applications.

- A company owner pled guilty to charges of sponsoring himself for a green card using an alternate identity and of labor certification substitution. He used counterfeit forms to apply for at least 250 green cards via the FLC program and made profits of at least \$2.1 million from the sale of the counterfeit labor documents.

From an audit perspective, we completed 58 audits, surpassing our goal of 53. We also achieved a majority of our goals regarding the percentage of recommendations resolved and implemented.

Significant audit work in for Goal 1 included several Job Corps audits. Based on our past and ongoing work, in FY 2006 we identified a number of challenges, including performance-based contracts, safety and health, procurement, and student attainment. Many of these issues are longstanding concerns for the OIG. For example, one audit showed that a Job Corps center significantly overstated its employment and educational placement outcomes. A second audit identified several conditions that posed health and safety risks to a Center's student and staff population that warranted immediate corrective actions.

### **Goal 2 Safeguard and improve worker and retiree benefit programs**

In Goal 2, we continued to focus on schemes that defrauded the DOL's worker benefits programs. We set a target to complete 175 investigations, and completed 277, an increase which can be contributed to our extensive work in the Gulf Coast area following the Hurricanes.

Moreover, we set a goal to produce a conviction rate of 85% of cases that resulted in indictment and achieved 94%. In addition, we continued to

focus on high-impact, multi-state UI fraud schemes involving multiple defendants and organized crime groups. Highlights of our work in this area include:

- Two individuals sentenced for their roles in an UI identity theft scheme. The OIG investigation found that they used more than 200 stolen identities and filed 222 UI claims, obtaining more than \$693,000 in UI benefits.
- Two cases, one in Michigan and one in Texas, involving state employees who assisted individuals in obtaining UI benefits to which they were not entitled. One allowed more than 250 fraudulent claims to be approved, which resulted in approximately \$500,000 in illegal payments. The second caused \$143,479 in fraudulent benefit checks to be issued.

From an audit perspective, our target in Goal 2 was to complete 19 audits. In FY 2006, we exceeded our target and completed 21 audits. We did not meet all of our goals for the percentage of recommendations resolved and implemented; most of which related to information technology security work. We expect a number of these recommendations to be implemented in FY 2007. Highlights of our work include:

- An audit of the Office of Workers' Compensation Programs procedures for ensuring that contract nurses with the Nurse Intervention Program were properly licensed and that their access to confidential medical records was restricted to only assigned cases. While DOL generally had adequate procedures in place, we found additional action is needed to periodically verify nurse licenses and further restrict unnecessary access to confidential records.
- On March 22, 2006, DOL's OIG and the Department of Commerce's OIG, hosted a symposium to address issues relating to the FECA program, a \$2.4 billion program that affects employees and agencies across Government. The goal of the symposium was to engage the inspector general community in a more coordinated and collaborative approach to doing work related to the FECA

program. As part of this symposium, the OIG community is developing a comprehensive long-term plan to address this complex issue.

### **Goal 3 Optimize the performance and accountability of worker protection and workplace safety programs**

Our target in Goal 3 was to complete 6 audits; we exceeded our target and completed 7 audits. We achieved nearly all of our targets related to the percentage of recommendations that would be resolved and implemented. Highlights of our work include:

- An audit of the hazardous condition complaint process in Mine Safety and Health Administration's (MSHA's) Office of Coal Mine Safety and Health, which found deficiencies in the process for receiving and documenting complaints that were routed to Headquarters through a contractor-run answering service.
- A review of allegations by several underground anthracite coal mine operators that they were treated unfairly by MSHA. The review found no indications or corroborating evidence to support the allegations of harassment and unwarranted enforcement of MSHA safety standards. However, we did identify several regulatory areas where MSHA needed to address anthracite mining.
- An audit of a settlement agreement with Wal-Mart relating to allegations that the company violated child labor provisions of the Fair Labor Standards Act. While the agreement did not violate Federal laws or regulations, we found serious breakdowns in the process for developing settlement agreements. The agreement gave significant concessions to Wal-Mart in exchange for little commitment on the company's part. Also, significant portions of the agreement were written by Wal-Mart attorneys, and the Department's solicitor was not consulted during the negotiation process.

**Goal 4**  
**Assist DOL in maintaining an effective strategic management process**

Most of our work in support of this goal involves auditing DOL's financial statements and conducting work to ensure that DOL's IT systems are secure. In FY 2006, our goal was to conduct 20 audits in support of this goal. We exceeded this goal by conducting 37 audits.

