



# Semiannual Report to the Congress

U.S. Department of Labor  
April 1 - September 30, 1993

OFFICE OF INSPECTOR GENERAL

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OFFICE OF INSPECTOR GENERAL



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April 1 - September 30, 1993**

UNITED STATES DEPARTMENT OF LABOR

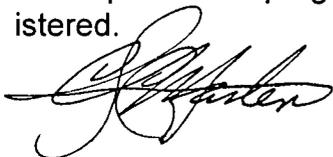
## THE INSPECTOR GENERAL'S STATEMENT

This Semiannual Report, covering the period from April 1 - September 30, 1993, is the second report issued for fiscal year 1993. It highlights many of the significant accomplishments of the men and women of the U. S. Department of Labor's Office of Inspector General (OIG). During this reporting period, we actively participated in the National Performance Review, the Department of Labor (DOL) Reinvention efforts, and began our own internal reinvention initiative. The DOL OIG has been a leader in maintaining a focus on evaluation of management control systems in addition to the more traditional compliance audits. We have long recognized the importance of preventing fraud, waste, and abuse through systemic improvements and program performance evaluation. We have, therefore, dedicated significant resources to these ends. Some fruits of these efforts are included throughout this report.

During fiscal year 1993, the OIG issued 420 audits of departmental programs, reporting questioned costs of \$29.8 million. An additional \$250 thousand was recommended to be put to better use and \$27.8 million in costs were disallowed by the DOL, based upon OIG audit recommendations. In law enforcement, the OIG obtained 449 indictments, 302 convictions, and generated \$63.8 million in fines, penalties, restitutions, recoveries, settlements, forfeitures, and cost efficiencies. Among the OIG's many noteworthy accomplishments during this reporting period are:

- The Office of Audit's reports on the Trade Adjustment Assistance (TAA) program and the Targeted Job Tax Credit (TJTC) program. The TAA performance audit assessed the adequacy of management control programs and determined program outcomes. It concluded that, after 19 years, the program's administrators did not know whether the program was effective. The TJTC audit recommended that the Secretary of Labor advocate congressional reconsideration of the program to either discontinue or redirect it.
- The Office of Labor Racketeering's efforts to eliminate fraudulent health insurance scams, particularly Multiple Employee Welfare Arrangements, MEWAs, and to rid unions and employers of labor racketeering.
- The Office of Investigations' initiatives to control abuse in the Federal Employees' Compensation Act program and to see that Federal funds are safeguarded and recovered for other programs.

As always, my staff and I remain committed to assisting the DOL's management to ensure that the Department's programs are effectively, efficiently and economically implemented and administered.



Charles C. Masten  
Deputy Inspector General

## SIGNIFICANT CONCERNS OF THE INSPECTOR GENERAL

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### Government Loses Billions in Revenue From Unnecessary Tax Credits

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*95% would have been hired,  
even without the tax credit*

Audit findings in a recently issued OIG report suggest that the Targeted Jobs Tax Credit (TJTC) program has primarily served as a tax windfall for participating employers. Employers, interviewed during the course of an OIG audit in Alabama, acknowledged that they would have hired 95 percent of the same individuals for whom they claimed tax credits. In fact, their hiring decision was typically made before TJTC eligibility was determined, apparently denying the need for the tax incentive.

When the TJTC Program was created in 1974, Congress intended to offer a tax incentive to employers to stimulate the employment of targeted individuals who, without the subsidy, may not otherwise be hired. Revenue losses from TJTC tax credits totaled \$4.5 billion from 1980 to 1990. Because of the importance of this program, the OIG has initiated a nationwide audit.

The OIG questions the value of continuing a program that our audit findings suggest may not be necessary. Consistent with the Administration's commitment to eliminate Government programs that do not work, we urge the DOL and the Congress to evaluate whether the TJTC program is meeting its objectives and determine whether it should be discontinued or, at a minimum, sharply redirected to target those most in need of hiring assistance.

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### TAA Program Needs to be Overhauled

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*Only 1 in 10 found suitable  
employment related to the  
training*

A recent nationwide OIG audit report disclosed that the Trade Adjustment Assistance (TAA) Program continues to be run as a compensation program, rather than as a training program. TAA was initially designed by Congress to assist individuals who lost their jobs as a result of increased imports to return to "suitable employment." The Act was amended to clarify and to emphasize the importance of training as the means to achieve this objective. However, OIG audit data show that only 5 in 10 TAA participants enrolled in training and only 1 of the 10 found suitable employment related to the training received. (Suitable employment is interpreted by the OIG as a job that pays at least 80 percent of the former weekly average wage.) The OIG also found that 71 percent of the participants in the sample were granted training waivers despite the fact such waivers were intended by Congress to be used sparingly. Our audit concluded that, after 19 years, the

Employment and Training Administration (ETA) does not know whether the TAA program is effective. ETA does not require states to collect data on TAA participant outcomes, as it does for other programs. The Secretary of Labor and the Assistant Secretary for ETA have testified that TAA is currently being considered by the Administration as an option to retrain workers dislocated by the passage of the North American Free Trade Agreement. The OIG recommends that the DOL establish performance measures, participant followup procedures, and waiver controls to ensure that the program meets the objective and functions that the Congress intended.

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### **OSHA Criminal Penalties Needed**

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*Civil penalties simply become yet another cost of doing business*

For several years, through our semiannual reports and congressional testimony, the OIG has advocated legislation that establishes felony criminal penalties for willful or repeat violations of Occupational Safety and Health Administration (OSHA) rules that result in a worker's death or serious bodily injury. This OIG recommendation was recently endorsed by the Department of Justice in congressional testimony. The OIG believes that only through the establishment of criminal penalties will the Occupational Safety and Health Act serve as a meaningful deterrent to this type of willful employer behavior. Unfortunately, civil penalties for these violations simply become yet another cost of doing business -- costs which are significantly reduced as cases travel through the appellate process. In fact, an OIG audit disclosed that, in OSHA egregious cases concluded by settlement, penalties were reduced by 72 percent; while in litigated OSHA egregious cases, penalties were reduced by 96 percent. The OIG continues to encourage a legislative remedy in this area.

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### **Inadequate Audits Leave Pension Plan Funds Vulnerable**

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Since 1984, the OIG has reported its concerns that hundreds of billions of dollars in employee pension funds are not being adequately audited to ensure that they are safeguarded and will be available in the future to pay promised benefits. In 1989, the OIG issued an audit report recommending the repeal of the limited scope audit provision of the Employee Retirement Income Security Act (ERISA) of 1974. This provision contributes to the danger of inadequate auditing of pension plan assets because it exempts from review by an auditor all pension plan funds that have been invested in entities already regulated by Federal or State Governments such as savings and loans, banks, or insurance com-

*Progress slow in DOL's  
legislative remedy*

panies. At the time ERISA was passed almost two decades ago, it was assumed that all of the funds invested in those regulated industries were being adequately reviewed. Unfortunately, as the taxpayers have since discovered, this is far from true.

The repeal of the limited scope audit provision will be a major step towards involving public accountants in the kind of active role that ERISA originally implied they should take -- that of playing an integral role, along with the Secretary of Labor, in providing the first line of defense for pension plan participants by apprising them of potential problems with the operation of their pension plans. Although the Department has produced a proposal to improve pension plan audits, very little progress has been made.

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**FECA Fraud Convicts  
Continue to Draw FECA  
Benefits in Prison**

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*DOL lacks statutory authority to  
terminate benefits solely on the  
basis of a criminal conviction*

In April 1992, the OIG provided the Congress with the results of a study that assessed the actions taken against 63 FECA claimants who were convicted of defrauding the FECA program during Fiscal Years 1990 and 1991. That OIG study revealed that over 50 percent of those FECA claimants who had been convicted of defrauding the FECA program continued to receive FECA benefits because the DOL does not have the statutory authority to terminate benefits solely on the basis of a criminal conviction. Although the actual number of incarcerated individuals receiving FECA benefits is relatively small, the OIG believes that the Department and the FECA program may face serious criticism for providing benefits to individuals from the very program that they were convicted of defrauding. In addition, individuals convicted of any felony offense should have their full FECA benefits suspended while they are in prison. Also, the dependents of these claimants should only receive benefit amounts comparable to survivor benefits under the present social security system. The Vice President's National Performance Review has incorporated the OIG recommendation on incarcerated FECA beneficiaries into its recommendations for savings to the Government. The OIG urges swift congressional action to address this problem.

*National Performance Review  
adopts OIG recommendation*

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**OIG Spearheads  
Inter-Agency  
FECA Fraud Effort**

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As part of its commitment to reduce the financial impact on the Government resulting from FECA fraud, in addition to our investigations, the OIG is chairing a subcommittee of a joint agency task force established to counter FECA fraud, waste, and abuse. It is comprised of senior managers from the Federal agencies responsible for investigating FECA fraud.

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## EXECUTIVE SUMMARY

### **Serious Delays in OAA Adjudicatory Function**

A performance audit of the Office of Administrative Appeals (OAA) found that major deficiencies and delays in OAA's workload management and productivity may have adversely affected parties awaiting final decisions on ALJ decision appeals. The audit found that the 26 oldest cases had been at OAA for an average of 7.5 years .....

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### **TAA Program Falls Short of Training Goals**

A nationwide OIG audit of the TAA program concluded that the TAA program is managed as a compensation, rather than as a training program, and it fell short of meeting the training and reemployment goals implied by the Congress. The audit disclosed that after 19 years of operation, neither ETA nor the states know whether the TAA program is effective in assisting workers, displaced from their jobs as a result of increased imports, to return to suitable employment .....

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### **Tax Credits Not Impetus for Employers to Hire Targeted Individuals**

An OIG audit of the Targeted Jobs Tax Credit (TJTC) program disclosed that employers did not need the tax credits they claimed for targeted group employees that they hired since they would have hired 95 percent of them -- even without the tax subsidy. As a result, the OIG recommended that the Secretary evaluate whether, after \$4.5 billion in revenue losses for a 10-year period, the TJTC program should be discontinued or sharply redirected to target individuals most in need of hiring assistance .....

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### **Weaknesses Persist in DOL Financial Management**

Although there has been improvement in the Department's financial operations, serious weaknesses still exist with respect to the implementation of the CFO organization, financial and performance reporting, and implementation of the integrated financial management system .....

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<p><b>Unemployment Insurance Investigation Results in 19 Sentences</b></p>	<p>Nineteen defendants from a continuing UI investigation near the United States and Mexican border in Texas were sentenced on charges of mail fraud and conspiracy to defraud the State of California by filing fraudulent, interstate UI claims .....</p>	<p>30</p>
<p><b>Three Indicted in \$11 Million Employee Benefit Fraud</b></p>	<p>Three individuals and three companies associated with one of New York City's largest painting contractors were indicted on charges of defrauding the employee benefit funds of both the New York City and Long Island Painters' unions .....</p>	<p>42</p>
<p><b>Four Sentenced in Fraudulent Health Care Scheme</b></p>	<p>Four defendants were sentenced for their involvement in a fraudulent health benefit scheme that cheated more than 40,000 Americans out of \$34 million. The scheme left the victims with more than \$50 million in unpaid claims .....</p>	<p>44</p>
<p><b>NPR Recognizes Need for FECA Fraud Amendments</b></p>	<p>The OIG has long been advocating an amendment to the Federal Employees' Compensation Act (FECA) to prohibit FECA benefits to those convicted for fraud against the FECA program as well as to suspend benefits to those convicted of a felony. The National Performance Review (NPR) recognizes the need for such an amendment.....</p>	<p>58</p>
<p><b>154 Months in Jail for FECA Fraud Scheme</b></p>	<p>A former program analyst with the U.S. Department of Treasury was sentenced to serve 154 months in jail and fined \$175,000. The sentence results from his conviction in a FECA fraud scheme involving attempted murder-for-hire, obstruction of justice, and fraud .....</p>	<p>33</p>

## SELECTED STATISTICS

April 1, 1993 - September 30, 1993

### Office of Audit

Reports issued on DOL activities .....	218
Total questioned costs .....	\$ 2.0 million
Funds recommended for better use .....	\$ 0.2 million
Dollars resolved .....	\$83.4 million
Allowed .....	\$18.9 million
Disallowed .....	\$23.2 million
Agreed funds be put to better use .....	\$41.2 million
Disagreed funds be put to better use .....	\$ 0.1 million

### Office of Investigations

Cases opened .....	173
Cases closed .....	438
Cases referred for prosecution .....	209
Cases referred to DOL for administrative action .....	74
Indictments .....	112
Convictions .....	81
Recoveries, cost efficiencies, restitutions, fines/penalties, civil monetary actions, forfeitures, and court costs <sup>1</sup> .....	\$ 6.5 million

### Office of Labor Racketeering

Cases opened .....	62
Cases closed .....	67
Indictments .....	129
Convictions .....	58
Fines .....	\$ 0.7 million
Restitutions .....	\$48.6 million

<sup>1</sup>For definitions of these categories and a breakdown of the total figure, please see the Appendix to the Office of Investigations Section on page 39.

## SELECTED STATISTICS

FY 1993 Total

### Office of Audit

Reports issued on DOL activities .....	420
Total questioned costs .....	\$ 29.8 million
Funds recommended for better use .....	\$ 0.25 million
Dollars resolved .....	\$102.3 million
Allowed .....	\$ 32.6 million
Disallowed .....	\$ 27.8 million
Agreed funds be put to better use .....	\$ 41.8 million
Disagreed funds be put to better use .....	\$ 0.1 million

### Office of Investigations

Cases opened .....	378 <sup>2</sup>
Cases closed .....	672 <sup>2</sup>
Cases referred for prosecution .....	314
Cases referred to DOL for administrative action .....	155
Indictments .....	199
Convictions .....	152 <sup>2</sup>
Recoveries, cost efficiencies, restitutions, fines/penalties, civil monetary actions, forfeitures, and court costs <sup>1</sup> .....	\$ 11.2 million

### Office of Labor Racketeering

Cases opened .....	123
Cases closed .....	116
Indictments .....	250
Convictions .....	150
Fines .....	\$ 0.9 million
Restitutions .....	\$51.6 million
Forfeitures .....	\$ 80,000

<sup>1</sup> For definitions of these categories, please see the Appendix to the Office of Investigations Section on page 39.

<sup>2</sup> Includes adjustments after the close of the prior reporting period.

## OFFICE OF AUDIT

During this reporting period, 218 audits of program activities, grants, and contracts were issued. A list of these audit reports is contained in the Audit and Schedules Section of this report. Of these, 27 were performed by OIG auditors, 20 by CPA auditors under OIG contract, 35 by state and local government auditors for DOL grantees and subrecipients, and 136 by CPA firms hired by DOL grantees or subrecipients.

### Major Activities

Major audits during this period focused on the Department's adjudication function, the Targeted Jobs Tax Credit Program, the Trade Adjustment Assistance Program, and financial management.

In addition, during this period, senior staff participated in the Vice President's National Performance Review and in various reinventing Government committees.

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### OFFICE OF THE SECRETARY

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A major activity under the Office of the Secretary is the Department's adjudication function. This is accomplished through the Office of Administrative Law Judges (OALJ), Benefits Review Board, Employees' Compensation Appeals Board, Wage Appeals Board, and the Office of Administrative Appeals (OAA). The first four conduct hearings and render decisions on appeals filed under legislation administered by the Department, and the OAA prepares the Secretary's final decisions for appealed cases.

In this reporting period, the OIG issued performance audits of the Office of Administrative Appeals and the Office of Administrative Law Judges, and resolved audit findings for a prior audit of the Benefits Review Board. The OIG is also currently performing an audit of the adjudicatory function for workers' compensation claims administered by the Department's Office of Workers' Compensation Programs.

#### Office of Administrative Appeals Audit

The Office of Administrative Appeals (OAA) prepares final administrative decisions which arise primarily from Administrative Law Judge (ALJ) hearings where regulations provide that the

decisions are directly reviewed by the Secretary or other departmental officials.

The OIG examined OAA's role in carrying out the Department's adjudicatory responsibilities. Specific objectives were to identify and evaluate OAA methods for establishing case processing priorities and managing its workload.

*Many Office of Administrative Appeals cases linger for years*

The OIG found no standard of timeliness for processing OAA's caseload, for example:

- OAA's 26 oldest cases have been pending an average of 7.5 years (from receipt in OAA);
- the average age of the 197 cases completed in Fiscal Year 1992 was 1.6 years;
- the average age of OAA's 178 backlogged cases was 2.5 years; and
- OAA does not develop and utilize information essential to efficient resource and workload management.

The major deficiencies in OAA's workload management and productivity were of such significance that they may have adversely affected parties awaiting final decisions. The OIG also made recommendations to improve the efficiency of OAA's system of workload management and the effectiveness of its adjudication. The OAA has not responded to our recommendations. (Report No. 17-93-009-01-010; issued May 19, 1993)

#### Office of Administrative Law Judges Audit

In response to a request from the former Deputy Secretary, the OIG conducted a performance audit of the Office of Administrative Law Judges (OALJ). The audit found the design and organizational structure of the OALJ was conducive to accomplishment of its mission. However, DOL has not established timeliness standards or goals for adjudication activities conducted by the OALJ.

For Fiscal Year 1991, it took the OALJ an average of over 14 months to reach final decision, and cases pending at the time of

*OIG questions Office of Administrative Law Judges timeliness*

the OIG audit had an average age of about 11 months. The requirement of judicial independence does not preclude a need for the Department to provide timely service to constituents. The current lack of OALJ timeliness standards or goals impede the Department's ability to determine the efficiency of the provision of its OALJ adjudication services. The OIG recommended the Department establish such standards or goals. The Department has not responded to our recommendations. (Report No. 17-93-008-01-010; issued June 11, 1993)

Benefits Review Board Organizational and Management Review

The Benefits Review Board (BRB) was established by Congress in 1972 primarily to issue final dispositions of appeals under the Black Lung Benefits Amendments to the Federal Coal Mine Health and Safety Act of 1969.

*Significant problems in Benefits Review Board structure and procedures*

In response to a request from the former Deputy Secretary of Labor, the OIG conducted an organizational and management review of the BRB. The OIG review of BRB's overall management practices revealed significant problems in the organizational structure and appeal processing procedures. An acting Chief Judge was recently appointed for the BRB, and has responded that corrective measures will be taken to address the most significant OIG recommendations.

In addition to certain organizational changes, the OIG recommended the BRB authorize a task force to develop specific procedures to improve the efficiency of the Board in accepting, reviewing, and finalizing appealed Black Lung cases. The Board has indicated it will make organizational changes and has implemented such a task force. (Report No. 03-93-003-01-010; issued Nov. 13, 1992 (Resolution))

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**EMPLOYMENT AND TRAINING ADMINISTRATION**

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The Employment and Training Administration (ETA) administers a number of statutes related to employment and training services for the unemployed and under-employed, and employment security for workers.

A major ETA responsibility is to administer the Job Training Partnership Act (JTPA) for the delivery of employment and training

services funded through grants administered predominantly by the states. ETA's employment security functions are carried out by the Unemployment Insurance Service (UIS), which administers a nationwide unemployment compensation system, and the U.S. Employment Service (USES) which administers the operation of a nationwide public employment service system.

## **State Employment Security Agencies**

Programs under the UIS and the USES are operated by State Employment Security Agencies (SESAs). During this period, the OIG conducted several important audits in this area, as follows.

### **Trade Adjustment Assistance Program**

The purpose of the Trade Adjustment Assistance (TAA) program is to assist workers, who lost their jobs because of increased imports, to return to suitable employment. Created by the Trade Act of 1974, the most recent program amendments emphasize the importance of training as a means to assist workers in finding suitable employment.

#### Audit of Trade Adjustment Assistance Program

The OIG conducted a performance audit of the TAA program in nine selected states to determine whether the program assisted workers in finding suitable employment and, where training was needed, how the SESAs managed their training efforts.

The OIG concluded, for a substantial portion of participants in its sample, the program fell short of meeting the training and reemployment goals implied by the Act. Additionally and more importantly, the lack of clearly defined program objectives, participant followup, and relevant performance measures contribute to the absence of data necessary to readily evaluate the program. After 19 years of operation, neither ETA nor the states know whether the TAA program is effective in assisting workers to return to suitable employment in occupations not adversely affected by increased imports.

*After 19 years in operation, does TAA help dislocated workers return to suitable employment?*

The OIG determined that ETA does not require states to collect data on how participants fared after leaving the TAA program (as it requires for other training programs). Therefore, in addition to reviewing the states' management controls over program opera-

tions, the OIG determined the status of 1,198 former program participants and found:

- While 6 out of every 10 TAA participants found new employment during the year following their participation, fewer than 4 out of 10 found new employment which paid or had potential to pay suitable wages (which OIG interpreted as 80 percent or more of their former wages). An additional 2 out of every 10 participants returned to work for their former employers.
- Although the Act was amended to specifically emphasize training as a means to assist workers to return to suitable employment, just over half the participants were enrolled in TAA-approved training. Of these, just over 2 in 10 found training-related employment and 1 in 10 found new training-related employment that paid or had the potential to pay suitable wages.
- The Act requires that participants enroll in approved training as a condition for receiving a basic allowance. Although the Act intended that waivers be granted sparingly, participants who did not wish to attend training were almost always granted waivers without losing entitlement to the allowance.

*Only 1 in 10 participants found training-related, suitable employment*

The OIG concluded that the following were areas where TAA program management should be improved:

- While the law promotes training as a means to achieve suitable employment, neither the Congress nor ETA defined what accomplishments should be measured or what would constitute an acceptable level of performance. Therefore, the program was not managed to measure the effectiveness of training or to achieve specific performance goals.
- Because there was no requirement in the Act or implementing regulations to collect or report information about what happened to TAA participants after they completed or dropped out of the program, virtually no such information existed. Although most of the states prohibited certain types of training or institutions as a means to improve training quality, few conducted periodic monitoring or quality reviews of program operations. The OIG also noted that documentation of decisions affecting participants' training, waivers or required services

was not adequate to permit a quality assessment of program delivery.

- The TAA Program Information Systems and related reports did not measure program performance. Specifically, the required quarterly report to ETA on program activities and services did not gather sufficient information about training and reemployment outcomes, and several critical data elements were incomplete and inaccurately or inconsistently reported.
- Internal controls appeared to be weak regarding grants of training waivers, limits on training costs, and the period of entitlement to TAA-funded training.

ETA concurred in principle with many of the findings and recommendations in this report, including the need to give more attention to ensuring compliance with the statutory requirements regarding training waivers. ETA also agreed that stated program objectives and measures of performance are desirable, and that followup is needed in conjunction with whatever definitive goals and objectives may be established.

However, ETA disagreed with our use of the definition of "suitable employment" contained in Section 236(e) of the Act as amended, which incorporates the 80 percent wage criteria as a measure for determining whether the program is meeting its purpose. ETA believed the definition of "suitable employment" at Section 236(e) applies only to determining the propriety of providing training and should not be applied in determining the success of participant outcomes.

The OIG believes that use of the definition of "suitable employment" to evaluate post-training employment was appropriate and neither arbitrary nor inconsistent with the overall intent of the Act. The Act allows covered workers to quit jobs paying less than 80 percent of their former wages to attend TAA-approved training and receive Trade Readjustment Assistance (TRA) payments. Thus, the OIG believes that the Act was intended to help workers find jobs that protect their wage base--not just to help them obtain jobs at a skill level other than that which they would have been able to obtain without such training, as suggested in ETA's comments. (Report No. 05-93-008-03-330; issued Sept. 30, 1993)

## Targeted Jobs Tax Credit Program

The Targeted Jobs Tax Credit (TJTC) program provides for a Federal income tax credit, based on wages paid, for employers who hire and retain individuals from certain target groups who are in need of special assistance in obtaining employment. First authorized by the Revenue Act of 1978, the TJTC program has been extended and amended several times.

### Alabama Targeted Jobs Tax Credit Program (TJTC) Audit

*TJTC has primarily served as a tax windfall for participating employers*

Audit findings in a recently issued OIG report suggest that the Targeted Jobs Tax Credit (TJTC) program has primarily served as a tax windfall for participating employers. The audit disclosed that employers who hired TJTC-certified individuals indicated they would have hired 95 percent of the participants in the OIG sample regardless of the tax credits. While employers, many of which were large national and international corporations, often paid commercial vendors to assist with eligibility screening and certification, this was typically not completed until after the individual had been hired. The audit also disclosed that the TJTC program operating costs exceeded benefits generated by the program.

*Secretary should advise the Congress to discontinue or redirect the program*

The audit found that, in Alabama, the TJTC tax credit was not effective in promoting the employment of individuals in the target group. TJTC participants were frequently employed in low-skilled, low-paying, high-turnover and/or part-time positions which did not offer a career path. The pay and skill level of TJTC jobs held by TJTC-certified individuals were typically similar to jobs held both before and after the TJTC employment. The OIG concluded these types of jobs should not require Federal tax credit incentives. The OIG recommended the Secretary of Labor advocate that Congress consider whether the program should be discontinued or redirected to target individuals most in need of hiring assistance.

ETA responded it might propose more specific targeting toward certain industries, wage levels, job categories, and target group restructuring. ETA also suggested that administration of the program be turned over to the Internal Revenue Service. The State of Alabama generally agreed with the report, but indicated that Federal funding constraints will inhibit substantive improvements. The OIG has planned a nationwide audit of the TJTC program for Fiscal Year 1994. (Report No. 04-93-027-03-320; issued Aug. 20, 1993)

**JTPA Title II Programs**

Title II of the JTPA authorizes employment and training services for eligible adults and youth and is funded through grants administered by the states.

**Selected SDAs Fixed Fee JTPA Contracts With Quality Plus, Inc.**

During the period July 1988 through December 1991, Quality Plus, Inc. (Quality Plus), contracted with selected Service Delivery Areas (SDAs) in the State of Georgia to enroll, train and place JTPA participants in unsubsidized employment. Quality Plus received payments totaling \$525,503 of which the OIG questioned \$296,892, primarily due to improper program management by the SDAs and irregularities in certain Quality Plus' activities.

Questioned costs of \$131,384 resulted because the SDAs referred participants to Quality Plus for training which duplicated the participants' previous training or experience, and paid for placing participants in occupations which did not relate to their training. Poor SDA monitoring and administration of vendor activities contributed to these findings. Also, the SDA contracts with Quality Plus did not contain adequate safeguards for JTPA funds.

***Grantee allegedly gave participants answers to examinations and altered examinations to indicate passing scores***

Questioned costs of \$253,708 resulted from irregularities in the participant examination process and fees charged for activities which the OIG could not substantiate. Quality Plus allegedly gave participants answers to examinations, altered examinations to indicate passing scores, or were otherwise unable to document that participants had been tested. It also claimed fees for employment-related activities that the OIG was either unable to verify or found had violated contract or program requirements.

In some instances multiple violations occurred and certain costs were questioned for more than one reason. The State and the SDAs disagreed with several findings in the report. The most significant involves the reliance OIG placed on the State's unemployment insurance wage records as a means of validating participant placements. The State generally agreed with the OIG findings concerning monitoring of SDAs and has begun recommended monitoring and internal reviews. (Report No. 04-93-046-03-340; issued Sept. 23, 1993)

City of Los Angeles JTPA OJT Brokers

In September 1991, the OIG issued seven audit reports on performance-based contracts between JTPA service delivery areas and third parties (or brokers) whose responsibilities included performing activities related to the JTPA on-the-job training (OJT) program. At that time, certain questioned costs for the City of Los Angeles were not reported.

During this reporting period, the audit report for the City of Los Angeles was issued. The OIG questioned \$783,475 because of inflated placement claims and other unsupported claims on the part of certain brokers. (Report No. 05-91-046-03-340; issued July 19, 1993)

**JTPA Title III Programs**

The Economic Dislocation and Worker Adjustment Assistance (EDWAA) program authorized under Title III of the JTPA provides retraining and support services to eligible dislocated workers. In this reporting period, the OIG audited the Commonwealth of Massachusetts' EDWAA Program Years 1989 through 1991.

Massachusetts Dislocated Worker Retraining Services

*33% of audited dislocated worker funds ineffectively utilized*

Primarily because of poor procurement systems, in particular a failure to perform cost and pricing analysis prior to contracting, the OIG determined that \$525,879, or 33 percent of the JTPA retraining funds audited, were ineffectively utilized. For example, dislocated worker training funded by JTPA was considerably more expensive than similar training available to the public. In one instance, GED training costs offered to the public ranged from free to \$50. JTPA costs for the same service, however, averaged \$1,589. The State generally disagreed with the OIG's findings. (Report No. 02-93-274-03-340; issued Sept. 30, 1993)

**JTPA Title IV Programs**

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

**The Job Corps Program.** This program is designed to assist economically disadvantaged, unemployed, and out-of-school youth

(ages 16-24) in obtaining employability skills by offering basic education, vocational training, work experience and supportive services in a residential setting. Training centers are operated by both private vendors and Federal agencies.

#### Compliance With Job Corps Eligibility Requirements

#### *Weaknesses in Job Corps' eligibility screening remains*

Primarily because of weaknesses in Job Corps' eligibility determination (or "screening") procedures, a prior OIG audit concluded the eligibility of students could not be satisfactorily demonstrated. The Job Corps responded by designing and implementing a revised screening system that requires verification of eligibility criteria for about 5 percent of applicants. Less stringent screening procedures apply to the remaining applicants.

For Program Year 1992, the OIG audited the results produced by the new system and found it was not possible to confirm program eligibility in approximately 81 percent of the files requiring full documentation and in 55 percent of the remaining files (in which self-certification is allowed). Job Corps is addressing OIG recommendations to improve its screening process. (Report No. 12-93-017-03-370; issued Sept. 17, 1993)

#### International Masonry Institute

The International Masonry Institute (IMI) is a nonprofit corporation which contracted with the Job Corps to provide masonry training programs at 36 Job Corps and Civilian Conservation Centers. The OIG audited the costs claimed by IMI for the period July 1989 through December 1990, and conducted an audit of contract performance for Program Years 1990 and 1991.

Of the \$1.2 million in indirect costs proposed by IMI for Calendar Year 1990, the OIG questioned over \$400,000 because of (1) unreasonable and unallocable costs for financial and accounting services, and (2) the incorrect charging of benefits and travel costs of management officials for time and effort expended on IMI's own labor-management relations activities. The OIG also questioned \$31,258 of direct costs primarily because of excessive salary and travel costs associated with IMI meetings and/or conventions. The portion of the questioned costs applicable to DOL is \$104,184.

IMI's training contract with the Department contains a [statutory] performance goal for placing students in apprenticeship jobs in the masonry industry. For the audit period, 9 percent of program terminations, or 58 students, were placed in apprenticeship jobs. IMI was able to meet or exceed the minimum performance goal (for PYs 1990 and 1991) only because the reporting standard gives equal recognition to placements in non-training related jobs. Moreover, the reported placements in training-related jobs were significantly overstated because non-training-related placements were improperly reported as placements in training-related jobs. IMI disagreed with the majority of the OIG's findings. (Report No. 18-93-011-07-735; issued Sept. 9, 1993 and Report No. 18-93-012-03-370; issued Sept. 9, 1993)

#### National Plastering Industry's Joint Apprenticeship Trust Fund

The National Plastering Industry's Joint Apprenticeship Trust Fund (the Fund) is a nonprofit organization established by related industry groups to provide plastering apprenticeship training. The OIG audited about \$3 million of the \$10 million in costs claimed by the Fund under Job Corps contracts for the 2-year period ended June 30, 1991. The OIG questioned \$175,313 of the Fund's charges to the Department of Labor and \$19,206 of charges to the Department of the Interior (with which the Fund also had a Job Corps contract). Most of the questioned costs resulted from (1) costs for salaries and fringe benefits for non-Job Corps activities; (2) consultant costs and items of nonexpendable equipment purchased without the approval of ETA; and (3) unallowable profit on the Fund's sale of materials to Job Corps Centers. The Fund disagreed with most of the questioned costs. (Report No. 18-93-014-03-370; issued Apr. 26, 1993)

*Non-Job Corps activity costs charged to that program*

**Native American Programs.** These programs provide job training and employment-related services to eligible native Americans.

#### American Indians for Development, Inc. (AID)

At the request of ETA, the OIG audited the American Indians for Development, Inc. (AID). The audit resulted in questioned costs of \$101,805, which represents the total expenditures AID reported to ETA for the 6-month period that ended December 31, 1991.

*OIG questions 100% of grantee expenditures*

The OIG found that AID was not able to establish the existence of participants and classroom training programs. AID used JTPA funds for purposes which were unrelated to the program or could not be supported, and had not developed an adequate system to record and account for property purchased with JTPA funds. AID generally agreed with the OIG findings, but disagreed with the classification of the entire \$101,805 as questioned costs. (Report No. 02-93-207-03-355; issued Sept. 29, 1993)

## **JTPA Audit Resolution**

In this reporting period, ETA issued final determinations on several OIG audits that questioned the expenditure of JTPA funds. As reported previously, for Fiscal Years 1991 and 1992, ETA disallowed almost 80 percent of the JTPA expenditures questioned by the OIG.

### Opportunities Industrialization Centers of America, Inc.

A previous audit of the Opportunities Industrialization Centers of America, Inc. (OICA) questioned almost \$900,000 of direct labor and fringe benefits under two JTPA grants. During the resolution process, at the request of ETA, the OIG reviewed additional costs submitted by OICA as allowable. This review reduced questioned costs by about \$400,000.

Subsequently, the Office of the Solicitor requested that the OIG perform another review of additional OICA costs. The Department ultimately resolved the audit by agreeing that net payments exceeded allowable costs by \$205,960 for one grant and allowable costs exceeded paid costs for the second grant by \$124,272. (Report No. 18-93-015-03-340; issued April 30, 1993)

### Northern California Indian Development Council, Inc.

The OIG questioned \$134,462 primarily because the grantee charged salaries, fringe benefits and indirect costs to its DOL grant based upon budgeted amounts rather than actual time worked. They also improperly enrolled individuals in community service employment activities after these individuals had completed the maximum 1,000 hours of work experience participation. ETA disallowed \$131,917 of the questioned costs. (Report No. 18-93-010-03-355; issued Mar. 4, 1993 (Resolution))

United American Indians of Delaware Valley, Inc. (UAIDV)

The OIG questioned \$277,744 of JTPA Title IV expenditures of the UAIDV primarily because of excess administrative salaries and related fringe benefits costs charged to the grant.

ETA disallowed the entire amount which represented about 35 percent of JTPA costs reported by UAIDV for the period July 1987 through June 1991. (Report No. 18-93-002-03-355; issued Dec. 23, 1992 (Resolution))

**Older Worker Programs**

The Older Americans Act of 1965 authorizes subsidized part-time work opportunities in community service activities for unemployed low-income persons age 55 and over.

National Indian Council on Aging

The National Indian Council on Aging (NICOA), an advocate for American Indian and Alaskan Native elders, is a sponsor of older worker programs in several southwestern States. The OIG performed both a financial audit and a limited scope review of program performance of NICOA operations for Program Years 1989 and 1990.

*Less than 50% of unsubsidized placements validated by audit*

The OIG was unable to validate the actual number of unsubsidized employment placements. While the NICOA reported to ETA it had placed 118 enrollees into unsubsidized employment in the 2-year audit period, the OIG was only able to confirm 50 placements.

The NICOA stated that because it serves an under-educated and extremely disadvantaged rural population, it "operates its program with an emphasis on the social/economic benefits it provides rather than on unsubsidized placements." (Report No. 18-93-020-03-360; issued Sept. 9, 1993 and Report No. 18-93-021-03-360; issued Sept. 9, 1993)

**Other ETA Audit Resolution**TAA Special Request (Resolution)

The OIG questioned \$140,550 in Trade Adjustment Assistance expenditures related to classes which, contrary to program re-

quirements, did not provide occupational training or remedial education. ETA disallowed these expenditures.

The OIG also questioned \$46,700 in excess tuition expenditures which were used to finance the purchase of computers and software. ETA allowed this amount when the grantee documented that the equipment was required as part of the approved training and had consulted with ETA regarding the purchase. (Report No. 09-93-200-03-330; issued Mar. 19, 1993)

#### Indiana Dept. of Employment and Training Services (Resolution)

The OIG questioned almost \$3 million because Indiana requested and received Federal funds to upgrade their Unemployment Insurance automation when other non-Federal funds were available. Federal regulations require that Federal funds be requested only when other funds are not available. Indiana obligated State funds for its automation projects prior to receiving the Federal grant and, subsequently, shifted the funding sources from the State to the Federal grant. ETA disallowed the entire amount. (Report No. 05-93-002-03-325; issued Mar. 24, 1993)

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## FINANCIAL MANAGEMENT

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### *Serious weaknesses still exist in Department's financial operations*

The OIG has performed annual audits of the Department's financial statements since 1986. The core system of a new central accounting system, the DOLAR\$, was implemented by management in 1990. With the passage of the Chief Financial Officers (CFO) Act, also in 1990, management made a commitment to take responsibility for its financial reporting and enhancement of related financial management capabilities.

Although there has been improvement in the Department's financial operations, serious weaknesses still exist. Many have existed since the 1986 financial statement audits. For the past 2 years, the OIG has raised concerns about the Department's (1) implementation of the CFO organization, (2) improvements in financial and performance reporting, and (3) complete implementation of the integrated financial management system. The last two issues are addressed in the discussion of current audit findings.

**Status of Critical Financial Management Needs**

The OIG remains concerned that although a CFO organization plan has been approved by OMB for some time, 3 years after passage of the CFO Act, the Department has not implemented this plan. Most importantly, the Chief Financial Officer position has not been permanently filled. Because a permanent CFO has not been nominated or confirmed by the Senate, the Assistant Secretary for Administration and Management is serving as Acting CFO. The Department of Labor needs the leadership of a permanent CFO.

*DOL needs the leadership of a permanent chief financial officer*

Equally disconcerting is management's attitude toward the financial audit process. Management has frequently stated that they do not use financial statements to manage. The OIG agrees. Prior to adjustments, the financial statements reflect the quality of information in the underlying systems, and these systems have not been able to produce consistent, complete, reliable, and timely data. Consequently, the financial statements require significant adjustments with commensurate increases in the time and costs associated with their preparation and audit.

*DOL financial systems unable to produce reliable and timely data*

All too often during the audit process management has expected the OIG to compensate for what can be characterized as management's lack of attention to accounting detail, and to accomplish in a matter of weeks or months what the Department has not accomplished in years. The OIG's responsibility for the financial statements is to render an opinion on the fair presentation of those statements, not to perform the Department's accounting work. During the audit of the financial statements, when the OIG identified necessary adjustments to the statements, management's frequent response has been that if the OIG identified an accounting deficiency, then they should develop the adjusting entries to correct the deficiency. This is clearly management's responsibility, not the OIG's.

**Fiscal Year 1992 Financial Audits**

The Department of Labor is a designated pilot agency under the CFO Act. In addition to the required audit of the Department's Consolidated Financial Statements, the OIG audited the statements of related trust and revolving funds.

### FY 1992 and FY 1991 Consolidated Department of Labor Financial Statement Audit

The Department's financial statements for FY 1992 reflect \$51.1 billion in expenses, of which nearly 90 percent are "pass-through" funds or funds actually expended by state or local government. Of the total, about \$39 billion is expended by the states for unemployment insurance benefit payments, and another \$4.7 billion by state and local governments that operate JTPA programs. The balance of the expenses are for benefit payments and services provided directly by the Department.

*Report on Compliance.* The results of our tests for compliance did not disclose any material instances of noncompliance.

*Financial Statement Opinion.* The auditors' opinion on the Department's FY 1992 Consolidated Financial Statements is qualified because the OIG was unable to obtain sufficient evidence from the U.S. Department of Treasury to support amounts recorded for Federal unemployment and coal production taxes.

*Report on Internal Control Structure.* The OIG identified five material internal control weaknesses:

- Improvements are needed in the Department's Accounting Operations. Internal control weaknesses in the Department's accounting operations remain essentially unchanged from Fiscal Year 1991. Inadequate controls over data input and failure to follow established procedures causes the Department's financial reports to be inaccurate and incomplete. As a result, the general ledger contains unsupported account balances and the efficiency of accounting operations is adversely affected. These conditions resulted in numerous audit adjustments to the Consolidated Financial Statements.
- The Department's Financial Reporting Procedures Need Improvement. The Department assumed full reporting responsibility for its FY 1992 financial statements. This notwithstanding, serious weaknesses persist. Contributing to the number of audit adjustments for the FY 1992 financial statements are inaccurate beginning balances, inadequate agency guidance for financial report and statement presentation, and insufficient quality control over financial reports.

- Improvements are needed in the Department's Accounting and Reporting for Grants. In terms of dollars expended by DOL, grants management is second only to UI benefit payments. Though some improvements were noted, the OIG found problems similar to those identified in the FY 1991 financial statements. The lack of reconciliations, untimely recording of grant information, inaccurate accruals, and other related weaknesses results in an inadequate departmental accounting system for its grant-making agencies (ETA, BLS, OSHA, MSHA, and VETS).
- ETA needs a more comprehensive accounting system for the Unemployment Trust Fund (UTF). The Federal-state unemployment insurance (UI) program requires effective management of a \$50 billion trust fund. While the Department reported the lack of a comprehensive accounting system for UTF activity as a material nonconformance in its 1992 FMFIA report, it has made little progress in developing a comprehensive system of financial control over this fund.

For FY 1992, the OIG found improvements were needed in (1) accounting and reporting for the cost of benefit programs, (2) accounting and reporting for the Federal Employees' Compensation Account program, and (3) accounting policies and a financial reporting manual for the UTF.

- Federal Tax Revenue Audit Assurances needed from Treasury. The Internal Revenue Service (Treasury) collects UI and coal tax revenue for the UTF and the Black Lung Disability Trust Fund. Because the Department does not have access to Treasury's accounting records and receives no independent assurance on the adequacy of its accounting system, the OIG was unable to obtain audit assurances on revenues for these funds.

(Report No. 12-93-008-07-001; issued Sept. 30, 1993)

#### ETA Fiscal Year 1992 General and Revolving Funds Financial Audit

The OIG audited the financial schedules that formed the basis for ETA's general and revolving fund-related balances in the

Department's financial statements. Five material weaknesses in ETA's internal control structure were identified:

- The Department's general ledger did not include the necessary general accounting controls to produce accurate financial statements. Specifically, several of ETA's subsidiary ledgers were not fully compatible nor integrated with the general ledger, reconciliation of general ledger control accounts to ETA subsidiary ledgers was inadequate, and inappropriate accounting procedures were used for certain transactions.
- Weaknesses in prior year audits (inaccurate accruals, improper "offsetting" of costs, and lack of necessary reconciliations in ETA's grant and contract management system) remain uncorrected.
- ETA did not properly account for reimbursements from the Unemployment Trust Fund (UTF), and drew down cash from the UTF in excess of immediate needs.
- ETA did not have adequate accounting control over Job Corps' real property and equipment nor ETA's own personal property.
- ETA did not properly account for and report its debt management activities.