We achieved our goals of obtaining concurrence from DOL on recommendations for monetary savings and percentage of recommendations resolved. We did not meet our targets for the percentage of recommendations implemented and are working with the DOL to address them. Examples of our work in this area include:

- Issuing an unqualified opinion on DOL's financial statements for the tenth year. We did note 10 reportable conditions, none of which was considered material weaknesses.
- Completing 4 audits of critical information systems and performing an evaluation of the DOL's protection of sensitive agency information.

**Goal 5**  
**Combat the influence of organized crime and labor racketeering in the workplace**

Unlike other Inspectors General, the DOL OIG has a unique program responsibility for investigating labor racketeering and organized crime influence or control in unions, employee benefit plans, and the workplace. In support of this responsibility, the OIG established Goal 5 to capture our work in this area. In FY 2006 our goal was to complete 106 investigations. We surpassed our goal and completed 114. Moreover, we set a goal to produce a conviction rate of 85% of cases that resulted in indictment. We exceeded this goal by achieving a 94% conviction rate. Significant work in support of this goal includes:

- Ralphs Grocery pleading guilty for its role in a labor dispute and agreeing to pay \$50 million in restitution to current and former employees and a \$20 million fine. Ralphs illegally rehired approximately 1,000 locked-out workers during a labor dispute, which undermined the financial integrity of the union and its affiliated benefit plans.
- Eight high-ranking officials of the LIUNA Local 91 pleading guilty or being sentenced for their roles in a conspiracy to commit violations of the Hobbs Act. Through their violent scheme, Local 91 officials extorted both local and out-of-town businesses of their right to hire and retain workers of their choice at construction projects.
- The former financial secretary-treasurer of a union local being sentenced to 18 months in jail and three years' probation and was ordered to pay \$192,494 in restitution. The investigation found that he wrote fraudulent checks drawn on the union's bank account.
- The former president of Administrative Services of North America being sentenced to 15 years in prison and ordered to pay \$837,000 in restitution. He diverted participant premiums from an employee benefit plan to his personal accounts.
- A former president and vice president of finance being convicted of multiple charges related to their embezzlement scheme that sent their company into bankruptcy. Part of the scheme involved embezzling \$325,000 from the company's pension plan. They also deducted \$110,000 of health care contributions from employee wages and failed to remit those funds to the third-party health care plan administrator. More than 700 employees lost their jobs as a result.

**Performance Tables**

Following are the detailed performance tables for each of the OIG's five goals. They show our baseline year of 1998 and our achievements for FYs 2003-2006.

## A Prepared Work Force

### OIG Goal #1: Optimize performance and accountability of employment and training programs

Outcome 1.1: Improve the effectiveness of programs in increasing long-term employment, earnings, and self sufficiency of, and reducing social payments to, program participants.

Annual Performance Goals/Objectives	Baseline Data FY 1998	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Target	FY 2006 Actual
Conduct performance, financial and compliance audits of DOL employment and training programs	Actual-33 Evaluations-0	Actual-43 Evaluations-6	Actual-35 Evaluations-1	Actual-54 OIG Evaluations <sup>1</sup>	Target: 53	Actual-58
	OIG Audits-27 Single Audits-6	OIG Audits-40 Single Audits-3	OIG audits-16 Single Audits-19	OIG audits-19 Single Audits-35		OIG audits-26 Single Audits-32
Work with DOL management to resolve audit recommendations and items identified by management challenges.  (% of recommendations resolved)	1998=72	Achieved in FY 2001				
	2003=131		Achieved 73% (95 of 131)	Achieved 85% (111 of 131)	Achieve 80%	Achieved 92% (120 of 131)
	2004=90			Achieved 92% (83 of 90)	Achieve 75%	Achieved 98% (88 of 90)
	2005=149				Achieve 50%	Achieved 83% (123 of 149)
Work with DOL management to ensure implementation of audit recommendations  (% of recommendations implemented)	1998=72	Achieved 96% (69 of 72)	Achieved 96% (69 of 72)	Achieved 96% <sup>2</sup> (69 of 72)	Achieve 99%	Achieved 96% (69 of 72)
	2003=144		Achieved 56% (71 of 131)	Achieved 74% <sup>2</sup> (97 of 131)	Achieve 80%	Achieved 74% (97 of 131)
	2004=90			Achieved 68% (61 of 90)	Achieve 75%	Achieved 77% (69 of 90)
	2005=149				Achieve 50%	Achieved 64% (68 of 149)
Conduct investigations into allegations of fraud against DOL employment and training programs	45	46	42	49	40	64
Produce quality investigations that result in convictions (Conviction rate for cases that resulted in indictment)	91%	100%	100%	97%	85%	100%

<sup>1</sup> All program evaluation work is now included in the number of audits performed. This applies to all OIG goals.

<sup>2</sup> These outstanding recommendations have been resolved, but not yet fully implemented.

## Worker and Retiree Benefits

### OIG Goal #2: Safeguard and improve worker and retiree benefits programs

Outcome 2.1: Improve the integrity and cost efficiency of the DOL's unemployment insurance program.

Outcome 2.2: Improve the integrity and cost efficiency of the DOL's disability compensation programs.

Outcome 2.3: Improve the safeguards afforded to pension and health and welfare benefit programs.

Annual Performance Goals/Objectives	Baseline Data FY 1998	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Target	FY 2006 Actual
Conduct audits of DOL worker and retiree benefits programs and functions and provide consultation	Actual-18 Evaluations-1	Actual-16 Evaluations-0 OIG Audits-12 Single Audits-4	Actual-22 Evaluations-1 OIG Audits-20 Single Audits-2	Actual-21 OIG audits-14 Single Audits-7	Target: 19	Actual-21 OIG audits-17 Single Audits-4
Work with DOL management to resolve audit recommendations  (% of recommendations resolved)	1998=32	Achieved in FY 2002				
	2003=144		Achieved 53% (77 of 144)	Achieved 60% <sup>3</sup> (87 of 144)	Achieve 80%	Achieved 63% (90 of 144)
	2004=120			Achieved 52% (62 of 120)	Achieve 75%	Achieved 93% (111 of 120)
	2005=146				Achieve 50%	Achieved 79% (116 of 146)
Work with DOL management to ensure implementation of audit recommendations  (% of recommendations implemented)	1998=32	Achieved in FY 2002				
	2003=144		Achieved 11% (16 of 144)	Achieved 32% (46 of 144)	Achieve 80% <sup>3</sup>	Achieved 35% (50 of 144)
	2004=120			Achieved 10% (12 of 120)	Achieve 75% <sup>3</sup>	Achieved 66% (79 of 120)
	2005=146				Achieve 50%	Achieved 18% (27 of 146)
Conduct investigations into allegations of fraud against DOL worker benefit programs	210	238	222	200	175	277
Produce quality investigations that result in convictions or civil/administrative action	94% (111 cases)	98% Increased by 0% over 1998 base, the # of cases resulting in successful civil/admin action (110 cases)	90% (82 cases)	92%	85%	94%

<sup>3</sup> Recommendations in this category relate primarily to IT security work on which corrective action has not yet been fully implemented.



## Workplace Safety, Health, and Workplace Rights

### OIG Goal #3: Optimize the performance and accountability of worker protection and workplace safety programs

Outcome 3.1: Improve the effectiveness of DOL safety and health programs in reducing workplace injuries, illnesses, and fatalities.

Outcome 3.2: Improve the effectiveness of DOL's worker protection programs in fostering equal opportunity and fair wages.

Outcome 3.3: Improve the integrity of DOL's worker protection and workplace safety programs.

Annual Performance Goals/Objectives	Baseline Data FY 1998	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Target	FY 2006 Actual
Conduct workplace safety, health, and standards audits of DOL programs and provide consultation and assistance to those programs	Actual-6 Evaluations-4	Actual-4 Evaluations-0	Actual-7 Evaluations-0	Actual-8	Target: 6	Actual-7  OIG audits-6 Single Audits-1
Work with DOL management to resolve audit recommendations  (% of recommendations resolved)	1998=8	Achieved in FY 1999				
	2003=83		Achieved 89% (74 of 83)	Achieved 98% (81 of 83)	Achieve 80%	Achieved 100% (83 of 83)
	2004=36			Achieved 75% (27 of 36)	Achieve 75%	Achieved 100% (36 of 36)
	2005=38				Achieve 50%	Achieved 97% (37 of 38)
Work with DOL management to ensure implementation of audit recommendations  (% of recommendations implemented)	1998=8	Achieved 62% (5 of 8)	Achieved 62% (5 of 8)	Achieved 62% (5 of 8)	Achieve 99%	Achieved 62% (5 of 8)
	2003=83		Achieved 57% (47 of 83)	Achieved 60% (50 of 83)	Achieve 80%	Achieved 86% (71 of 83)
	2004=36			Achieved 0% (0 of 36)	Achieve 75%	Achieved 81% (29 of 36)
	2005=38				Achieve 50%	Achieved 63% (24 of 38)
Conduct investigations into allegations of corruption or misconduct by safety and health inspectors and Davis-Bacon Cases	10	5	13	20	10	17
Produce quality investigations that result in convictions (conviction rate for cases that resulted in indictment)	100%	100%	83%	100%	85%	94%