In addition to the above conditions, the OIG previously reported that ETA did not have internal controls in place to provide assurance that the Department received adequate compensation for its equity basis when property acquired with Federal grant funds by state employment security agencies (SESAs) was no longer used for DOL purposes. Based on a 1990 audit, this investment was estimated at \$296 million in 472 properties as of September 30, 1988. The Department drafted proposed instructions to the SESAs; however, they have yet to be issued. ETA disagreed with the majority of the findings.

The OIG is also concerned that 12 months from the end of the 1992 Fiscal Year were needed to compile and audit ETA's financial schedules. While there were many factors which contributed to the delay, the OIG urges ETA to address the identified internal control issues. By prompt action, ETA can produce accurate and timely financial schedules. (Report No. 12-93-001-03-001; issued Sept. 30, 1993)

### UTF FY 1992 Financial Statement Audit

The Department has not established an accounting system which includes general ledger control for the accounts that comprise the UTF. Further, because the Department does not have access to Treasury's accounting records and receives no independent assurance on the adequacy of its accounting system, the OIG was unable to obtain audit assurances on revenues for these funds. Therefore, the opinion on the UTF financial statements is qualified (see internal control report for the Department's consolidated financial statements). (Report No. 12-93-002-03-315; issued Sept. 30, 1993)

### FY 1992 Working Capital Fund Audit

Although the Department's FY 1992 Working Capital Fund (WCF) financial statements received an unqualified opinion on their fairness, improvements are needed in internal controls which could materially affect the presentation of the statements.

- The portion of the accumulated balance exceeding that allowed by the enabling legislation should be reduced to avoid excessive user charges.
- Property and equipment accounts and records should be more complete and accurate.
- The allocation of selected costs to user agencies should be more complete.
- In presenting the Overview of the Reporting Entity, a required element of the financial statements, the intent of OMB Bulletin No. 93-02, *Form and Content of Agency Financial Statements*, should be met.

Management believes that performance-related findings are not reportable conditions and the WCF accumulated fund balance is reasonable, based on anticipated needs. (Report No. 12-93-011-07-710; issued Sept. 30, 1993)

**Fiscal Year 1992  
Agency Performance  
Measures**

The Chief Financial Officers Act requires Federal agencies to develop an integrated accounting and financial measurement system that provides for the systematic measurement of performance. The OIG audited the performance measures reported in the Department's Consolidated Fiscal Year 1992 Financial Statements for: ETA's Job Training Partnership Act and Unemployment Insurance programs; ESA's Wage and Hour Division, Office of Federal Contract Compliance Programs, and Office of Labor-Management Standards; OSHA; MSHA; PWBA; and BLS.

Generally, performance measures met current OMB requirements but can be improved to more accurately represent departmental and agency activities. The most common problems concerned (1) the lack of internal controls sufficient to ensure the integrity of statistical data which supported reported performance and (2) inconsistencies between data reported in different sections of the financial statements. Instances were found where certain performance measures were not reported at all, not presented in sufficient detail, or data supporting a certain performance measure could not be tracked to a management information system. Also, individual agency practices such as the combination of disparate activities into a single performance measure, inadequate internal control policy, and insufficient definitions of terms weakened the validity of performance measures. In some instances, additional performance measures would result in the increased utility of the financial statements. For OSHA, however, the OIG found a material weakness which requires individual reporting.

***Significant Weakness in Statistical Reporting of Occupational Injury and Illness Data***

The OSH Act mandates to the Secretary of Labor responsibility for gathering information about occupational injuries and illnesses. The Secretary designated BLS a role in collecting this information. While OSHA (under its interagency agreement with BLS) is responsible for ensuring that employers comply with its statutory record keeping and reporting requirements, BLS' role is to ensure that employers follow its instructions for completing the periodic survey. In part, the data gathered by the BLS from information reported by employers is used to measure the effectiveness of the OSHA's enforcement. In our audit of performance measures, the OIG concluded that a material weakness exists in the statistical reporting system for which BLS received approximately

*Split in DOL responsibility precludes OSHA from obtaining worksite-specific data needed for enforcement*

\$16 million in budget authority to operate during FY-1992. Because of the split of responsibilities and because BLS pledges confidentiality to cooperating states and employers, each agency faces substantial limitations in ensuring the accuracy or completeness of this data. Moreover, this prevents OSHA from taking enforcement action against employers who falsify or fail to report information to BLS for input in its annual survey, as required by Federal law. Consequently, this may adversely affect OSHA's overall enforcement program.

Specifically, because of BLS' confidentiality constraints, there is no effective means to link OSHA and BLS data validation efforts with respect to individual employers' reports to determine whether an employer has reported inaccurate injury and illness information to BLS. Further, OSHA is prevented from using the worksite-specific information gathered by BLS to target planned inspections of specific, high-hazard employers which may be identified by the survey.

The OIG recommended that OSHA implement a program to monitor the quality of data submitted by employers and work with BLS to compare employer survey responses with that reported elsewhere. The OIG also recommended that OSHA work with BLS to revise the BLS policy of confidentiality to exclude those employers found to have willfully falsified their survey data, and that such employers be immediately referred to OSHA for enforcement action.

Shortly after our report was issued, the General Accounting Office (GAO) testified before the House Subcommittee on Labor Standards on a just-completed audit. GAO is recommending that OSHA develop procedures for obtaining worksite-specific injury and illness data from employers so that it can better target its enforcement efforts." GAO's report discusses ways in which this can be accomplished.

OSHA responded that corrective measures recommended in the OIG report will, in large part, depend on resolving the issue of the confidentiality regarding worksite-specific data. The BLS has voiced its strong belief that the maintenance of confidentiality is crucial to its mission and credibility. This issue is currently being examined by OSHA, BLS, and departmental management.

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**DEPARTMENTAL  
MANAGEMENT**

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Departmental Management (DM) refers to those activities and functions that implement and formalize policy, procedures, systems, and standards that promote efficient and effective operation of the Department's administrative and managerial programs.

In this reporting period, the OIG performed audits of the procurement of an OSHA Information Resource Management system, controls over the use of unauthorized software, and the indirect costs rates of a departmental grantee.

**Information Resources  
Management**

Information Resources Management refers to those activities associated with the collection, use, dissemination, and management of information and related resources. The term is commonly used in connection with the utilization of computers and other information processing equipment.

**Mandatory Approval Not Obtained for Development of OSHA's Property Management Inventory System**

The OIG performed an audit of the OSHA Information Technology budget process and determined OSHA had not followed the applicable Federal regulations and departmental policies for the development of an automated information system (the Property Management Inventory System [OPMIS] developed by OSHA's Cincinnati Technical Center). OIG determined the system's life cycle cost exceeded OSHA's approved threshold of \$100,000 by about \$158,000, and included a \$80,000 programming support contract for FY 1994.

The OIG recommended that OSHA prepare documentation necessary to gain proper approval for the system development effort and delay execution of the contract for programming support until such approval is obtained. OSHA agreed to implement OIG's recommendations, resulting in a cost avoidance of \$80,000. (Report No. 19-93-005-10-001; issued Sept. 16, 1993)

**Controls Over Unauthorized Software and Computer Viruses**

The OIG audited controls over unauthorized software and computer viruses in the Atlanta regional office of OASAM and ETA. Audit results show OASAM made strong efforts to safeguard computers against viruses. Both agencies, however, must improve

internal controls which prevent unauthorized software use and copyright infringement.

For both agencies the OIG found (1) not all license agreements were maintained for software in use (however, proof of software ownership was present) and (2) unauthorized copies of software were present. The OIG also found use of employee-owned software and inadequate software tracking methods in OASAM. ETA had not performed software accountability reviews and the STONED computer virus was present in its microcomputers. The OIG made recommendations to each agency to remedy these deficiencies. (Report No. 19-93-002-07-720; issued Sept. 30, 1993 and Report No. 19-93-003-03-001; issued Sept. 30, 1993)

### **Cost Allocation Plans and Indirect Cost Rates**

Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. The OIG audits indirect cost rates and proposals of departmental contractors and grantees.

#### National Governors' Association

The primary function of the National Governors' Association (NGA) is to provide leadership and guidance for policy development in areas of State and national interest. The NGA and the NGA Center for Policy Research, a separate nonprofit entity, received funding from several Federal sources for Fiscal Years 1990 and 1991 which comprised about one-third of annual revenues of about \$11 million.

The OIG audited the indirect cost rates and costs claimed by the NGA for the three Fiscal Years ending June 30, 1991. The OIG also performed a limited review of direct costs charged to DOL grants.

Questioned indirect costs of \$422,970 resulted primarily from: (1) the charging of fees that were lower than the actual cost of services provided to affiliates (which resulted in overstating the indirect costs charged to Federal grants), (2) indirect costs that should have been charged directly to NGA conference projects, and (3) "profit" inappropriately included in charges for services and supplies from affiliates. The DOL impact of these questioned costs is \$54,439. The OIG also recommended a substantial increase in

the allocation bases and reductions in the indirect cost rates for the 3 years audited. The NGA disagreed with most of the OIG questioned costs. (Report No. 18-93-016-07-735; issued July 28, 1993 and Report No. 18-93-017-07-735; issued July 28, 1993)

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## **EMPLOYMENT STANDARDS ADMINISTRATION**

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The Employment Standards Administration (ESA) administers employment-related standards primarily concerned with wages and working conditions, workers' compensation benefits, compliance by Federal contractors with the conditions of nondiscrimination and affirmative action programs, and safeguarding the financial integrity and internal democracy of American labor unions. During this reporting period, the OIG continued to lead a PCIE audit of the Federal Employees' Compensation Act (FECA) Program operations in 12 Federal agencies.

### **PCIE/Employing Agency Review of FECA Program**

The OIG is leading a review sponsored by the President's Council on Integrity and Efficiency (PCIE) to determine whether Federal employing agencies are efficiently and effectively managing their responsibilities under the FECA. OIGs from 12 Federal agencies, which accounted for about 30 percent of the \$1.5 billion expended for FECA during the year ended June 30, 1991, are participating in the project. At this point, seven OIGs have issued reports. The common thread of the reports is that the FECA program could be better administered if employing agencies were more aggressive in monitoring the status of employees receiving program benefits and in managing their cases.

*FECA program could be better administered with more aggressive monitoring by employing agencies*

Of significance, the U.S. Department of Agriculture (USDA) OIG found that USDA agencies had not implemented active programs to furnish job placement assistance to FECA claimants who had sufficiently recovered from their injuries (the ability to work was supported by medical documentation from the claimants' own physicians). The DOL/OIG estimated USDA unnecessarily expended about \$15.5 million for wage compensation benefits for periods when these claimants may have been employable. If job placement measures are not taken to return these individuals to alternative jobs, the DOL/OIG projects that USDA will unnecessarily expend as much as \$135 million in future benefits.

## **REVISED MANAGEMENT DECISIONS**

No significant revised management decisions were reported to the OIG by departmental agencies.

## OFFICE OF INVESTIGATIONS

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### SUMMARY OF PROGRAM INVESTIGATIONS

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In fiscal year 1993, the Office of Investigations (OI) revised its priorities to ensure that its limited resources were focused on allegations within its jurisdiction involving danger to life and safety, criminal offenses by government employees/public officials entrusted with Department of Labor (DOL) funds or responsibilities, and major fraud involving DOL programs. In accordance with these priorities, during the fiscal year, OI devoted just over 35 percent of its investigative time to JTPA matters, nearly 25 percent on FECA fraud investigations, and roughly 17 percent of its time to unemployment insurance matters (interstate fictitious employer/employee and third party false claims investigations). In addition, about 13 percent of OI's time was devoted to employee integrity investigations.

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### OIG LEADS INTER-AGENCY ATTACK ON FECA FRAUD

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The rising costs of Federal Employees' Compensation Act (FECA) benefits (\$1.756 billion in 1993) have intensified the concern of agencies throughout the Executive Branch. As a result, the Fraud and Abuse Subcommittee of the Joint Agency Office of Workers' Compensation Task Force was established in January 1993 to investigate, prevent, detect, and eliminate FECA fraud and abuse. The Subcommittee is comprised of senior managers from the Federal investigative agencies who are responsible for FECA fraud investigations regarding their agency's employees. The OIG's Assistant Inspector General for Investigations serves as chairman of the Subcommittee. The OIG has actively encouraged agencies to view FECA fraud not only on a cost and fraud basis, but also as a Federal employee integrity issue. The OIG is endeavoring to ensure that all agencies utilize their limited investigative resources most efficiently in conducting FECA investigations. In summary, the Subcommittee goals are to: raise agency awareness of the financial impact of FECA fraud and abuse; share investigative intelligence, especially regarding medical service and equipment providers; develop model investigative approaches, standards, and reporting methods; encourage the use of civil remedies to recover the government's resources; and facilitate communications with the DOL's Office of Workers' Compensation Programs (OWCP). The Subcommittee made the identification of specific FECA program cost reduction solutions and training its

*FECA fraud convicts still receiving FECA benefits while imprisoned*

highest priorities. In August, the Subcommittee conducted a 4-day training session for 25 investigators representing 18 agencies.

Early on, the OIG and the Subcommittee realized the potential significance of amending Title 18 U.S. Code (USC) § 1920 (false statement to obtain Federal employees' compensation), i.e., to change this offense from a misdemeanor to a felony and bar payment of FECA benefits to incarcerated felons and persons convicted of FECA fraud. This proposed legislative action could result in significant cost savings and enhance the deterrents to FECA fraud, without adversely affecting the thousands of legitimate FECA recipients and medical providers.

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**SIGNIFICANT  
INVESTIGATIVE  
ACCOMPLISHMENTS**

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The following are some highlights of our most significant investigative results during the period:

**19 Sentenced in Mexican Border UI Investigations**

The OIG previously reported on third-party unemployment insurance claimant fraud investigations along the Texas/Mexico border which illustrate the control problems inherent with interstate UI claims. During this reporting period, 19 defendants in the Roma, Texas, investigations were sentenced. The sentences ranged from 6 to 11 months' monitored home confinement, with probation from 6 months to 5 years. Some received sentences of 100 hours of community service, and restitution was ordered which totalled nearly \$158,000.

Some of the defendants had been charged with multiple counts of mail fraud and others were charged with conspiracy or as principals for filing fraudulent UI claims with the State of California on behalf of migrant Mexican nationals. The defendants included taxi cab drivers who allegedly recruited and drove some migrants to the Texas Employment Commission office in Roma to file these fraudulent claims.

Other defendants were accused of processing UI claims for migrant workers returning to Texas after working in California. Some defendants instructed the workers to falsely endorse UI claim forms attesting that they had actively searched for work, when in fact, they had returned to their native Mexico. These defendants re-

tained a portion of the UI proceeds as a fee and arranged to have the remainder transmitted to the workers in Mexico.

This ongoing task force investigation is being conducted by the OIG, the Postal Inspection Service, the Immigration and Naturalization Service, and the U.S. Border Patrol, with assistance from the U.S. Fish and Wildlife Service, U.S. Railroad Retirement Board's Office of Inspector General, and the U.S. Marshals Service. *U.S. v. Sanchez, Jr., et al.* (S.D. Texas)

**Former DOL Official  
Pleads Guilty to Million-  
Dollar Conspiracy  
Scheme**

On August 20, 1993, as part of a plea agreement, Robert Bostick, former Associate Deputy Under Secretary, Bureau of International Labor Affairs, waived indictment and pled guilty to a one-count conflict of interest conspiracy criminal information.

Bostick's responsibilities, according to the information, included working on the North American Free Trade Agreement (NAFTA) by assisting in the actual negotiations; developing an adjustment assistance program; managing a technical assistance program; and cooperating with Mexico to help address concerns regarding Mexican labor standards and their enforcement.

The OIG investigation disclosed that Bostick used his official position and his NAFTA responsibilities to arrange post-DOL employment for himself in the housing industries of Mexico and Guatemala. In addition, Bostick joined a partnership which included a real estate developer, two financiers, a landowner, and others for the purpose of building houses for workers in Mexico. In return for using his influence and position to facilitate the goals of the partnership, and, thus the conspiracy, Bostick was to receive 10 percent of the profits from the sale of over 6,000 condominium units. Had the conspiracy succeeded, Bostick would have received between \$250,000 and \$1 million as his share of the profits. Bostick resigned from his position with DOL and faces a maximum sentence of 5 years' imprisonment and a fine of \$250,000. *U.S. v. Bostick* (D. District of Columbia)

**\$3.7 Million Judgment  
Against Durable Medical  
Equipment Company**

A summary judgment of \$3,767,864 was granted on May 6, 1993, against Appalachian Home Medical Rentals, Inc. (HMR), a Kentucky durable medical equipment company which rented oxygen concentrators to coal miners who purportedly suffered from black lung disease.

The DOL Black Lung Program pays benefits and related medical expenses to black lung victims. HMR submitted over 1,300 invoices to the DOL, based on false blood tests which indicated that miners needed the oxygen equipment. This was the third civil judgment against individuals associated with HMR. Previously, physician Vinod Modi and company officers Larry Sligh and Douglas Fleming pled guilty to criminal charges stemming from the investigation. Modi has paid \$979,000 of the judgment, Sligh has paid \$580,000, and Fleming is responsible for the balance of \$2,208,864. This civil proceeding culminates the legal action in this case which began with a criminal investigation approximately 7 years ago. *U.S. v. Appalachian Home Medical Rentals, Inc.* (W.D. Virginia)

*The following case narratives, by program area, are representative of other significant OIG investigative activities conducted during this period in support of the integrity of the programs administered by the Department.*

#### **FEDERAL EMPLOYEES' COMPENSATION ACT (FECA)**

##### **Psychotherapist Pleads Guilty in FECA Fraud Scheme**

Los Angeles, California, Psychotherapist Harvey P. Milstein entered a guilty plea on June 29, 1993, to one count of making false statements relative to his FECA claim. He failed to report his income as a psychotherapist while employed by a physician, as well as his expense paid trips when he functioned as a chaperon for the television show "The Dating Game."

Milstein allegedly incurred a disabling back and knee injury on January 8, 1987, when he slipped on a wet floor at the Veterans' Administration Hospital, where he was employed as a counseling psychologist. Since then, Milstein has received in excess of \$200,000 in FECA benefits. The investigation also revealed that just prior to the alleged accident Milstein purchased two insurance policies from which he also received benefits. Milstein was scheduled to be sentenced in October 1993. He could receive a sentence of 4 to 8 months' imprisonment and be required to pay \$69,000 in restitution. *U.S. v. Milstein* (C.D. California)

**Former Treasury Analyst  
to Serve 154 Months'  
Imprisonment in FECA  
Fraud Scheme**

Billie Clem Rae, a former program analyst with the U.S. Department of Treasury's Bureau of Public Debt, in Washington, D.C., was sentenced on July 23, 1993, to serve 154 months' imprisonment to be followed by 3 years' supervised probation, and fined \$175,000.

The sentence followed his March 23, 1993, conviction in a FECA fraud scheme involving attempted murder-for-hire, obstruction of justice, mail fraud, and bankruptcy fraud. This investigation, conducted jointly by the OIG and Federal Bureau of Investigation, revealed that Rae made false statements to the Office of Workers' Compensation Programs (OWCP) to conceal his employment. As a result, he fraudulently obtained over \$188,000 in FECA benefits. In the furtherance of his scheme, Rae attempted to hire an individual to murder a key witness who provided authorities with information that Rae was not totally disabled and was in fact an officer, owner, and/or operator of four different corporations while he received FECA benefits. *U.S. v. Rae* (D. District of Columbia)

**Former Defense  
Employee Indicted for  
FECA Fraud**

On July 20, 1993, Lee R. Ball, a former construction foreman at the U.S. Department of Defense Depot in Richmond, Virginia, was indicted on charges of mail fraud and making false statements to the government in a scheme to fraudulently receive more than \$135,000 in FECA benefits over a 5-year period. The indictment alleged that Ball had been gainfully employed in the firewood sales business while receiving FECA benefits.

Ball has claimed that he was totally disabled and had been unemployed since April 10, 1987, as a result of an alleged back injury. This investigation was conducted jointly with the Defense Criminal Investigative Service and the Defense General Supply Center's Office of Command Security. Ball was scheduled for trial in October 1993. *U.S. v. Ball* (E.D. Virginia)

**Former Postal Special  
Police Officer Indicted in  
FECA Fraud Plot**

On August 3, 1993, Philip G. Arcadipane, a former U.S. Postal Service Special Police Officer, was indicted by a federal grand jury for the District of Massachusetts and charged with 28 counts of mail fraud and 3 counts of making false statements.

While collecting \$59,631 in FECA funds, Arcadipane allegedly failed to report to OWCP that he was self-employed, operating a

weapon and ammunition supply company from his home. Through a series of investigative techniques, OIG developed evidence that Arcadipane's unreported activity included reloading ammunition and selling the "reloads" to various law enforcement agencies throughout Massachusetts. *U.S. v. Arcadipane* (D. Massachusetts)

### **Postal Clerk Sentenced to More than 2 Years' Imprisonment in FECA Fraud Scheme**

Following a 3-day trial, postal distribution clerk Arthur J. Smullen was sentenced on May 27, 1993, to 27 months' imprisonment, 36 months' probation, and ordered to pay \$121,377 restitution for failing to report his employment and income to OWCP.

On August 10, 1974, while working at the Peabody, Massachusetts Post Office, Smullen allegedly sustained a back injury. Smullen was declared totally disabled on March 14, 1975, and received FECA disability benefits from that date forward. The OIG investigation disclosed that Smullen had been employed by Performance Cycle, Inc., a business incorporated on December 22, 1988, by his wife. Additionally, he was the general manager of New England Dragway, Inc., a drag-racing track, from 1982 through 1988. To conceal his income, Smullen's salary from New England Dragway, Inc. was paid to Performance Management Group, Inc., another business controlled by Smullen. *U.S. v. Smullen* (D. Massachusetts)

### **JOB TRAINING PARTNERSHIP ACT (JTPA)**

#### **JTPA Conviction Upheld by Court of Appeals**

On July 16, 1993, the U.S. Court of Appeals for the Fifth Circuit in New Orleans affirmed the conviction of William J. Long, Ph.D. for his role in embezzling and/or misapplying over \$100,000 in JTPA funds. Dr. Long, who attempted to have his conviction overturned, claimed that because the U.S. Department of Labor disburses JTPA funds directly to the governor of the State (Louisiana) and holds the state responsible for any misspent JTPA funds, the Federal Government no longer had jurisdiction over those entities contracting with the state for JTPA services, etc. The Court did not adopt Dr. Long's reasoning.

Dr. Long had been the director of the Louisiana Research and Development Center which had received JTPA contracts totalling over \$1 million. On July 20, 1992, Dr. Long had entered a guilty

plea to theft of government funds; however, as a condition of his plea agreement, Dr. Long had reserved the right to appeal his conviction. *U.S. v. Long* (C.C.A., Louisiana)

### **Former Audit Clerk Guilty of JTPA Embezzlement**

On September 17, 1993, Jacqueline Simeon-Richards, a former Virgin Islands Department of Labor general audit clerk, was sentenced to 10 months' imprisonment, 3 years of probation, and restitution of \$71,617. Ms. Simeon-Richards had pled guilty on May 14, 1993, to a criminal information charging her with two counts of JTPA embezzlement.

Between July 1991 and January 1993, Simeon-Richards used fictitious names and social security numbers on vouchers of legitimate JTPA participants to issue and negotiate 171 checks totaling \$71,617 from the Virgin Islands "child care" program.

This investigation was conducted jointly with the U.S. Attorney's Office, the Virgin Islands Attorney General, the Virgin Islands Inspector General's Office, and the U.S. Department of Interior's Office of Inspector General. *U.S. v. Simeon-Richards* (D. Virgin Islands)

## **UNEMPLOYMENT INSURANCE (UI)**

### **\$300,000 UI Scheme Exposed**

During this reporting period, co-conspirators George G. Glasser, Bradley J. Masters, Dominador T. Reyes, Jr., and Kenneth W. Hicks pled guilty to their participation in a scheme to defraud the State of Indiana of over \$300,000 in unemployment insurance funds. For their roles, they agreed to pay restitution totalling \$38,188.

Craig Druen, a former Indiana Department of Employment and Training Services (IDETS) auditor, allegedly devised the scheme to prepare fraudulent UI claims utilizing IDETS' "Vouchers for Refund of Employment Security Contributions" and using the names of employers who had reportedly overpaid their UI contributions. Druen was assisted in the scheme by Scott Druen, his brother, and Candace Lynn Plummer, an associate. Craig Druen, in his official capacity, obtained the vouchers; Scott Druen and Plummer allegedly recruited 33 individuals to complete the vouchers, forge the required signatures, and cash the UI refund checks.

An Indiana grand jury indicted the 36 alleged conspirators on March 30, 1993; 32 of them are awaiting trial. The Indiana State Police initiated the investigation but requested OIG's participation. *State of Indiana v. Druen et al.* (Indiana)

## OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION (OSHA)

### **Former Lab Manager Indicted for Making False Statements**

On August 12, 1993, in the District of Massachusetts, a superseding indictment was handed down to include Testwell Craig Laboratories Inc., of Burlington, Massachusetts, together with George Stevenson, the former manager, charging them with ten counts of false statements.

Testwell Craig Laboratories, Inc., through Stevenson, allegedly falsified test results of the respirators used by its employees during asbestos abatement and removal processes. The "fit tests" are conducted to ensure the least possible seepage of asbestos fibers into the respirator's face mask. According to OSHA, the falsified test results placed the asbestos removal employees and consultants at significant health risk. This investigation was conducted by the OIG, for the U.S. Attorney's Office, with the assistance of OSHA. *U.S. v. Stevenson* (D. Massachusetts)

## EMPLOYEE INTEGRITY

### **Virginia MSHA Inspector Pleads Guilty in FECA Fraud Scheme**

As a follow-up to our last report, Gerald E. Sloce, a former Department of Labor, Mine Safety and Health Administration (MSHA) coal mine inspector, pled guilty on August 19, 1993, to two counts of false claims.

Sloce had received FECA benefits since claiming he suffered from stress following the June 21, 1983, investigation of the McClure Number 1 Mine, McClure, Virginia fatality, a mine site for which he had primary inspection responsibility. The OIG investigation disclosed that Sloce had received over \$64,000 in FECA benefits from February 7, 1990, to December 13, 1992, while actively employed in the home remodeling, roofing, and carpentry businesses, and as the minister of a small local church, none of which

he reported to the OWCP. Sloce had been indicted on December 16, 1992, by a federal grand jury in Abington, Virginia. Sentencing was scheduled for October 15, 1993. Sloce faces a maximum sentence of 5 years' imprisonment and a fine of \$25,000 on both counts. *U.S. v. Sloce* (W.D. Virginia)

**Former OWCP  
Management Assistant  
Pleads Guilty to  
Embezzlement**

As part of a plea agreement, on July 27, 1993, Ronnie Walker, a management assistant at the Washington, D.C. Office of Workers' Compensation Programs, formally pled guilty to one count of theft of government property.

Walker processed fraudulent travel advance claims, forged the necessary signatures, and improperly obtained imprest funds of nearly \$10,000. During the investigation, Walker resigned from his government position. Walker was scheduled to be sentenced on October 29, 1993. *U.S. v. Walker* (D. District of Columbia)

## COMPLAINT ANALYSIS OFFICE ACTIVITIES

### Breakdown of Allegation Reports by Source:

Walk-in	2
Hotline calls or letters from individuals or organizations	183
Other Telephone Calls	0
Letters from Congress	9
Letters from DOL agencies	8
Letters from Non-DOL agencies	0
Incident Reports from DOL agencies	8
Reports by Special Agents and Auditors	16
Referrals from GAO	6
<b>Total</b>	<b>232</b>

### Breakdown of Allegation Reports by Referral:

Referred to Office of Audit	3
Referred to Office of Labor Racketeering	0
Referred to Office of Investigations Regional Offices	23
Referred to DOL program management	99
Referred to other agencies	22
No further action required	3
Pending disposition at end of period	82
<b>Total</b>	<b>232</b>

## APPENDIX

### Office of Investigations Financial Accomplishments

CATEGORIES <sup>1</sup>	AMOUNT
<b>Recoveries:</b> .....	<b>\$1,233,325</b>
(Expenditures to be recovered and/or reprogrammed. This includes the dollar amount of management's commitment to seek recoveries and adjustments. This is a quantification of an agency's action in response to the Inspector General's recommendation to recover funds and/or to make adjustments.)	
<b>Cost Efficiencies:</b> .....	<b>599,942</b>
(The one-time and/or per annum dollar amount/value or management's commitment to more efficiently utilize the Government's resources. This category is a quantification of management's action in response to the Inspector General's recommendation to prevent improper obligations or expenditures of agency funds or to improve agency systems and operations, thereby avoiding further unnecessary expenditures.)	
<b>Restitutions:</b> .....	<b>1,163,810</b>
(The dollar amount/value of restitution ordered. This category reflects restitutions ordered as a result of Inspector General investigative activities.)	
<b>Fines/Penalties:</b> .....	<b>1,204,399</b>
(The dollar amount/value of fines and penalties assessed. This category reflects fines and penalties assessed as a result of criminal and civil action instituted as a result of the Inspector General's investigation.)	
<b>Civil Monetary:</b> .....	<b>2,271,097</b>
(The dollar amount/value of settlements and judgements rendered as a result of civil actions.)	
<b>Forfeiture/Court Costs:</b> .....	<b>0</b>
(The dollar amount/value of forfeiture and court costs assessed as a result of criminal and civil action instituted as a result of the Inspector General's investigations.)	
<b>TOTAL:</b> .....	<b>\$6,472,573</b>

<sup>1</sup>Source of these definitions (except "Civil Monetary" and Forfeiture/Court Costs): "Investigative Case Tracking Systems, Agents' Instructions Manual", dated October 1985.

# OFFICE OF LABOR RACKETEERING

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## INVESTIGATIVE PRIORITIES

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The Office of Labor Racketeering conducts criminal investigations to eliminate the influence of organized crime, labor racketeering, and corruption in employee benefit plans, labor management relations, and unions. During this reporting period, our efforts resulted in 129 indictments, 58 convictions, and \$49.3 million in fines and restitutions.

### HEALTH INSURANCE FRAUD

For the past four years, the Office of Labor Racketeering has been at the leading edge of the investigation of fraudulent health insurance scams. While other federal agencies have focused efforts on "provider" fraud, i.e. doctors, hospitals, clinics, laboratories, whose victims are often insurance companies or the government, OLR has focused on the fraudulent activities of dishonest operators on the insurance side of the business. With a particular emphasis on Multiple Employer Welfare Arrangements (MEWAs), OLR has been a significant force in bringing about fundamental change in this entire segment of the industry.

#### *Multiple Employer Welfare Arrangements (MEWAs)*

OLR's initial investigative thrust into this area came about as a response to pleas from various state insurance commissioners for help in dealing with fraud schemes that were successfully hiding from state regulation under the umbrella of the Employee Retirement Income Security Act, generally referred to as ERISA. A key ERISA provision states that the Act preempts all state laws and regulations that apply to employee benefit plans. This preemption feature allows entities that do business in several states to function under a single set of regulations, rather than having to address different regulations in each individual state.

As the cost of health insurance soared during the late 1980's, alternative methods of providing affordable health coverage emerged. One of them was the multiple employer welfare arrangement, or MEWA. The MEWA is neither an insurance company, nor, in nearly all cases, is it an employee benefit plan as defined by ERISA. Consequently, MEWAs function in a "crease" in the regulatory defense, effectively regulated by neither state nor federal authorities.

Predictably, some larcenous individuals exploited this situation by setting up fraudulent operations that generated enormous revenues. In the process, they left thousands of victims with millions of dollars in unpaid medical bills.

At the urging of several state insurance departments, OLR undertook criminal investigations of some of the more egregious of these frauds. Working, since 1990, with state investigators, and representatives of a variety of federal agencies including Labor's Pension and Welfare Benefits Administration, the Postal Inspection Service, and the Federal Bureau of Investigation, OLR has brought to a successful conclusion 17 cases resulting in 55 indictments, 42 convictions, and fines and restitutions ordered totalling in excess of \$52,300,000.

The subject entities in these 17 cases left an estimated 127,600 victims (found in every state except Idaho and Hawaii), with an estimated \$110,407,000 in unpaid medical bills.

OLR's investigative efforts and the publicity generated by the resulting criminal court actions galvanized both the state and federal regulatory community and the segment of the employee benefit industry dealing with "self insured" programs. During the last session of Congress, hearings were held by several committees on this issue, and four bills specifically addressing the regulation of MEWAs were introduced. In this current session of Congress, one bill addressing MEWAs has been introduced. This bill incorporates many aspects of the bills from the previous session. In addition, a large number of states have also enacted legislation specifically targeted at the regulation of MEWAs and similar schemes within their own borders. The industry itself has recognized the danger of allowing shady operators to go unchallenged, and a self-policing frame of mind has resulted in a much greater flow of information to support regulatory and investigative efforts.

The combined effect of greatly enhanced regulatory attention, better legislative tools, effective publicity, and a heightened intolerance for dishonesty within the industry has driven many scam artists into other areas.

In summary, the MEWA "problem" has been successfully addressed by OLR and a number of positive and significant changes have resulted. While criminals will continue to find ways to ma-

nipulate the system to their benefit, and OLR will continue to work to thwart them, the impact of our work in this area demonstrates that aggressive law enforcement can bring about systemic changes which enhance the overall security of the American worker.

### ***Bogus Labor Unions Pose New Threat***

Because ERISA clearly exempts benefit plans established by labor organizations ("Taft-Hartley" plans) from state regulation, some operators fleeing the enhanced scrutiny given MEWAs have turned to bogus unions for refuge. OLR investigations have revealed that often these "unions" are in fact, fraudulent and/or bogus unions. Consequently, OLR has shifted its focus from MEWA fraud to the increasing number of health insurance schemes that are being marketed as if they were sponsored by labor unions.

Under the proposed Health Care Reform plan, Taft-Hartley plans will be given the option to form corporate health alliances. It remains to be seen how the reform plan will be implemented, but it appears it will become increasingly important to the success of health care reform that fraudulent labor unions be promptly identified and, where appropriate, the operators prosecuted. OLR already has several pending criminal investigations in this area, and has intervened in one instance to actually prevent the fraud from taking place. We anticipate enhanced investigative effort in this area over the next several years.

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### **SIGNIFICANT INVESTIGATIVE ACCOMPLISHMENTS**

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The following are some of our most significant investigative results during this period

#### **Contractors Indicted for Defrauding Painters' Unions' Benefit Funds of \$11 Million**

#### **EMPLOYEE BENEFIT PLANS**

Three individuals and three companies associated with one of New York City's largest painting contractors were indicted on September 22, 1993, on charges of defrauding the employee benefit funds of New York City and Long Island Painters unions.

Michael Borack, owner of Leeds Painting and Decoration (Leeds); his father Sol Borack, the owner of Dosa Contractors, Inc. (Dosa); and Leeds foreman Daniel Rech were charged with conspiracy, mail fraud, false statements in documents required under the

Employee Retirement Income Security Act, and embezzlement from an employee benefit plan. Leeds and Dosa maintained collective bargaining agreements with the International Brotherhood of Painters and Allied Trades, New York City-based District Council 9, and Long Island-based Local 1486. These arrangements required that the employee benefit plan contributions be made on all work performed by the companies. This included work completed by their own employees, and for all work that was subcontracted. The painting companies also were charged in the indictment with paying bribes to union officials.

The indictment alleged that during the period 1982 to 1992, the defendants participated in a scheme to defraud the District Council 9 and Local 1486 benefit funds by submitting false documents to the funds which understated the contributions required. These reports failed to disclose wages paid to workers through an affiliated non-union company, Roma Painting Company, and through subcontractors, in violation of union collective bargaining agreements. Through this scheme, Leeds and Dosa avoided the payment of more than \$11 million in required contributions to the IBPAT benefit funds.

Rech is also under indictment by another Brooklyn federal grand jury on charges relating to the alleged corruption and control by organized crime associates of the Painters union.

This investigation was conducted jointly by the OIG, the New York County District Attorney's Office, the Internal Revenue Service, and the Federal Bureau of Investigation. *U.S. v. Borack, et al.* (E.D. New York)

**Garment Factory  
Contractors Guilty of  
Embezzlement and Bribery**

Antonio Panepinto and Peter Nanfria, contractors with ownership interest in three garment factories, pled guilty on May 21, 1993, to stealing more than \$1 million from the International Ladies Garment Workers Union (ILGWU) benefit funds. The three clothing factories, Bivona Coat and Suit (Bivona), RO-IG Coat and Suit (RO-IG), and Valentino Via Venetto (Valentino) are located in the Brooklyn area.

Panepinto pled guilty to embezzling and converting to his own use more than \$1 million owed to ILGWU benefit funds. Nanfria pled guilty to bribing a union official.

Panepinto and Nanfria created RO-IG to divert money paid for work done for non-union manufacturers. From 1988 through 1992, over \$4 million was diverted through RO-IG, defrauding ILGWU benefit funds of more than \$1 million.

Panepinto's contract with the ILGWU required him to make payments to benefit funds on behalf of the employees at Bivona and Valentino for work performed for manufacturers not associated with the union.

To avoid interference from the union, Nanfria provided no-show jobs for two sons of ILGWU business agent James Gurrieri. Gurrieri pled guilty to conspiracy to steal from the ILGWU welfare funds and conspiracy to steal New York State unemployment funds. As no-show employees, Gurrieri's sons pled guilty to misdemeanor charges.

This investigation was conducted jointly by the OIG, the U.S. Attorney's Office, Eastern District of New York, and the U.S. Postal Inspection Service. *U.S. v. Panepinto and Nanfria* (E.D. New York)

### **Sentences in Massive Health Benefit Fraud Scheme**

On April 22, 1993, the former chief trustee of a defunct Florida health benefit trust fund was sentenced to 80 months in prison. George V. Doherty, former trustee of the now-defunct International Forum of Florida Health Benefit Trust (IFFHBT), was sentenced for fraudulently collecting more than \$34 million in health care premiums. On June 16, John Gazitua, a former consultant to IFFHBT was sentenced to eight years imprisonment and ordered to pay restitution for his involvement in the fraudulent operation. This scheme left more than 40,000 Americans with more than \$50 million in unpaid medical claims. In addition, both were ordered to pay \$34 million in restitution. Doherty and Gazitua admitted that they participated in a scheme to defraud health care participants by creating numerous fictitious corporations. These corporations posed as legitimate service providers to IFFHBT but were used instead to funnel millions of dollars in IFFHBT funds to Doherty and others. Doherty also admitted that he mailed false information to the State of Florida and to policy holders in the solicitation of health insurance business.

In addition to Doherty and Gazitua, two IFFHBT service providers were sentenced. April Marie McGlawn, an IFFHBT service pro-

vider, pled guilty to conspiring with Doherty to defraud the trust through embezzlements, kickbacks, and money laundering. She was sentenced to 6 months of house arrest, and was ordered to pay \$111,795 in restitution. Another IFFHBT service provider, Robert L. Searle, pled guilty to aiding in the preparation of a false corporate tax return and was sentenced to 2 years in prison and was ordered to pay \$163,000 in restitution.

This investigation was conducted jointly by the OIG, the Internal Revenue Service, and the Department's Pension and Welfare Benefits Administration. *U.S. v. Gazitua, et. al.* (M.D. Florida)

### **Three Found Guilty in Washington State Health Insurance Fraud Scheme**

A Washington State insurance consulting firm executive and two associates were found guilty on May 28, 1993, of cheating thousands of Americans out of over \$6 million in premiums paid for health insurance that was never provided. Edward B. Gallup, the former president of Labor Management Services, Inc., and associates Patrick W. Lyon and Thomas M. O'Brien were found guilty of mail fraud, wire fraud, and money laundering. The scheme sold fraudulent insurance plans to individuals and associations located in Washington, Oregon, Montana, and Texas. The now defunct employee benefit plan left thousands of participants with over \$8 million in unpaid medical claims.

The investigation was conducted jointly by the OIG, the Postal Inspection Service, and the Internal Revenue Service. Substantial assistance was provided during the investigation by the Washington State Insurance Commissioner's Office. *U.S. v. Gallup, et. al.* (W. D. Washington State)

### **Utica Teamsters Benefit Funds Participants Guilty of Embezzlement Conspiracy**

Carmen Russo, Jr., a former member of International Brotherhood of Teamsters (IBT) Local 182 in Utica, New York, and his sister, Marie Andrews, pled guilty on July 21, 1993, to separate but related criminal informations which charged them with conspiracy to embezzle fund assets of \$50,903.15 and \$48,085.37, respectively.

Josephine Russo, the Fund's former assistant administrator and mother of the defendants, pled guilty on February 18, 1993, to embezzling \$138,093. Josephine Russo, in her plea, admitted she conspired with her son and daughter to submit false medical

and dental claims to the fund and used the proceeds from the false claims for their personal use. The defendants used a variety of means to carry out the embezzlements, including the submission of claims for periods of time where the participants were ineligible for services, submission of totally fraudulent claims, and the submission of duplicate claims for the same services.

This investigation was conducted jointly by the OIG and the Federal Bureau of Investigation. *U.S. v. Russo and Andrews* (N.D. New York)

### **New Corruption Charges Against New Jersey Mayor and Township Official**

Frank Priore, mayor of the Township of Parsippany-Troy Hills, Donald Mueller, township employee, and Robert Armento, an officer of Omega Network Systems, Inc., were named defendants in the July 1, 1993, superseding indictment on new corruption charges, including bribery and obstruction of justice.

The December 1992 indictment alleged that during the period August 1988 to February 1992, Priore, Mueller, and Armento conspired to embezzle township funds by having Omega fraudulently pay dental claims of Priore, his girlfriend, daughter, and Mueller, and to override the plan's benefit schedules and rules to pay excess benefits to Priore's daughter and to Mueller.