## Departmental Management

### OIG Goal #4: Assist DOL in maintaining an effective management process

Outcome 4.1: Determine the validity of DOL's annual consolidated financial statements prepared.

Outcome 4.2: Improve the financial and performance accountability of DOL and its grantees and contractors.

Outcome 4.3: Provide audited program cost and performance data.

Outcome 4.4: Identify systemic weaknesses that may result in abuses, criminal conduct, or mismanagement.

Annual Performance Goals/Objectives	Baseline Data FY 1998	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Target	FY 2006 Actual
Conduct audits and provide technical assistance regarding DOL financial and information technology systems, program performance, and operations	Actual-5 Evaluations-2	Actual-32 Evaluations-2  OIG Audits-14 Single Audits-18	Actual-49 Evaluations-0  OIG Audits-26 Single Audits-23	Actual-56   OIG Audits-22 Single Audits-34	Target-20	Actual-37   OIG Audits-15 Single Audits-22
Work with DOL management to resolve audit recommendations  (% of recommendations resolved)	1998=49	Achieved in FY 2001				
	2003=323		Achieved 96% (310 of 323)		Achieve 80%	Achieved 100% (323 of 323)
	2004=367			Achieved 71% (262 of 367)	Achieve 75%	Achieved 100% (367 of 367)
	2005=452				Achieve 50%	Achieved 97% (437 of 452)
Work with DOL to ensure implementation of audit recommendations  (% of recommendations implemented)	1998=49	Achieved 88% (43 of 49)	Achieved 88% (43 of 49)	Achieved 88% (43 of 49)	Achieve 99%	Achieved 88% <sup>4</sup> (43 of 49)
	2003=323		Achieved 58% (188 of 323)	Achieved 66% (214 of 323)	Achieve 80%	Achieved 72% <sup>4</sup> (233 of 323)
	2004=367			Achieved 19% (71 of 367)	Achieve 75%	Achieved 60% <sup>4</sup> (209 of 367)
	2005=252				Achieve 50%	Achieved 46% (210 of 252)
Work to achieve concurrence from DOL management on recommendations for monetary savings (questioned costs, funds put to better use and other monetary findings)	1998=56	Achieved in FY 2001				
	2003=89		Achieved 83% (74 of 89)	Achieved 97% (86 of 89)	Achieve 80%	Achieved 100% (89 of 89)
	2004=44			Achieved 73% (32 of 44)	Achieve 75%	Achieved 98% (43 of 44)
	2005=97				Achieve 50%	Achieved 90% (87 of 97)
Produce quality investigations that result in convictions or civil/administrative (Conviction rate for cases that resulted in indictments)	92% (19 cases)		100% (19 cases)	100% (19 cases)	21	20

<sup>4</sup> These recommendations relate to either our IT work, all of which have been resolved but corrective action has not been fully implemented, or our financial statement work, which will be addressed during the most recent financial statement Audit.

## Labor Racketeering

### OIG Goal #5: Combat the influence of organized crime and labor racketeering in the workplace

Annual Performance Goals/Objective	Baseline Data FY1998	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Target	FY 2006 Actual
Conduct investigations of organized crime influence and labor racketeering in the workplace	139	144	115	106	106	114
Carry our initiative to increase investigative attention to criminal activity by pension plan service providers (Number of investigations)	13	18	20	14	64 <sup>5</sup>	63
Produce quality investigations that result in convictions (conviction rate for cases that resulted in indictment)	95%	99%	85%	86%	85%	94%

<sup>5</sup> In FY 2006, we modified the types of investigations to include all benefit plan service providers, not just pension plan service providers.

United States Department of Labor  
Office of Inspector General

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