The superseding indictment charged Priore, Mueller, and Armento with bribery and extortion of approximately \$5,102 in Parsippany funds by demanding payment through a dental claims scheme. Priore and Mueller are also charged with conspiracy to extort free rooms from the Tara Hotel, Parsippany, N. J., in exchange for Priore's assistance in approving directional signs advertising the hotel.

Additionally, Priore and Mueller are charged with obstructing the grand jury's investigation into the dental scheme by meeting with witnesses. Priore is also charged with obstructing the grand jury's investigation of the hotel scheme by withholding subpoenaed documents from the grand jury.

Two Parsippany employees, Edward Hass and Paul Kuehner, pled guilty to charges they provided false testimony to the grand jury in connection with the dental scheme.

These charges are an outgrowth of the OIG's two-year investigation of Omega. To date, the investigation has resulted in guilty pleas to criminal charges by Omega officials Nicholas Carrara, president; Timothy Walsh, vice-president; and Kenneth Mullins, controller, regarding theft of municipal funds and kickbacks to union officials. Salvatore Zingone, former president of Teamsters Local 723, Montville, New Jersey, was also convicted in this investigation for demanding \$36,000 in kickbacks from Omega. *U.S. v. Priore, et al.* (D. New Jersey)

### **Former Painters' Union Official Pleads Guilty to Racketeering and Conspiracy**

Edward Capaldo, former president of International Brotherhood of Painters and Allied Trades (IBPAT) Local Union 1486 in New York, pled guilty on September 22, 1993, to racketeering (RICO) conspiracy and conspiracy to defraud the Internal Revenue Service.

Capaldo engaged in racketeering extortion, labor payoffs, and money laundering in furtherance of a bid rigging scheme to control lucrative structural steel painting contracts in the New York metropolitan area.

An October 1992 indictment filed against Capaldo and eight others alleged that, between 1978 and 1990, the New York metropolitan painting industry was dominated by a criminal enterprise ruled by the Lucchese organized crime family. The criminal enterprise controlled the awarding and performance of painting contracts for structural steel, such as those awarded by the New York City Metropolitan Transit Authority, through bid-rigging, illegal labor payoffs, and extortion. This activity netted over \$4 million in kickbacks to Capaldo and the other defendants.

This investigation was conducted jointly by the OIG, the New York County District Attorney's Office, the Federal Bureau of Investigation, the Internal Revenue Service, and the New York City Police Department. Assistance was also provided by the New York Metropolitan Transportation Authority. *U.S. v. Capaldo* (E.D. New York)

## LABOR-MANAGEMENT RELATIONS

### **Minority Coalitions Indicted for Conspiracy, Extortion**

Eight construction worker coalitions and 31 coalition supervisors or leaders were charged on June 29, 1993, with a scheme by which the minority worker coalitions extorted money, jobs, and contracts for security and other services from construction companies operating in the City of New York. These groups were created to increase minority employment in the construction industry.

The coalitions charged were: United Brooklyn Construction Workers Coalition; United New York Construction Workers; United Hispanic Construction Workers; Black and Latin Economic Survival; New Alliance; United Construction Workers Coalition; Hispanic and Black Coalition; and Black Power. These groups falsely represented themselves as working to increase minority employment opportunities but instead transported their members to construction sites throughout the city to stop work through violence or threatened violence. The coalition leaders demanded that:

- the contractors hire one of the coalition leaders or a person whom they designated as an unneeded and unwanted "coordinator," equal employment opportunity officer, or labor consultant and who, regardless of whether he performed any labor or services, would be paid a regular amount in exchange for protection from coalition interference with the contractors work;
- hire one of the coalition leaders or an individual or company associated with or controlled by one of the coalition leaders or supervisors to provide security or perform other work on a given construction project;
- hire and/or maintain workers selected by the coalition regardless of the labor requirements of the contractors and without regard to whether a particular contractor employed substantial numbers of minorities or an entirely minority work force; and
- the contractors make cash payoffs to the coalition leaders and/or supervisors.

This three-year investigation was conducted jointly by the OIG, the New York City Police Department, and the Federal Bureau of Investigation. *U.S. v. Black and Latin Economic Survival, et al.* (E.D. New York)

**Present and Former  
Officials of N.Y. Teamsters  
Local Indicted**

Officials of New York City-based Local 282 of the International Brotherhood of Teamsters (IBT) were indicted on July 1, 1993, on racketeering charges. The charges relate to the Gambino crime family's control over Local 282, and influence over the construction industry in New York.

The defendants are: Michael Bourgal, president; John Probeyahn, secretary-treasurer; Robert Sasso, former president who resigned in 1992; Michael Carbone, former Local 282 secretary-treasurer who resigned in late 1991; and, Joseph Matarazzo, former business agent who retired in 1989.

The indictment charged the defendants with violation of the federal racketeering statute and extorting and accepting money from numerous employers involved in the construction industry between the late 1970's and 1991. The indictment alleged that during that time period, a corrupt relationship existed between high level officials of Local 282 and the Gambino family of La Cosa Nostra. This relationship included the following activities:

- the Gambino family collected money from companies to resolve disputes with Local 282;
- members and associates of the Gambino family were appointed to the lucrative position of working Teamster foremen on construction sites with little or no construction experience. These positions were used to extort money from construction companies by threatening to delay the delivery of materials;
- construction companies paid money to Local 282 business agents to avoid hiring working Teamster foremen. These illegal payments were then shared by the Gambino family and Local 282 officials; and,
- Local 282 business agents took money in exchange for permitting companies to avoid signing collective bargaining agreements with Local 282.

John Gotti and Sammy ("the Bull") Gravano, formerly the boss and underboss of the Gambino Crime Family respectively, are named as unindicted co-conspirators in the indictment.

This continuing investigation is being conducted jointly by the OIG and the Federal Bureau of Investigation. Assistance has been provided by the New York State Organized Crime Task Force, Nassau County District Attorney's Office, and the New York State Attorney General's Office for Medicaid Fraud Control. *U.S. v. Bourgal et al.* (E.D. New York)

**New Jersey Textile  
Workers' Union Officials  
Indicted for Labor  
Racketeering**

Joseph LaBarck, Sr., president, and Raymond LaBarck, vice-president, of the Amalgamated Clothing and Textile Workers Union of America (ACTWU) were arrested on June 28, 1993, by special agents of the OIG on charges of racketeering in connection with their operation of the union.

The indictment, which was unsealed after the arrests, charged the LaBarcks with conspiracy, racketeering, extortion, demanding illegal payments from employers, embezzlement from an employee benefit plan, and embezzlement from a labor organization.

The indictment charged that from 1985 to the present, Joseph LaBarck, Sr. and Raymond LaBarck conducted the affairs of ACTWU Local 1733 through a pattern of racketeering activity including:

- demanding and receiving approximately \$500,000 in cash from employers of members of Local 1733 to avoid unfavorable contract agreements and purchase labor peace;
- demanding that certain Local 1733 employers hire and retain sons, step-sons, and sons-in-law to ensure labor peace and avoid economic sanctions;
- demanding that certain Local 1733 employers defray the cost of health insurance premiums for various LaBarck relatives seeking coverage in the Textile Dyers and Printers Insurance Trust;

- embezzling, with others, about \$25,000 from the Local 1733 general operating account, which reflected the repayment of premiums that were never paid to the Local 1733 welfare fund;
- embezzling, with others, approximately \$30,000 from the Local 1733 welfare fund by submitting claims for payment on behalf of ineligible LaBarck family members;
- making and condoning threats and acts of violence against Local 1733 employers, their employees and independent trucking company owners who hauled textiles for the employers.

The indictment also charged that Joseph LaBarck, Sr. induced, through extortion, certain Local 1733 employers to use LB Trucking Inc., a company in which he had a substantial personal and monetary interest. *U.S. v. LaBarck and LaBarck* (D. New Jersey)

### **Longshoremen's Local Union President Arrested on Corruption Charges**

Willie E. Sloan, president of Wilmington, North Carolina-based International Longshoremen's Association (ILA) Local 1426, was arrested on April 15, 1993, by special agents of the OIG and the Federal Bureau of Investigation. The arrest follows Sloan's indictment on April 13, 1993, for illegally receiving things of value from an employer, theft from a union, and mail fraud charges.

The indictment alleged that Sloan accepted prohibited payments of \$114,850 from Sea Gal Express, Inc. and Baltic American Lines, two corporations which transported containerized cargo into and out of the Port of Wilmington, North Carolina, and who employed members of ILA Local 1426. The payments were made for trucking services provided to the two corporations by a non-union trucking company owned by Sloan. Provisions of the ILA international constitution prohibit Sloan from engaging in a business relationship with an employer whose employees are represented by ILA. The indictment also alleged that Sloan embezzled \$16,700.35 from Local 1426 by taking vacation pay to which he was not entitled, using union funds to pay for the travel of friends, and purchasing unauthorized items with union funds. Additionally, Sloan was charged with using the U.S. Mails to defraud the union membership of their right to his honest and faithful services by threatening them with loss of work, rewarding loyal union members with work in disregard of Local 1426 work rules, making unauthorized

payments to his supporters, and improperly inducting union members into the union to perpetuate his control of Local 1426. This investigation was conducted jointly by the OIG and the Federal Bureau of Investigation. *U.S. v. Sloan* (E.D. North Carolina)

### **Union Local President Indicted for Receiving Illegal Payments and Conspiracy**

Louis Varricchio, president of International Operating Engineers (IUOE) Local 137, was indicted on April 14, 1993, on charges of receiving illegal payments from an employer, conspiracy, and tampering with a witness.

The indictment charged that Varricchio, while employed as a business agent for Local 2137, conspired to and accepted free labor and repair work for his car from Briar Contracting Corporation (Briar), an employer of Local 137 members. The indictment further charged Varricchio conspired to and received from Briar the use of construction machinery and labor at no cost when Varricchio was building his home in Garrison, New York. The benefits received by Varricchio exceeded \$10,000. Varricchio was also charged with corruptly attempting to influence a witness' testimony before an official proceeding. This continuing investigation is being conducted jointly by the OIG, the Federal Bureau of Investigation, and the Internal Revenue Service. *U.S. v. Varricchio* (S.D. New York)

## **INTERNAL UNION AFFAIRS**

### **Former Union Officials Charged with Embezzling Union Funds and Rigging Union Elections**

Sixteen former officials of two maritime unions were indicted on June 30, 1993, on charges of embezzling about \$2 million in union funds and rigging union elections. The defendants are former officials of District No. 1-Pacific Coast Division of the Marine Engineers Beneficial Association (PCD-MEBA) and District No. 1-Marine Engineers Beneficial Association/National Maritime Union (MEBA/NMU). Charges include theft of union funds, racketeering, extortion, and mail fraud.

The defendants include former MEBA/NMU Union officials C. Eugene Defries, president, Panama City, Florida; Clyde Dodson, executive vice-president, Garden Grove, California; Reinhold Schamann, vice-president, Brick, New Jersey; Claude W. Daulley, licensed division director, Houston, Texas; and Donald Masingo, branch agent, Chesapeake, Virginia.

All five were charged with embezzling about \$2 million in union funds related to 1988 severance payments not fully disclosed to union members. Karl M. Landgrebe of Seattle, Washington, a former division director, also was charged with embezzlement. Alexander Cullison, a branch agent of Fairfax, Virginia, was charged with racketeering.

The indictment alleged that union leaders carried out election fraud by soliciting ballots from union members and then voting the ballots for themselves. The fraud also included opening and discarding legitimate ballots and replacing them with improperly obtained duplicates. Ballots were obtained from union members through fear of economic harm. These offenses occurred from 1984 to 1991.

The indictment also charged other former lower-level union officials with mail fraud in the election scheme. Under federal racketeering laws, the government is seeking return of the embezzled funds and salaries. This investigation was conducted jointly by the OIG, the Federal Bureau of Investigation in conjunction with the Organized Crime and Racketeering Section of the Department of Justice Criminal Division. *U.S. v. Defries et al.* (D. District of Columbia)

## OTHER UNION INVESTIGATIONS

### **Company Owners and Solicitors for Bogus Teamster Newspaper Indicted in Advertisement Sales Scam**

Edward Doyle, the owner of American Labor News, Inc.; Marie Doyle, his wife who was also supervisor of advertising solicitors; executive director Wayne Strafford; and five advertising solicitors were charged with conspiracy to commit wire fraud. Edward Doyle was also charged with using counterfeit trademarks that were registered to the International Brotherhood of Teamsters (IBT). The indictment charged that the defendants used coercion and misleading tactics in the sale of advertising in two publications purportedly affiliated with the IBT.

The indictment alleged that, in order to sell advertisements, the defendants engaged in a conspiracy to create the false impression that they were union officials or had special influence with the IBT. They also created the false impression that if the advertiser failed to place an advertisement, the advertiser's business

might be adversely affected. The indictment further charged that Doyle's company did not have an agreement with the IBT to publish The American Labor News or The Teamster, two publications purportedly affiliated with the IBT, and did not have permission to use the IBT name or trademark.

Over 200 corporations and businesses were victimized for over \$500,000 in the solicitation of advertising for the two publications. Included among the victimized companies was 20th Century Fox, which paid \$44,500 for their advertisements for the motion picture "Hoffa," a film about the late leader of the IBT. *U.S. v. Doyle et al.* (D. New Jersey)

## EXECUTIVE DIRECTION AND MANAGEMENT

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### OFFICE OF RESOURCE MANAGEMENT AND LEGISLATIVE ASSESSMENT

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The Office of Resource Management and Legislative Assessment (ORMLA) supports the OIG by fulfilling several responsibilities mandated by the Inspector General Act of 1978, including legislative and regulatory review, reporting to the Congress, and other support activities to achieve the mission of the OIG.

#### Legislative and Regulatory Assessment and Review

Section 4(a) of the Inspector General Act of 1978 requires the Inspector General to review existing and proposed regulations and to make recommendations in the semiannual report, on the impact on the economy and efficiency of the administration of the Department's programs and on the prevention of fraud and abuse. In carrying out its responsibilities under Section 4(a) of the Inspector General Act, the OIG reviewed and cleared, or provided comments on, 633 legislative and regulatory items during this reporting period.

This following section discusses those issues on which the OIG urges congressional or departmental action, as well as those measures currently being considered by the 103rd Congress and which are of special interest of the OIG.

#### Issues Requiring Congressional or Departmental Action

##### The Targeted Jobs Tax Credit Program

The Congress amended the Trade Act of 1974 to create the Targeted Jobs Tax Credit (TJTC) Program. It was the intent of the Congress that the TJTC program would offer a tax incentive to employers to stimulate the employment of individuals of specific target groups. However, recent OIG audit findings (discussed in the Office of Audit section of this report) suggest that the TJTC program is not working as the Congress had intended. This report suggests that, in its present form, the TJTC program primarily served as a tax windfall to participating employers and that it is of limited value to program enrollees.

The audit found that employers who are using the targeted jobs tax credits are often nationwide corporations that provide low-skilled, low-paying, entry-level positions in which there is very high turnover. As a result, it is unnecessary for these employers to make any special efforts to hire targeted individuals since the applicant pool for these types of jobs already includes a large proportion of individuals from the various target groups. Employers interviewed during the audit admitted that they would have hired 95 percent of the same participants -- even without the benefit of the targeted jobs tax credit. In fact, employers typically agreed to hire applicants before a preliminary eligibility determination was made. These results and others in the report led the OIG to conclude that the TJTC program is not serving its intended purpose. The IRS estimates that, from 1980 to 1990, the estimated revenue losses from TJTC credits totaled \$4.5 billion. Currently, this program is costing almost \$300 million a year. The Joint Committee on Taxation estimates that, by 1998, this figure will increase to \$444 million per year.

The Congress recently extended the TJTC program until December 31, 1994. As a result of our initial audit findings, the OIG began a nationwide audit of the TJTC program. In the interim, the OIG strongly urges that the Department and the Congress evaluate whether the TJTC program is meeting its objectives and determine whether it should be discontinued or sharply redirected to serve those that may not otherwise be hired.

### **Pension Plan Audit and Enforcement Amendments**

Since 1984, through Semiannual Reports and Congressional testimony, the OIG has raised its concern that hundreds of billions of dollars in employee pension funds are not being adequately safeguarded by annual audits. In 1989, the OIG issued an audit report recommending the repeal of the limited scope audit provision of the Employee Retirement Income Security Act (ERISA) of 1974, which allows funds held in federally regulated entities to escape scrutiny. Currently, ERISA does not require audits of plan assets that have been invested in entities such as savings and loans, associations, banks, and insurance companies, which are regulated by Federal or State Governments. While the Congress intended to reduce duplication of auditing effort by limiting the scope of the audits, this exemption has created a dangerous loophole that needlessly risks the assets of pension plan beneficiaries.

Although, it has been assumed that these "exempted" institutions have been receiving adequate audit coverage from the other regulatory agencies, in general, these audits are only performed every two years, and are not primarily designed to test for ERISA violations. As a result, this limited scope audit exemption may be placing at risk a significant portion of the more than \$2 trillion dollars in pension fund assets. Moreover, this exemption places at risk the Government's assets -- a risk which ultimately must be borne by the American taxpayer -- because the Government guarantees the payment of pension benefits for defined benefit plans.

After almost 5 years (a period covering 10 semiannual reports), the OIG is troubled that no legislative remedy to address this recommendation has been enacted. While the OIG is encouraged by the Department's efforts to complete its draft bill, we are concerned that it continues to remain in the Department and has not been forwarded to the Congress.

### **Occupational Safety and Health Act Enforcement Reform**

In its calendar year 1994 legislative program, the OIG recommended that the Department request legislation to amend the Occupational Safety and Health Act (OSH Act) to raise the penalty for the repeated or willful violation of an Occupational Safety and Health Administration (OSHA) rule that results in death or serious bodily injury to workers, from a misdemeanor to a felony. Currently, under the OSH Act, a willful violation of an OSHA rule causing the death of a worker is considered a misdemeanor and subject to a maximum fine not to exceed \$10,000 or six months in prison. Repeat violations are subject to a maximum fine of \$20,000 or one year in prison. Because these violations are presently misdemeanors, often there is little incentive for prosecutors to accept cases. Also, the OIG has found that the actual fines imposed are usually a small fraction of what can be levied and often go through a lengthy appeal process.

The OIG believes that strengthening the criminal enforcement provisions of the OSH Act in this manner will send a strong message to other employers engaging in the same type of willful activity and serve as a meaningful deterrent. The OIG recommends enactment of legislation, such as the Occupational Safety and Health Reform Act (S.575 and HR. 1280) which elevates these violations to a felony, to ensure that the American worker is better protected from avoidable occupational hazards.

**FECA Fraud Amendments**

In its calendar year 1994 legislative proposals, the OIG recommended that the Department amend the Federal Employees' Compensation Act (FECA) to prohibit individuals from receiving FECA benefits if they have been convicted of FECA fraud. This legislative recommendation is the result of a study conducted by the OIG together with the U.S. Postal Inspection Service. The study found that individuals, who were incarcerated for defrauding the FECA program, were still receiving their compensation benefits. The OIG recommended that these benefits be terminated. The OIG further recommended that the benefits that are received by FECA recipients when they are incarcerated for any felony should be suspended until they are released from prison. The OIG is of the opinion that such amendments would greatly enhance the deterrent value of the statute and provide the Department with a valuable tool for dealing with those who defraud, or attempt to defraud, the FECA program. Individuals committing FECA fraud would not only risk going to jail, but would also jeopardize their benefits by engaging in criminal activities.

The OIG is encouraged by the fact that the National Performance Review, directed by the Vice President, recognized the importance of this issue in the effort to "reinvent" the Federal Government. The OIG strongly urges the Congress to consider this change to the Act.

**Increased Monetary Penalties for Fair Labor Standards Record Keeping Violations**

Following a 1991 audit of the enforcement efforts of the Department's Wage and Hour Division, the OIG recommended that the Department support legislation that would establish civil monetary penalties for violations of the record keeping provision of the Fair Labor Standards Act (FLSA). These civil monetary penalties would serve to close a loophole that exists in the law. Currently, the FLSA contains provisions that require employers to maintain accurate payroll data. However, the law contains no penalties to sanction employers who do not comply by not maintaining accurate records. This loophole prevents Wage and Hour investigators from determining FLSA violations because any investigation conducted by the Department concerning alleged minimum wage or overtime violations relies on the payroll records of the employer. The OIG is of the opinion that the civil monetary penalties will serve as an inducement for employers to maintain appropriate records. Adequate record keeping would facilitate investigative activities and lead to greater compliance with the

FLSA. Both the OIG and the General Accounting Office have recommended establishing such penalties for record keeping violations.

### **Measures Under Consideration by the Congress**

**H.R. 1272:  
The Multiple Employer  
Health Benefits Protection  
Act of 1993**

H.R. 1272 will amend the Employee Retirement Income Security Act (ERISA) to increase the regulation of multiple employer welfare arrangements (MEWAs). The bill creates a new section to ERISA requiring MEWAs to submit to State regulation of their operations, or to seek an exemption from state regulation from the Secretary of Labor. The MEWAs seeking exemptions must meet a set of uniform standards set forth in the bill. In addition, the bill clarifies the definitions of MEWAs that are the result of collectively bargained agreements, bogus labor unions, or employee leasing arrangements. This bill also empowers the Secretary with the authority to shut down any MEWAs that are found to be fraudulent.

The OIG supports the language in this bill, particularly in light of the health care reform proposal that was recently released by the President. It is highly probable that the health care reform package will have to be implemented slowly, thus leaving time for MEWAs to continue to operate. Legislation such as this could serve well to prevent or deter the proliferation of fraudulent MEWAs or similar health care arrangements, thereby preventing many American workers from being at risk from unscrupulous MEWA operators.

**H.R. 2710:  
The Wage and Hour  
Reform Equity Act of 1993**

The OIG supports such legislation that would amend the minimum wage and overtime provisions of the Fair Labor Standards Act of 1938. This bill will change the date with which the FLSA's statute of limitations is computed. The statute of limitations restricts an employer's obligation to repay employees back wages to a two-year period for non-willful violations and three years for willful violations of the FLSA. However, parts or all of the statutory period may expire before an employer waives the right to claim the statute of limitation or before DOL files legal action in District Court. Either action will stop the running of the statute, also referred to as "tolling" the statute. Consequently, consider-

able time usually passes from the date DOL Wage and Hour Division compliance officers start their investigations, to the date when the Department of Labor files suit against employers, resulting in the loss of back wages due to the running of the statute of limitations. H.R. 2710 amends the FLSA to toll the statute of limitations during the period beginning on the date that a complaint is filed with the Secretary or that the Department initiates an investigation, and ending on the date that final action is taken on such an investigation. The OIG urges the Congress to enact such an amendment to the Fair Labor Standards Act.

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## SPECIAL PROJECTS OFFICE

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The Special Projects Office (SPO) performs quick-response evaluations, analyses, and inspections of programs, activities, organizations, and functions of the Department of Labor, including the Office of Inspector General. These evaluations, analyses, and inspections are designed to improve program cost efficiency and effectiveness, management, and the quality of services.

### Review of Law Enforcement Officer Benefits for the Office of Labor-Management Standards

At the request of the Assistant Secretary for Administration and Management, SPO conducted a review of a whistle-blower's allegations concerning the propriety of law enforcement officer special retirement and locality pay benefits for positions occupied by 134 investigators and managers of the Office of Labor-Management Standards (OLMS). The total cost of the OLMS law enforcement locality pay effective January 1992, and the special retirement benefits retroactive to 1984, is estimated at \$756,011 through Fiscal Year 1993.

The OIG concluded that, although some OLMS employees may qualify for law enforcement officer benefits on an individual basis, OLMS positions approved by DOL's Office of Assistant Secretary for Administration and Management and the Office of Personnel Management (OPM), do not meet the regulatory requirements for position-based coverage. The OIG questioned that the time expended performing certain responsibilities classified as OLMS criminal law enforcement duties, particularly compliance audits,

qualify under the regulatory definition of primary duties of a law enforcement officer.

The OIG recommended that the Assistant Secretary for Administration and Management: (1) request that OPM revoke the position-based, law enforcement officer coverage; (2) determine, in consultation with OPM, whether compliance audits and other non-embezzlement investigation activities meet the regulatory requirements for coverage; and (3) initiate appropriate actions relative to benefits provided to OLMS employees who do not qualify for law enforcement officer coverage.

In response to the draft report, the Assistant Secretary for Administration and Management acknowledged the workload variances in OLMS' New York and Washington field offices, and agreed to assure proper law enforcement officer coverage in these offices. In addition, the Assistant Secretary advised that he would refer the eligibility of compliance audits for law enforcement officer coverage to OPM for resolution. The OIG has urged the Assistant Secretary to further evaluate the propriety of position based law enforcement officer coverage throughout OLMS and, in referring the resolution of compliance audits to OPM, to adopt as the Department's official position, our reservations concerning the eligibility of this activity for law enforcement officer coverage and benefits. (Report No. 02-SPO-93-OASAM; Sept. 28, 1993)

## Reporting Requirements Under The Inspector General Act of 1978

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### Senate Report No. 96-829

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Note: This table cross references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, to the specific pages where they are addressed. The information requested by the Congress in Senate Report No. 96-829 relative to the 1980 Supplemental Appropriations and Rescissions Bill, is also cross-referenced to the appropriate pages of the report.

## AUDIT SCHEDULES

### **Money Owed the Department of Labor ..... 65**

This schedule depicts the amount of money that is owed to the Department of Labor. In order to demonstrate the extent of change in the balances owed to the Department, data are provided on the amounts owed at both the beginning and end of the 6-month reporting period. The schedule also reports on those amounts which were appealed, collected, and written-off, as well as the amounts adjusted as a result of any appeals and revised management decisions.

### **Summary of Audit Activity of DOL Programs ..... 66**

This schedule summarizes, by DOL agency, the number of audit reports issued during the 6-month reporting period, the amount of dollars audited, and the amount of dollars questioned by auditors as having been improperly expended.

### **Summary of Audit Activity of ETA Programs ..... 67**

This schedule details, for the Employment and Training Administration (ETA), the number of audit reports issued during the 6-month reporting period, the amount of dollars audited, and the costs questioned by auditors as having been improperly expended. (This additional detail is provided since most of DOL funds are in ETA.)

### **Summary of Audits Performed Under the Single Audit Act ..... 68**

This schedule summarizes the audit reports, issued during the 6-month reporting period, which were prepared in accordance with the Single Audit Act. This schedule also details the amount of dollars audited, as well as the costs questioned by auditors as having been improperly expended.

### **Summary of Audits Performed Under the Single Audit Act: Multi-Agency Program Reviews ..... 69**

This schedule depicts the number of single audit reports, issued during the 6-month reporting period, that covered more than one Department of Labor program agency. This schedule also details the amount of dollars that were audited, as well as the costs questioned by auditors as having been improperly expended.

### **Audits by Non-Federal Auditors ..... 70**

This schedule is a report to the Office of Management and Budget (OMB) on the quality and results of single audits performed by non-Federal auditors during the 6-month reporting period.

### **Summary of Audit Resolution Activity: Questioned Costs ..... 71**

This schedule shows the extent to which DOL management has taken steps, during the 6-month reporting period, to resolve the costs questioned as having been improperly expended. Audit resolution occurs when management either agrees with the auditor's finding and disallows those costs that were questioned, or management decides that the expenditure should be allowed. (This schedule is required by Section 5(a)(8) of the Inspector General Act, as amended.)

**Summary of Audit Resolution Activity: Unsupported Questioned Costs ..... 72**

This schedule shows the extent to which DOL management has taken steps, during the 6-month reporting period, to resolve the costs questioned by the auditor because they were not supported by appropriate records or documentation. Audit resolution occurs when management either agrees with the auditor's finding and disallows those unsupported costs that were questioned, or management decides that the expenditure should be allowed. (This schedule is required by Section 5(a)(8) of the Inspector General Act, as amended.)

**Summary of Audit Resolution Activity: Funds Put to Better Use ..... 73**

This schedule depicts the extent to which DOL management has taken steps, during the 6-month reporting period, to resolve funds that the auditor recommended be put to better use. Audit resolution occurs when management either agrees with the auditor's finding, or management disagrees that the funds can or should be put to better use. (This schedule is required by Section 5(a)(9) of the Inspector General Act, as amended.)

**Unresolved Audits Over 6 Months ..... 74**

This schedule presents a summary of all audit reports that continue to remain unresolved for more than 6 months. For these reports, a management decision is still outstanding. (This schedule is required by Section 5(a)(10) of the Inspector General Act, as amended.)

**Summary of Final Action Activity: Disallowed Costs ..... 76**

This schedule presents the final action activity for costs that have been disallowed during the 6-month reporting period. This schedule is included in the OIG Semiannual Report to demonstrate the flow of information to the Secretary's Semiannual Management Report, which is issued by the Secretary as required by section 5(b)(2) of the Inspector General Act, as amended.

**Summary of Final Action Activity: Funds to Be Put to Better Use ..... 77**

This schedule depicts, by program agency, the final action activity during the 6-month reporting period for those funds that were recommended by the auditor to be put to better use. This schedule is included in the OIG Semiannual Report to demonstrate the flow of information to the Secretary's Semiannual Management Report, which is issued by the Secretary as required by Section 5(b)(3) of the Inspector General Act, as amended.

**Significant Recommendations Resolved for Over One Year on which Corrective Action Has Not Been Completed, as of September 30, 1993 ..... 78**

This schedule presents the significant audit recommendations which have been resolved for over one year and on which corrective action has not been completed.

**Final Audit Reports Issued ..... 83**

This schedule lists all audit reports that were issued during the six-month reporting period, as required by Section 5(a)(6) of the Inspector General Act, as amended.

# Money Owed the Department of Labor For the Period April 1, 1993 - September 30, 1993

Program Name	Beginning Balance		Debt Established During Period	New Appeals	Collections During the Period			Write-Offs		Adjustments Due to:			Ending Balance	
	In Collection	Under Appeal			Cash	Offset	Other	Compromise	Termination	Appeals Overturned	Appeals Affirmed	Revised Management Decision	Delinquent	Current
<b>ESA</b>	20,607,134	6,611,503	0	0	0	0	0	0	0	0	0	0	0	0
FECA														
Black Lung														
-Disability Trust Fund	4,997,079	92,895,569	0	0	0	0	0	0	0	0	0	0	0	0
<b>ETA</b>	21,168,415	19,225,385	333,802	0	2,870,774	0	28,526	82,080	242,339	2,670,068	0	4,011,384	16,052,904	
CETA	3,201,785	35,884,274	8,788,738	2,639,595	1,591,534	0	997	250,952	564,142	1,406,857	176,975	4,900,655	36,083,351	
JTPA	0	8,108,855	326,017	326,017	10,263	0	0	0	0	0	0	0	8,424,609	
UI/SEA														
<b>MSHA</b>	16,788,326	14,177,669	16,061,270	0	14,570,654	0	0	2,910,115	0	0	0	2,674,900	13,249,918	
Assessments/Mine Operator Civil Penalties														
<b>OSHA</b>	36,808,673	81,236,424	0	0	0	0	0	0	0	0	0	0	0	
Civil Penalties	0	0	0	0	0	0	0	0	0	0	0	0	0	
-From Business														
-From State Grantees														
<b>BLS</b>	89,371	0	526,060	0	515,408	0	0	0	0	0	0	87,455	0	
<b>PWBA</b>	1,449,974	0	2,177,118	0	1,364,726	0	0	103,232	257,113	0	336,000	180,341	0	
<b>OASAM</b>	218,596	0	57,288	0	40,921	0	0	191,135	0	0	0	12,388	0	
<b>Total</b>	105,329,353	258,139,679	84,393,548	17,838,233	64,885,139	0	29,523	10,863,669	3,725,948	1,846,900	806,481	38,860,161	255,188,526	

**Explanations:**

Figures provided by agencies are estimates and are unaudited.  
 Differences between beginning balances on this schedule and ending balances on the prior period schedule result from adjustments made during the period.  
 Almost all delinquent debt has either been referred to DOJ for collection action or is in the process of referral.  
 Collections during the period includes: money which had been under appeal, subsequently had a debt established, and money collected.

**Definitions:**

**Collections:** Includes cash, offsets, property, repayment agreements; any amount more than 30 days overdue is delinquent.  
**Under Appeal:** Formal process in which program recipient/auditee appeals program agency's determination; amounts are "contingent" receivables—not available for collection.  
**Write-Offs:** Result from agency administrative procedures to write off uncollectible receivables, a/k/a bad debt.  
**Adjustments due to appeals:** Adjustments of contingent receivables which result from Administrative Law Judge/Judicial process (includes agency actions overturned & compromises).  
**Adjustments due to audit resolution:** Adjustments of contingent receivables which result from reclassification of disallowed costs based on documentation submitted after audit resolution.

**Summary of Audit Activity of DOL Programs**  
**April 1, 1993 - September 30, 1993**

Agency	Reports Issued	Grant/Contract Amount Audited <sup>1</sup>	Questioned Costs Unsupported	Other <sup>2</sup>
OSEC	1	\$ 0	\$ 0	\$ 0
VETS	3	186,547	0	0
ETA	139	53,723,821,842	511,283	317,695
ESA	7	0	32,436	0
LMSA	1	0	0	0
MSHA	5	197,343,626	3,538	0
OASAM	9	51,171,965,190	177,864	0
OSHA	6	2,302,291	208,880	0
BLS	2	314,626,000	0	0
PWBA	2	0	0	0
Multi-Agency	39	4,319,626,927	775,900	134,938
OT AGY	4	0	0	0
Totals	218	\$109,729,872,423	\$1,709,901	\$452,633

<sup>1</sup>Grant/Contract Amount Audited are overstated because, in some cases, expenditures were audited at more than one level as funds were passed down from Department to program agency to program office to grantee/contractor to subrecipient.

<sup>2</sup>Other Questioned Costs include \$211,808 in Funds Recommended for Better Use as reported in Audit Reports 12-93-020-06-001, \$2,928, 19-93-005-10-001, \$80,000, and 12-93-021-10-107, \$128,880.

**Summary of Audit Activity of ETA Programs  
April 1, 1993 - September 30, 1993**

Program	Reports Issued	Grant/Contract Amount Audited	Questioned Costs Unsupported	Other
ADMIN	1	\$ 7,220,770	\$ 0	\$ 0
OFCMS	1	0	0	0
UIS	2	53,571,740,000	0	0
USES	2	44,385,737	0	0
OTAA	1	0	0	0
JTPA	17	8,632,975	75,622	296,892
OSTP	1	663,300	0	0
DINAP	81	30,576,923	234,657	5,683
DOWP	8	26,123,063	25,437	0
DSFP	15	17,141,004	0	15,120
OJC	5	3,261,794	175,313	0
OSPPD	5	14,076,276	254	0
<b>Totals</b>	<b>139</b>	<b>\$53,723,821,842</b>	<b>\$511,283</b>	<b>\$317,695</b>

**Summary of Audits Performed Under the Single Audit Act  
April 1, 1993 - September 30, 1993**

Agency	Entities Audited	Reports Issued	Grant/Contract Amount Audited	Questioned Costs Unsupported	Other
VETS	0	3	186,547	0	0
ETA	60	120	132,035,731	131,474	5,767
MSHA	2	3	236,787	610	0
OSHA	1	3	418,301	0	0
Multi-Agency	11	39	4,319,626,927	775,900	134,938
OT AGY	3	3	0	0	0
<b>Totals</b>	<b>77</b>	<b>171</b>	<b>\$4,452,504,293</b>	<b>\$907,984</b>	<b>\$140,705</b>

**Note:** DOL has cognizant responsibility for specific entities under the Single Audit Act. More than one audit report may have been transmitted or issued for an entity during this time period. Reports are transmitted or issued based on the type of funding and the agency/program responsible for resolution. During this period, DOL issued reports on 77 entities for which DOL was cognizant; in addition, DOL issued 94 reports which included direct DOL funds for which DOL was not cognizant.

**Summary of Audits Performed Under the Single Audit Act  
Multi-Agency Program Reports  
April 1, 1993 - September 30, 1993**

Agency	Number of Recommendations	Questioned Costs Unsupported	Other
VETS:			
CONTR	1	484	0
ETA:			
UIS	6	31,290	120,376
USES	1	0	14,562
SESA	7	89,235	0
JTPA	18	654,778	0
OSHA:			
OSHAG	1	113	0
Totals	34	\$775,900	\$134,938

**Note:** Multi-Agency Program Reports relate to Single Audit reports. The report may be on a statewide audit where DOL has accepted "lead" cognizance or it may be on a single entity under the direct responsibility of DOL. If multiple DOL programs were audited, the multi-agency designation was used. Individual recommendations within the report designate which agency/program is responsible for resolution. Thirty-four recommendations are contained within the 39 multi-agency reports issued this period.

**Audits by Non-Federal Auditors  
PCIE Semiannual Reporting - Summary Results of IG Reviews  
Six Months Ended September 30, 1993**

**STATISTICAL TABLE**

1. Reports Issued Without Change or With Minor Changes  
 A. Based on Desk Review  
 B. Based on QCR

Total Without Change or With Minor Changes

2. Reports Issued With Major Changes  
 A. Based on Desk Review  
 B. Based on QCR

Total With Major Changes

3. Reports With Significant Inadequacies  
 A. Based on Desk Review  
 B. Based on QCR

Total Reports with Significant Inadequacies

4. Number of Auditors Referred to State Boards/AICPA

5. Number of Auditors Which Other Sanctions Were Taken

6. Unsupported Costs in Reports With Direct Funded Findings

7. Sustained Unsupported Costs

8. Recovered Unsupported Costs

9. Other Costs Questioned in Reports With Direct Funded Findings

10. Sustained Other Questioned Costs

11. Recovered Other Questioned Costs

	A-128/102-P Audits			A-133/110 Audits			Grand Total
	Independent Public Accountant	State & Local Auditor	Total	Independent Public Accountant	State & Local Auditor	Total	
1. Reports Issued Without Change or With Minor Changes	93	35	128	34	0	34	162
A. Based on Desk Review	2	0	2	1	0	1	3
B. Based on QCR	95	35	130	35	0	35	165
2. Reports Issued With Major Changes	1	0	1	1	0	1	2
A. Based on Desk Review	0	0	0	0	0	0	0
B. Based on QCR	1	0	1	1	0	1	2
3. Reports With Significant Inadequacies	0	0	0	4	0	4	4
A. Based on Desk Review	0	0	0	0	0	0	0
B. Based on QCR	0	0	0	4	0	4	4
4. Number of Auditors Referred to State Boards/AICPA	0	0	0	0	0	0	0
5. Number of Auditors Which Other Sanctions Were Taken	1	0	1	0	0	0	1
6. Unsupported Costs in Reports With Direct Funded Findings	\$259,649	\$602,148	\$861,797	\$46,187	\$0	\$46,187	\$907,984
7. Sustained Unsupported Costs	\$1,462,930	\$348,240	\$1,811,170	\$63,883	\$0	\$63,883	\$1,875,053
8. Recovered Unsupported Costs	\$302,275	\$186,351	\$488,626	\$8,052	\$0	\$8,052	\$496,678
9. Other Costs Questioned in Reports With Direct Funded Findings	\$84	\$134,938	\$135,022	\$5,683	\$0	\$5,683	\$140,705
10. Sustained Other Questioned Costs	\$84	\$0	\$84	\$0	\$0	\$0	\$84
11. Recovered Other Questioned Costs	\$1,979	\$10,263	\$12,242	\$0	\$0	\$0	\$12,242

**Summary of Audit Resolution Activity  
Questioned Costs  
April 1, 1993 - September 30, 1993**

Agency/ Program	April 1, 1993		Issued (Increases)		Resolved (Decreases)		September 30, 1993	
	Balance Unresolved Reports	Dollars	Reports	Dollars	Reports	Disallowed	Balance Unresolved Reports	Dollars
OSEC	3	\$0	1	\$0	3	\$0	1	\$0
VETS	0	0	3	0	3	0	0	0
ETA:								
ADMIN	3	507,696	1	0	1	0	3	0
OFCMS	0	0	1	0	0	0	1	0
UIS	4	4,918,143	2	0	4	1,551,538	2	0
USES	0	0	2	0	1	0	1	0
FLC	0	0	0	0	0	0	0	0
SESA	0	0	0	0	0	0	0	0
OTAA	3	582,075	1	0	2	46,700	2	394,825
JTAA	24	20,471,982	17	372,514	23	998,815	18	17,777,263
CETA	0	0	0	0	0	0	0	0
OSTP	1	0	1	0	2	0	0	0
DINAP	21	562,042	81	240,340	80	133,712	22	240,026
DOWP	3	311,948	8	25,437	7	48,362	4	227,365
DSFP	6	9,232	15	15,120	19	9,232	2	15,036
OJC	7	358,918	5	175,313	4	33,648	8	460,589
BAT	0	0	0	0	0	0	0	0
OSPPD	2	417,703	5	254	6	4,902	1	254
ESA	0	0	7	32,436	3	0	4	0
OLMS	0	0	1	0	0	0	1	0
MSHA	0	0	5	610	3	0	2	610
OASAM	19	11,567,486	9	177,864	8	440,031	20	3,032,960
SOL	0	0	0	0	0	0	0	0
OIG	0	0	0	0	0	0	0	0
OSHA	2	60,429	6	0	6	46,044	2	0
BLS	0	0	2	0	0	0	2	0
PWBA	0	0	2	0	1	0	1	0
Multi-Agency	14	16,664,698	39	910,838	29	15,545,005	24	687,287
Other Agencies	0	0	4	0	4	0	0	0
<b>TOTAL</b>	<b>112</b>	<b>\$56,432,352</b>	<b>218</b>	<b>\$1,950,726</b>	<b>209</b>	<b>\$18,857,989</b>	<b>121</b>	<b>\$22,836,215</b>

DOLLARS represent both unsupported (inadequately documented) costs and questioned (alleged violation of law, regulation, contract, etc.; or unnecessary or unreasonable) costs.

DISALLOWED COSTS includes \$6,486,979 of additional claim amounts. Additional claim amounts occur when the grant/contract officer disallows an amount in addition to the finding amount.

AUDIT RESOLUTION occurs when the program agency and the OIG agree on action to be taken on reported findings and determinations. Thus, this table does not represent any activity subsequent to management's final action such as results of the appeals process or program agency debt collections. Information such as this may be found in the Secretary's Report to Congress. See Financial Management Section for discussion on revision of prior management decisions.

DIFFERENCES between the beginning balance of this schedule and the ending balance of the previous *Semiannual Report* result from adjustments during the period.

**Summary of Audit Resolution Activity  
Unsupported Questioned Costs  
April 1, 1993 - September 30, 1993**

Agency/ Program	April 1, 1993		Issued (Increases)		Resolved (Decreases)		September 30, 1993	
	Balance Unresolved Reports	Dollars	Reports	Dollars	Reports	Disallowed	Balance Unresolved Reports	Dollars
OSEC	0	\$0	0	\$0	0	\$0	0	\$0
VETS	0	0	0	0	0	0	0	0
ETA:								
ADMIN	1	507,696	0	0	1	0	0	0
OFCMS	0	0	0	0	0	0	0	0
UIS	1	164,784	0	0	1	164,784	0	0
SESA	0	0	0	0	0	0	0	0
OTAA	1	93,572	0	0	0	0	0	93,572
JTPA	15	9,608,738	4	75,622	9	719,091	10	7,784,239
CETA	0	0	0	0	0	0	0	0
DINAP	9	284,298	14	234,657	11	133,712	12	234,343
DOWP	2	311,948	1	25,437	1	48,362	2	227,365
DSFP	1	9,232	0	0	1	9,232	0	0
OJC	4	358,918	1	175,313	1	33,648	4	460,589
OSPPD	2	417,703	1	254	2	4,902	1	254
ESA	0	0	3	32,436	3	0	0	0
MSHA	0	0	1	610	0	0	1	610
OASAM	12	11,523,748	4	177,864	4	440,031	12	2,989,222
OIG	0	0	0	0	0	0	0	0
OSHA	2	60,429	0	0	2	46,044	0	0
Multi-Agency	10	16,664,698	13	775,900	12	15,545,005	11	652,349
Other Agency	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>60</b>	<b>\$40,005,764</b>	<b>42</b>	<b>\$1,498,093</b>	<b>48</b>	<b>\$17,144,811</b>	<b>54</b>	<b>\$12,442,543</b>

These unsupported costs are incorporated into the "Summary of Audit Resolution Activity" schedule on the previous page. They are broken out as required by P.L. 100-504.

**Summary of Audit Resolution Activity  
Funds Put to Better Use  
April 1, 1993 - September 30, 1993**

Agency/ Program	April 1, 1993		Issued (Increases)		Resolved (Decreases)		Management		September 30, 1993	
	Balance Unresolved Reports	Dollars	Reports	Dollars	Reports	Disagreed	Agreed	Reports	Balance Unresolved Dollars	
OSEC	0	\$ 0	0	\$ 0	0	\$ 0	\$ 0	0	\$80,000	
ETA:										
DSFP	0	0	0	0	0	0	0	0	0	
OJC	0	0	0	0	0	0	0	0	0	
ESA	0	0	0	0	0	0	0	0	0	
MSHA	0	0	1	2,928	1	2,928	0	0	0	
OASAM	2	41,209,956	0	0	2	22,236	41,187,720	0	0	
OSHA	0	0	2	208,880	1	128,880	0	1	80,000	
<b>TOTAL</b>	<b>2</b>	<b>\$41,209,956</b>	<b>3</b>	<b>\$211,808</b>	<b>4</b>	<b>\$154,044</b>	<b>\$41,187,720</b>	<b>1</b>	<b>\$80,000</b>	

## Unresolved Audits Over 6 Months April 1, 1993 - September 30, 1993

Agency	Program	Date Issued	Audit Report Number	Name of Audit/Auditee	No of Rec	Questioned Costs
<b>Under Litigation:</b>						
ETA	JTPA	31-MAR-92	04-92-014-03-340	DENNIS AND ASSOCIATES - SC	4	\$ 2,774,604
ETA	JTPA	01-SEP-92	04-92-030-03-340	DENNIS AND ASSOCIATES, INC	4	120,491
ETA	JTPA	17-APR-91	05-91-012-03-340	SEATTLE KING COUNTY OJT BROKER	2	15,751
ETA	JTPA	25-SEP-92	06-92-010-03-340	EAST TEXAS CNCL OF GOVERN	13	5,780,925
ETA	ALLDOL	25-AUG-89	03-89-083-50-598	COMMONWEALTH OF PA	1	78,270
ETA	ALLDOL	07-FEB-91	03-91-012-50-598	COMMONWEALTH OF PA	1	29,539
<b>Awaiting Resolution:</b>						
ETA	ADMIN	25-AUG-92	12-92-021-03-001	UNEMPLOY TRUST FUND FY 91 <sup>1</sup>	3	0
ETA	ADMIN	25-AUG-92	12-92-022-03-001	ETA FY 91 FIN STMTS <sup>1</sup>	4	0
ETA	JTPA	29-MAR-91	05-91-054-03-330	SEL ELEM OF TAA ADMIN BY MESC <sup>2</sup>	12	394,825
ETA	JTPA	31-MAR-93	03-93-001-03-340	MONTGOMERY CO TRNG & PROG <sup>3</sup>	2	72,410
ETA	JTPA	26-MAR-92	04-92-021-03-340	FL UNRESTRICTED FUND BAL/COMP <sup>4</sup>	4	4,742,947
ETA	JTPA	17-APR-91	05-91-012-03-340	SEATTLE KING COUNTY OJT BROKER <sup>3</sup>	1	13,470
ETA	JTPA	07-DEC-92	06-93-001-03-340	LIMITED SCOPE - PERIEN BASIN <sup>3</sup>	1	135,576
ETA	JTPA	23-MAR-93	06-93-005-03-340	MIDDLE RIO GRANDE COUNCIL <sup>3</sup>	4	885,525
ETA	JTPA	01-MAR-93	09-93-005-03-340	SOLANO COUNTY JTPA PROGRAM <sup>3</sup>	17	1,677,292
ETA	DINAP	18-DEC-92	18-93-005-03-355	CANDELARIA PY 90 <sup>5</sup>	1	0
ETA	OJC	25-JAN-93	12-93-004-03-370	JC TRANSPORTATION SYSTEM INTER <sup>6</sup>	8	44,492
ETA	OJC	01-MAR-93	18-93-007-03-370	UAW-LABOR EMPLOY & TRNG CO <sup>7</sup>	1	0
ETA	OJC	01-MAR-93	18-93-008-03-370	UAW-LABOR EMPLOY & TRNG CO <sup>7</sup>	4	0
OASAM	ADMIN	28-JUN-91	12-91-009-07-001	FY 90 CONSOLIDATED FIN STMTS <sup>8</sup>	9	0
OASAM	ADMIN	28-AUG-92	12-92-002-07-001	FY 91 CONSOLIDATED FIN STMTS <sup>8</sup>	16	0
OASAM	ADMIN	26-MAR-93	12-93-016-07-001	COMBINING SCHED NET ADVANCES <sup>9</sup>	5	0
OASAM	OPGM	28-MAR-91	18-91-007-07-735	TAG - INDIRECT COSTS <sup>10</sup>	4	43,738
<b>Pending Indirect Cost Negotiations:</b>						
ETA	DOWP	18-DEC-92	18-93-006-03-360	NATL PACIFIC/ASIAN RESOURCE <sup>11</sup>	8	201,928
ETA	OJC	10-SEP-92	18-92-027-03-370	LEO A. DALY FY 87 <sup>11</sup>	2	210,695
OASAM	OPGM	24-NOV-92	12-93-007-07-735	AURORA ASSOC INC DCAA <sup>11</sup>	2	1,627
OASAM	OPGM	21-MAR-91	18-91-024-07-735	NATL GOVERNORS ASSOCIATION <sup>11</sup>	3	646,002
OASAM	OPGM	30-SEP-91	18-91-035-07-735	OIC OF AMERICA DIRECT & IND <sup>11</sup>	13	481,785
OASAM	OPGM	23-SEP-91	18-91-042-07-735	HOME BUILDERS INSTITUTE <sup>11</sup>	13	285,112
OASAM	OPGM	31-MAR-92	18-92-016-07-735	NTL ASSOC OF COUNTIES <sup>11</sup>	2	238,772
OASAM	OPGM	22-JUN-92	18-92-024-07-735	NTL CONF OF BLACK MAYORS <sup>11</sup>	12	194,850
OASAM	OPGM	24-AUG-92	18-92-026-07-735	TECH ASST GROUP <sup>11</sup>	4	131,144
OASAM	OPGM	18-MAR-93	18-93-009-07-735	NATL COUNCIL ON AGING <sup>11</sup>	4	376,053
<b>TOTAL AUDIT EXCEPTIONS:</b>					<b>184</b>	<b>\$19,577,823</b>

Notes are located on the following page.

## Notes to “Unresolved Audits Over 6 Months Precluded From Resolution”

<sup>1</sup>Recommendations were reviewed under their respective current FY 92 audits and remain unresolved.

<sup>2</sup>ETA issued a formal notice to the Michigan Employment Security Commission on March 20, 1992, in accordance with the TAA regulations at 20 CFR 617.52(c). ETA completed a desk review of MESC’s response and a field review. They recommended that a new or revised notice be issued to MESC.

<sup>3</sup>The States have 180 days to issue a Final Management Decision. Program Agencies and OIG have an additional 180 days to accept the State-level decision.

<sup>4</sup>ETA withdrew its initial determination and issued a revised determination which allowed \$2.7 million of the \$4.7 million questioned. Because ETA accepted grantees’ claims of “stand-in” costs that were unsupported or otherwise unacceptable, the OIG did not accept the revised determination and is conferring with ETA on this issue.

<sup>5</sup>ETA has not provided a formal response to the audit recommendation.

<sup>6</sup>Report deals with recommendations revolving around recovery of unused airline tickets from the private travel agency and revisions to the Job Corps travel policies and procedures. We are waiting for Job Corps’ response to the final report.

<sup>7</sup>Audit resolution on recommendations will be delayed pending issuance of a related audit report.

<sup>8</sup>Recommendations were reviewed under their respective current FY 92 audits and remain unresolved.

<sup>9</sup>Unresolved pending a response from the Grants Task Force established by the Department to address the findings in the report.

<sup>10</sup>Office of Cost Determination has issued its indirect cost negotiation agreement. We are waiting for ETA’s final management decision.

<sup>11</sup>OMB Circular A-50 does not require resolution within 180 days.

**Summary of Final Action Activity  
Disallowed Costs  
April 1, 1993 - September 30, 1993**

Agency/ Program	April 1, 1993		Resolved		Reports	Final Action		September 30, 1993	
	Balance No Final Reports	Disallowed	(Increases) Reports	(Decreases) Write-Offs		Recovered	Balance No Final Action Reports	Dollars	
OSEC	3	\$ 36,148	3	\$ 0	1	\$ 0	0	5	\$ 36,148
VETS	3	538,190	3	0	3	0	0	3	538,190
ETA:									
ADMIN	7	0	1	507,696	2	0	0	6	507,696
OFAM	3	1,615,010	0	0	1	103,299	25,800	2	1,485,911
UIS	11	55,125,459	4	3,392,872	1	0	0	14	58,518,331
USES	0	0	1	0	1	0	0	0	0
SESA	10	5,897,321	0	0	1	0	0	9	5,897,321
OTAA	1	1,911,839	2	140,550	1	0	0	1	2,052,389
JTPA	47	67,820,333	23	2,068,418	25	1,277,914	39,319,918	45	29,290,919
CETA	28	27,237,568	0	0	6	920,735	864,148	22	25,452,685
OSTP	4	1,007,454	2	0	3	11,837	145	3	995,472
DINAP	96	7,060,813	80	428,644	85	482,678	81,592	92	6,925,187
DOWP	8	391,606	7	61,658	7	227,360	28,420	8	197,484
DSFP	28	4,619,912	19	84	22	2,400,495	7,752	25	2,211,749
OJC	58	2,759,330	4	39,994	9	77,253	5,878	53	2,716,193
OSPPD	6	118,323	6	412,801	4	0	0	8	531,124
ESA	10	11,275	3	32,436	3	22,352	4,468	10	16,891
OLMS	0	0	0	0	0	0	0	0	0
MSHA	2	0	3	0	5	0	0	0	0
OASAM	24	13,952,152	8	14,733,071	5	0	14,458,758	27	14,226,465
SOL	2	0	0	0	1	0	0	1	0
OIG	0	0	0	0	0	0	0	0	0
OSHA	9	90,760	6	14,385	5	0	14,364	10	90,781
BLS	0	0	0	0	0	0	0	0	0
PWBA	2	0	1	0	0	0	0	3	0
Multi-Agency	82	13,682,209	29	1,343,244	45	4,227,288	446,961	66	10,351,204
Other Agency	0	0	4	0	4	0	0	0	0
<b>TOTAL</b>	<b>444</b>	<b>\$203,875,702</b>	<b>209</b>	<b>\$23,175,853</b>	<b>240</b>	<b>\$9,751,211</b>	<b>\$55,258,204</b>	<b>413</b>	<b>\$162,042,140</b>

AGENCY FINAL ACTIONS: An audit report is considered closed when management completes all actions necessary with respect to the audit findings and recommendations and reports that action to the OIG. If management concludes that no action is necessary, final action occurs when a management decision is made.

Section 106(b) of the Inspector General Amendments of 1988 (P.L. 100-504) requires that the Secretary of Labor report semiannually on the status of final actions on OIG recommendations for which management decisions have been made.

In a separate report, management will report to the Congress actions taken based on management decisions on OIG reports, on questioned costs, and recommendations that funds be put to better use. Management will also include statements on audit reports on which decisions were made but for which final actions are still incomplete after one year.

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

**Summary of Final Action Activity  
Funds to Be Put to Better Use  
April 1, 1993 - September 30, 1993**

Agency/ Program	April 1, 1993		Resolved (Increases)		Final Action (Decreases)		September 30, 1993	
	Balance No Reports	Final Action Disallowed	Reports	Disallowed	Write-Offs	Recovered	Balance No Reports	Final Action Disallowed
	\$	\$		\$	\$	\$	\$	\$
OSEC	0	0	0	0	0	0	0	0
ETA:								
UIS	0	0	0	0	0	0	0	0
SESA	1	296,000,000	0	0	0	0	1	296,000,000
CETA	1	634,746	0	0	0	634,746	0	0
DSFP	0	0	0	0	0	0	0	0
OJC	1	547,984	0	0	0	547,984	0	0
ESA	0	0	0	0	0	0	0	0
OASAM	2	652,459	2	41,187,720	0	0	4	41,840,179
Multi-Agency	1	54,000	0	0	0	0	1	54,000
<b>TOTAL</b>	<b>6</b>	<b>\$297,889,189</b>	<b>2</b>	<b>\$41,187,720</b>	<b>\$0</b>	<b>\$1,182,730</b>	<b>6</b>	<b>\$337,894,179</b>

**Significant Recommendations Resolved for Over One Year  
on which Corrective Action Has Not Been Completed  
as of September 30, 1993**

Section 5.(a)(3) of the Inspector General Act requires Inspectors General to identify "each significant recommendation described in previous semiannual reports on which corrective action has not been completed."

The following table can be used to identify significant recommendations discussed in previous semiannual reports which have been resolved (or the decision of appeal has been rendered) in excess of one year and for which corrective action has not been completed as of September 30, 1993. The table does not contain resolved recommendations which are on appeal.

<b>Report No. Report Name</b>	<b>Prior Semiannual Mo./Yr. &amp; Pg</b>	<b># Open Rec.</b>	<b>Resolution Mo./Yr.</b>	<b>Dollars Disallowed 000's</b>
<b>OSEC</b>				
18-91-030-01-001 President's Comm. on Employment of People with Disabilities	09/91 Pg38	5	08/92	N/A
<b>VETS</b>				
18-91-041-02-201 Urban Revitalization - USA	09/91 Pg41	6	03/92	134
<b>ESA</b>				
03-91-056-04-001 FY 1990 Financial Statements	09/91 Pg36	7	08/91	N/A
03-92-052-04-001 FY 1991 Financial Statements	09/92 Pg46	5	06/92	N/A
17-91-002-04-001 Procurement of TQM Training	09/91 Pg37	2	09/91	N/A

**Significant Recommendations Resolved for Over One Year  
on which Corrective Action Has Not Been Completed  
as of September 30, 1993**

<b>Report No. Report Name</b>	<b>Prior Semiannual Mo./Yr.&amp;Pg</b>	<b># Open Rec.</b>	<b>Resolution Mo./Yr.</b>	<b>Dollars Disallowed 000's</b>
17-91-001-04-420 Wage and Hour Enforcement	09/91 Pg36	12	09/92	N/A
02-86-037-04-435 Private vs. Federal Workers' Comp	03/88 Pg12	1	12/88	N/A
<b>OASAM</b>				
12-91-011-07-001 Internal Cntls do not Reasonably Assure Reliable General Ledger Balances	03/91 Pg37	3	03/92	N/A
17-92-004-07-001 FY 91 Mgmt Cntls over Consultants	03/92 Pg33	2	04/92	N/A
19-92-010-07-710 Recertification Payment Process	09/92 Pg66	3	08/92	N/A
19-92-005-07-720 DOL Computer Security	03/92 Pg33	5	03/92	N/A
18-90-022-07-735 Tech Assistance Group: Indirect Costs FYs 1986, 1987, 1988	09/90 Pg18	6	03/92	188
<b>SOL</b>				
17-92-005-08-001 Managing Effectiveness of SOL	03/92 Pg14	5	04/92	N/A

**Significant Recommendations Resolved for Over One Year  
on which Corrective Action Has Not Been Completed  
as of September 30, 1993**

<b>Report No. Report Name</b>	<b>Prior Semiannual Mo./Yr.&amp;Pg</b>	<b># Open Rec.</b>	<b>Resolution Mo./Yr.</b>	<b>Dollars Disallowed 000's</b>
<b>OSHA</b>				
05-89-067-10-001 FYs 88 & 87 Financial Statements	09/89 Pg13	5	09/89	N/A
05-90-035-10-001 OSHA Annual Report Can Be Improved	03/90 Pg25	3	06/90	N/A
05-90-056-10-001 FY 1989 Financial Statement	09/90 Pg23	2	12/90	N/A
05-92-008-10-001 OSHA Egregious Cases	03/92 Pg12	4	09/92	N/A
02-87-012-10-105 Targeting of Employer w/History of Workplace Fatalities	03/87 Pg 4	4	05/87	N/A
05-88-083-10-105 OSHA 11(c) Complaint Program	03/89 Pg52	4	08/89	N/A
05-89-029-10-105 Monitoring of State Programs	03/89 Pg51	7	09/89	N/A
18-91-022-07-735 Special Review: John Gray Inst	03/91 Pg36	8	10/91	N/A

**Significant Recommendations Resolved for Over One Year  
on which Corrective Action Has Not Been Completed  
as of September 30, 1993**

<b>Report No. Report Name</b>	<b>Prior Semiannual Mo./Yr.&amp;Pg</b>	<b># Open Rec.</b>	<b>Resolution Mo./Yr.</b>	<b>Dollars Disallowed 000's</b>
<b>PWBA</b>				
09-90-001-12-001 Changes Needed in ERISA Audit Process	09/90 Pg21	8	02/91	N/A
19-92-002-12-001 Pblms Delay FOIS Implementation	03/92 Pg22	2	06/92	N/A
<b>ETA</b>				
12-88-013-03-001 FYs 1987 and 1986 Financial Stmt	03/89 Pg57	3	09/89	N/A
12-88-017-03-001 FY 1987 Management Advisory Comments	03/89 Pg58	2	09/89	N/A
12-91-023-03-001 FY 1990 Financial Statements	09/91 Pg27	1	03/92	N/A
17-92-003-03-001 Effectiveness of Discretionary Awards	03/92 Pg30	1	04/92	N/A
19-89-001-03-001 IRM Program Needs Improvement	09/89 Pg16	18	05/90	N/A
19-90-005-03-001 Mgmt of LAN Needs Improvement	03/90 Pg18	23	08/90	N/A

**Significant Recommendations Resolved for Over One Year  
on which Corrective Action Has Not Been Completed  
as of September 30, 1993**

<b>Report No. Report Name</b>	<b>Prior Semiannual Mo./Yr. &amp; Pg</b>	<b># Open Rec.</b>	<b>Resolution Mo./Yr.</b>	<b>Dollars Disallowed 000's</b>
19-91-007-03-310 ETA's Grant and Contract MIS	09/91 Pg27	6	03/92	N/A
03-83-203-03-315 UI Experience Rating	09/89 Pg23	1	09/90	N/A
03-90-086-03-315 Internal Control Improvements Needed for UI Trust Fund	03/90 Pg19	5	09/90	N/A
04-90-002-03-325 DOL Equity in SESA Real Property	03/90 Pg21	6	04/90	296,000*
05-90-058-03-340 Greater Flint Opp. Center & Jobs Central	09/90 Pg12	7	05/91	541
05-91-056-03-340 OJT Performance Based Broker Contracts (National Summary)	03/91 Pg20	4	04/91	N/A

\* Funds Put to Better Use

**FINAL AUDIT REPORTS ISSUED  
01-APR-93 TO 30-SEP-93**

<b>Audit Report Number</b>	<b>Agency</b>	<b>Program</b>	<b>Date Sent to Program Agency</b>	<b>Name of Audit/Auditee</b>
02-93-274-03-340	ETA	JTPA	30-SEP-93	Title III Retraining Services in Massachusetts
02-93-207-03-355	ETA	DINAP	29-SEP-93	American Indians for Development, Inc
02-93-246-03-355*	ETA	DINAP	08-JUN-93	Central Maine Indian Association, Inc - SA
02-93-247-03-355*	ETA	DINAP	08-JUN-93	Central Maine Indian Association, Inc - SA
02-93-248-03-355*	ETA	DINAP	08-JUN-93	Central Maine Indian Association, Inc - SA
02-93-252-03-380	ETA	SPPD	26-APR-93	Waterbury, CT - SA
02-93-258-10-101	OSHA	OSHAG	17-JUN-93	Greater Lawrence Chamber of Commerce, Inc - SA
02-93-236-50-598	MULTI	AL/DOL	18-JUN-93	Suffolk County - SA
02-93-250-50-598*	MULTI	AL/DOL	28-APR-93	New Hampshire - SA
02-93-253-50-598*	MULTI	AL/DOL	08-JUN-93	Connecticut Department of Labor - SA
02-93-255-50-598	MULTI	AL/DOL	16-JUN-93	Rhode Island and Providence Plantations - SA
02-93-257-50-598	MULTI	AL/DOL	17-SEP-93	Massachusetts - SA
02-93-259-50-598	MULTI	AL/DOL	11-JUN-93	Maine - SA
02-93-272-50-598*	MULTI	AL/DOL	27-SEP-93	Tribal Governors, Inc - SA
03-93-034-03-315	ETA	UIS	29-SEP-93	UI Performance Measures
03-93-048-03-340*	ETA	JTPA	24-SEP-93	Epilepsy Foundation of America (12/31/91) - SA
03-93-049-03-340*	ETA	JTPA	24-SEP-93	Epilepsy Foundation of America (12/31/89) - SA
03-93-050-03-340*	ETA	JTPA	24-SEP-93	Epilepsy Foundation of America (12/31/90) - SA
03-93-051-03-340*	ETA	JTPA	24-SEP-93	National Association of Rehabilitation Facilities 12/31/91 - SA
03-93-052-03-340*	ETA	JTPA	24-SEP-93	National Association of Rehabilitation Facilities, Inc - SA
03-93-056-03-340*	ETA	JTPA	24-SEP-93	Baltimore City Office of Employment Development - SA
03-93-057-03-340	ETA	JTPA	24-SEP-93	Philadelphia - SA
03-93-058-03-340	ETA	JTPA	24-SEP-93	Philadelphia Mayor's Office of Community Services - SA
03-93-059-03-340*	ETA	JTPA	24-SEP-93	Association of Farmworker Opportunity Programs - SA
03-93-060-03-340*	ETA	JTPA	24-SEP-93	Association of Farmworker Opportunity Programs & Subsidiary - SA
03-93-061-03-340*	ETA	JTPA	24-SEP-93	National Federation of the Blind 12/31/91 - SA
03-93-047-03-360*	ETA	DOWP	24-SEP-93	National Caucus and Center on Black Aged, Inc - SA
03-93-054-03-360*	ETA	DOWP	24-SEP-93	Baltimore City, Office of Employment Development 6/30/90 - SA
03-93-055-03-360*	ETA	DOWP	24-SEP-93	Baltimore City, Office of Employment Development 6/30/91 - SA
03-93-033-03-370	ETA	OJC	30-SEP-93	Job Corps Performance Measures
03-93-053-03-370*	ETA	OJC	24-SEP-93	Baltimore City, Office of Employment Development - SA
03-93-025-04-431	ESA	FECA	07-JUN-93	FECA Agreed Upon Procedures Jacksonville Dist Office FY 92
03-93-026-04-431	ESA	FECA	17-JUN-93	FECA Agreed Upon Procedures New York Dist Office FY 92
03-93-027-04-431	ESA	FECA	17-JUN-93	FECA Agreed Upon Procedures Denver Dist Office FY 92
03-93-028-04-431	ESA	FECA	17-JUN-93	FECA Agreed Upon Procedures San Francisco D.O. FY 92
03-93-029-04-431	ESA	FECA	17-JUN-93	FECA Agreed Upon Procedures Seattle Dist Office FY 92

\*DOL has cognizant responsibility for specific entities under the Single Audit Act. Reports listed and asterisked above indicate those entities for which DOL has cognizance. More than one audit report may have been issued or transmitted for an entity during this time period. Reports are issued on the type of funding and the agency/program responsible for resolution.

**FINAL AUDIT REPORTS ISSUED  
01-APR-93 TO 30-SEP-93**

Audit Report Number	Agency	Program	Date Sent to Program		Name of Audit/Auditee
			Agency		
03-93-030-11-001	BLS	ADMIN	24-SEP-93		BLS Performance Measures
03-93-044-50-598*	MULTI	AL/DOL	24-SEP-93		DC Department of Employment Services - SA
03-93-045-50-598	MULTI	AL/DOL	29-SEP-93		Maryland - SA
04-93-026-02-210	VETS	VETSPM	01-APR-93		Nashville Davidson County - SA
04-93-028-02-210	VETS	VETSPM	19-MAY-93		Jacksonville - SA
04-93-033-03-310	ETA	OFCMS	29-SEP-93		ETA Performance Measures FY 1992
04-93-027-03-320	ETA	USES	20-AUG-93		TJTC Program - Alabama
04-93-049-03-320*	ETA	USES	13-SEP-93		South Carolina Employment Security Commission - SA
04-93-013-03-340	ETA	JTPA	02-SEP-93		PIC of Atlanta - SA
04-93-024-03-340*	ETA	JTPA	11-JUN-93		South Carolina Governor's Office - SA
04-93-046-03-340	ETA	JTPA	23-SEP-93		GA DOL Selected SDA Fixed Fee Contracts with Quality Plus, Inc
04-93-039-03-355*	ETA	DINAP	04-AUG-93		Haliwa-Saponi Indian Tribe, Inc - SA
04-93-040-03-355	ETA	DINAP	11-AUG-93		Seminole Tribe of Florida, Inc - SA
04-93-043-03-355*	ETA	DINAP	17-AUG-93		Catawba Indian Nation - SA
04-93-044-03-355*	ETA	DINAP	23-AUG-93		Intertribal Council of Alabama - SA
04-93-029-03-365*	ETA	DSFP	13-APR-93		Delta Housing Development Corporation - SA
04-93-031-03-365*	ETA	DSFP	04-AUG-93		MS Delta Council for Farmworkers Opportunities, Inc - SA
04-93-045-03-365*	ETA	DSFP	23-AUG-93		Homes in Partnership - SA
04-93-048-03-365*	ETA	DSFP	09-SEP-93		Centro Campesino - SA
04-93-050-06-601	MSHA	GRTEES	16-SEP-93		Midlands Technical College - SA
04-93-022-50-598*	MULTI	AL/DOL	01-APR-93		North Carolina - SA
04-93-035-50-598	MULTI	AL/DOL	18-JUN-93		Georgia - SA
04-93-036-50-598	MULTI	AL/DOL	13-JUL-93		Tennessee - SA
04-93-037-50-598	MULTI	AL/DOL	23-JUL-93		Mississippi - SA
04-93-030-98-599*	OT AG	NO/DOL	25-MAY-93		Louisville - SA
04-93-032-98-599*	OT AG	NO/DOL	11-JUN-93		Orange County, Florida - SA
04-93-042-98-599*	OT AG	NO/DOL	12-AUG-93		Brevard County, Florida - SA
05-93-209-02-201	VETS	CONTR	30-APR-93		Milwaukee County, Wisconsin - SA
05-93-008-03-330	ETA	OTAA	30-SEP-93		TAA Program Outcomes in Nine Selected States FYs 91 and 92
05-93-124-03-340*	ETA	JTPA	16-AUG-93		Management, Training & Consulting Corp. - SA
05-93-122-03-350*	ETA	OSTP	04-AUG-93		PREP, Incorporated - SA
05-93-115-03-355*	ETA	DINAP	20-MAY-93		Michigan Indian Employment & Training Services, Inc - SA
05-93-118-03-355*	ETA	DINAP	10-JUN-93		Indian Center, Inc - SA
05-93-121-03-355*	ETA	DINAP	02-AUG-93		Wisconsin Indian Consortium - SA
05-93-125-03-355*	ETA	DINAP	18-AUG-93		Nebraska Indian Inter-Tribal Development Corp - SA

**FINAL AUDIT REPORTS ISSUED  
01-APR-93 TO 30-SEP-93**

Audit Report Number	Agency	Program	Date Sent to Program		Name of Audit/Auditee
			Agency		
05-93-129-03-355*	ETA	DINAP	22-SEP-93		American Indian Council, Inc - SA
05-93-206-03-355	ETA	DINAP	20-APR-93		Sac and Fox Tribe of the Mississippi in Iowa - SA
05-93-207-03-355	ETA	DINAP	22-APR-93		Fond Du Lac Reservation - SA
05-93-208-03-355	ETA	DINAP	26-APR-93		Lac Du Flambeau Band of Lake Superior Chippewa Indians - SA
05-93-213-03-355	ETA	DINAP	18-MAY-93		Menominee Indian Tribe of Wisconsin - SA
05-93-216-03-355	ETA	DINAP	27-SEP-93		Red Lake Band of Chippewa Indians - SA
05-93-217-03-355	ETA	DINAP	29-SEP-93		Oneida Tribe of Indians of Wisconsin - SA
05-93-205-03-360	ETA	DOWP	15-APR-93		Nebraska Department on Aging - SA
05-93-116-03-365*	ETA	DSFP	25-MAY-93		Midwest Farmworker Employment & Training, Inc - SA
05-93-119-03-365*	ETA	DSFP	10-JUN-93		Proteus Employment Opportunities, Inc - SA
05-93-120-03-365*	ETA	DSFP	18-JUN-93		Rural Missouri, Inc - SA
05-93-127-03-365*	ETA	DSFP	10-SEP-93		Homes/Casas, Inc - SA
05-93-128-03-365*	ETA	DSFP	16-SEP-93		Nebraska Association of Farmworkers - SA
05-93-130-03-365*	ETA	DSFP	24-SEP-93		SER Corporation - SA
05-93-123-03-380*	ETA	SPPD	12-AUG-93		Private Industry Council of Columbus & Franklin Co., Inc - SA
05-93-214-03-380	ETA	SPPD	24-SEP-93		Chicago, IL - SA
05-93-006-10-001	OSHA	ADMIN	29-SEP-93		OSHA Performance Measures
05-93-117-50-598*	MULTI	AL/DOL	27-MAY-93		Nebraska Department of Labor - SA
05-93-126-50-598*	MULTI	AL/DOL	02-SEP-93		Indiana Department of Labor - SA
05-93-204-50-598	MULTI	AL/DOL	01-APR-93		Minnesota - SA
05-93-210-50-598	MULTI	AL/DOL	05-MAY-93		Kansas - SA
05-93-211-50-598	MULTI	AL/DOL	06-MAY-93		Wisconsin - SA
05-93-212-50-598	MULTI	AL/DOL	14-MAY-93		Iowa - SA
05-93-215-50-598	MULTI	AL/DOL	24-SEP-93		Chicago, IL - SA
06-93-115-03-355*	ETA	DINAP	15-APR-93		Four Tribes Consortium of Oklahoma - SA
06-93-231-03-355	ETA	DINAP	13-APR-93		Santo Domingo Tribe - SA
06-93-232-03-355	ETA	DINAP	13-APR-93		Eight Northern Indian Pueblos Council, Inc - SA
06-93-233-03-355	ETA	DINAP	13-APR-93		Crow Tribe of Indians - SA
06-93-235-03-355	ETA	DINAP	15-APR-93		Rosebud Sioux Tribe - SA
06-93-237-03-355	ETA	DINAP	22-APR-93		Wyoming Department of Health - SA
06-93-238-03-355	ETA	DINAP	23-APR-93		Santa Clara Indian Pueblo - SA
06-93-239-03-355	ETA	DINAP	23-APR-93		Crow Tribe of Indians - SA
06-93-240-03-355	ETA	DINAP	23-APR-93		Crow Tribe of Indians - SA
06-93-241-03-355	ETA	DINAP	26-APR-93		Osage Nation - SA
06-93-242-03-355	ETA	DINAP	04-MAY-93		Ute Mountain Tribe - SA
06-93-243-03-355	ETA	DINAP	04-MAY-93		Standing Rock Sioux Tribe - SA
06-93-244-03-355	ETA	DINAP	11-MAY-93		Ramah Navajo School Board, Inc - SA
06-93-245-03-355	ETA	DINAP	27-MAY-93		Flandreau Santee Sioux Tribe - SA
06-93-247-03-355	ETA	DINAP	11-JUN-93		Alamo Navajo School Board, Inc - SA
06-93-250-03-355	ETA	DINAP	22-JUL-93		Mescalero Apache Tribe - SA
06-93-251-03-355	ETA	DINAP	22-JUL-93		Shoshone and Arapaho Tribes - SA
06-93-252-03-355	ETA	DINAP	27-JUL-93		Northern Cheyenne Tribe - SA
06-93-253-03-355	ETA	DINAP	27-JUL-93		Devil's Lake Sioux Tribe - SA
06-93-254-03-355	ETA	DINAP	03-AUG-93		Southern Ute Indian Tribe - SA

**FINAL AUDIT REPORTS ISSUED  
01-APR-93 TO 30-SEP-93**

Audit Report Number	Agency	Program	Date Sent to Program		Name of Audit/Auditee
			Agency		
06-93-255-03-355	ETA	DINAP	05-AUG-93		Cheyenne River Sioux Tribe - SA
06-93-257-03-355	ETA	DINAP	09-AUG-93		Assiniboine & Sioux Tribes - SA
06-93-258-03-355	ETA	DINAP	09-AUG-93		Comanche Indian Tribe - SA
06-93-259-03-355	ETA	DINAP	11-AUG-93		United Sioux Tribes of South Dakota Development Corporation -SA
06-93-260-03-355	ETA	DINAP	14-SEP-93		Ponca Tribe of Oklahoma - SA
06-93-261-03-355	ETA	DINAP	16-SEP-93		Chickasaw Nation - SA
06-93-262-03-355	ETA	DINAP	16-SEP-93		Ramah Navajo School Board, Inc - SA
06-93-263-03-355	ETA	DINAP	21-SEP-93		Pueblo of Acoma - SA
06-93-264-03-355	ETA	DINAP	21-SEP-93		Confederated Salish & Kootenai Tribes - SA
06-93-265-03-355	ETA	DINAP	22-SEP-93		Five Sandoval Indian Pueblos, Inc - SA
06-93-266-03-355	ETA	DINAP	22-SEP-93		Five Sandoval Indian Pueblos, Inc - SA
06-93-267-03-355	ETA	DINAP	22-SEP-93		Five Sandoval Indian Pueblos, Inc - SA
06-93-268-03-355	ETA	DINAP	22-SEP-93		Five Sandoval Indian Pueblos, Inc - SA
06-93-256-03-360	ETA	DOWP	05-AUG-93		New Mexico State Agency on Aging - SA
06-93-119-03-365*	ETA	DSFP	27-JUL-93		Home Education Livelihood Program, Inc - SA
06-93-009-04-410	ESA	OFCCP	29-SEP-93		OFCCP Performance Measures
06-93-008-04-420	ESA	WHD	29-SEP-93		Wage & Hour Performance Measures
06-93-117-10-101*	OSHA	OSHAG	27-MAY-93		Arkansas Workers' Compensation Commission - SA
06-93-116-50-598*	MULTI	AL/DOL	27-MAY-93		Arkansas Department of Labor - SA
06-93-118-50-598*	MULTI	AL/DOL	10-JUN-93		New Mexico Department of Labor - SA
06-93-120-50-598*	MULTI	AL/DOL	27-JUL-93		Wyoming Department of Employment - SA
06-93-229-50-598	MULTI	AL/DOL	01-APR-93		South Dakota - SA
06-93-230-50-598	MULTI	AL/DOL	02-APR-93		Oklahoma - SA
06-93-234-50-598	MULTI	AL/DOL	15-APR-93		Colorado - SA
06-93-236-50-598	MULTI	AL/DOL	26-APR-93		Montana - SA
06-93-246-50-598	MULTI	AL/DOL	02-JUN-93		Utah - SA
06-93-248-50-598	MULTI	AL/DOL	15-JUN-93		Louisiana - SA
06-93-249-50-598	MULTI	AL/DOL	19-JUL-93		Texas - SA
09-93-510-03-355*	ETA	DINAP	25-MAY-93		Affiliation of Arizona Indian Centers - SA
09-93-542-03-355	ETA	DINAP	02-APR-93		Kenaitze Indian Tribe - SA
09-93-544-03-355*	ETA	DINAP	02-APR-93		Seattle Indian Center - SA
09-93-545-03-355*	ETA	DINAP	02-APR-93		Seattle Indian Center - SA
09-93-546-03-355*	ETA	DINAP	02-APR-93		Seattle Indian Center - SA
09-93-547-03-355*	ETA	DINAP	02-APR-93		Seattle Indian Center - SA
09-93-548-03-355*	ETA	DINAP	02-APR-93		Seattle Indian Center - SA
09-93-549-03-355*	ETA	DINAP	02-APR-93		Seattle Indian Center - SA
09-93-550-03-355	ETA	DINAP	02-APR-93		Gila River Indian Community - SA
09-93-552-03-355*	ETA	DINAP	06-APR-93		Organization of the Forgotten American - SA
09-93-553-03-355*	ETA	DINAP	20-APR-93		Idaho Migrant Council - SA
09-93-560-03-355	ETA	DINAP	25-MAY-93		Confederated Tribes of the Colville Reservation - SA
09-93-561-03-355	ETA	DINAP	25-MAY-93		Confederated Tribes of the Warm Springs Reservation - SA
09-93-562-03-355	ETA	DINAP	24-MAY-93		Kodiak Area Native Association - SA

**FINAL AUDIT REPORTS ISSUED  
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<b>Audit Report Number</b>	<b>Agency</b>	<b>Program</b>	<b>Date Sent to Program Agency</b>	<b>Name of Audit/Auditee</b>
09-93-563-03-355	ETA	DINAP	02-JUN-93	Kodiak Area Native Association - SA
09-93-564-03-355	ETA	DINAP	09-JUN-93	Kodiak Area Native Association - SA
09-93-567-03-355*	ETA	DINAP	15-JUN-93	Bristol Bay Native Association - SA
09-93-569-03-355	ETA	DINAP	26-AUG-93	Tohono O'Odham Nation - SA
09-93-570-03-355*	ETA	DINAP	21-JUL-93	Alu Like - SA
09-93-572-03-355	ETA	DINAP	27-JUL-93	Cook Inlet Tribal Council - SA
09-93-573-03-355	ETA	DINAP	11-AUG-93	Confederated Tribes of the Umatilla Indian Reservation - SA
09-93-574-03-355	ETA	DINAP	11-AUG-93	Confederated Tribes of the Umatilla Indian Reservation - SA
09-93-575-03-355	ETA	DINAP	11-AUG-93	Salt River Pima-Maricopa Indian Community - SA
09-93-576-03-355*	ETA	DINAP	11-AUG-93	Las Vegas Indian Center - SA
09-93-579-03-355	ETA	DINAP	24-AUG-93	Tohono O'Odham Nation - SA
09-93-580-03-355*	ETA	DINAP	25-AUG-93	Affiliation of Arizona Indian Centers - SA
09-93-582-03-355*	ETA	DINAP	22-SEP-93	Candelaria American Indian Council - SA
09-93-587-03-355*	ETA	DINAP	22-SEP-93	American Indian Association of Tucson - SA
09-93-566-03-360*	ETA	DOWP	20-JUL-93	National Association for Hispanic Elderly - SA
09-93-581-03-365*	ETA	DSFP	03-SEP-93	Portable Practical Educational Preparation - SA
09-93-583-03-365*	ETA	DSFP	03-SEP-93	California Human Development Corporation - SA
09-93-585-03-365	ETA	DSFP	14-SEP-93	County of Kern - SA
09-93-578-03-380*	ETA	SPPD	19-AUG-93	Los Angeles - SA
09-93-557-06-601*	MSHA	GRTEES	25-MAY-93	Idaho Department of Labor & Industrial Services - SA
09-93-558-06-601*	MSHA	GRTEES	26-MAY-93	Idaho Department of Labor & Industrial Services - SA
09-93-577-10-101	OSHA	OSHAG	11-AUG-93	Boise State University - SA
09-93-006-12-001	PWBA	ADMIN	30-SEP-93	PWBA Performance Measures
09-93-007-12-001	PWBA	ADMIN	30-SEP-93	LMSA FY 92 Financial Statements
09-93-551-50-598	MULTI	AL/DOL	09-APR-93	Oregon - SA
09-93-554-50-598	MULTI	AL/DOL	05-MAY-93	Federated States of Micronesia - SA
09-93-555-50-598	MULTI	AL/DOL	14-MAY-93	Commonwealth of the Mariana Islands - SA
09-93-556-50-598	MULTI	AL/DOL	12-MAY-93	Commonwealth of the Northern Mariana Islands - SA
09-93-559-50-598	MULTI	AL/DOL	02-JUN-93	Washington - SA
09-93-565-50-598	MULTI	AL/DOL	14-JUN-93	American Samoa Government - SA
09-93-568-50-598	MULTI	AL/DOL	20-JUL-93	Government of Guam - SA
09-93-571-50-598*	MULTI	AL/DOL	27-JUL-93	Hawaii DLIR - SA
09-93-586-50-598	MULTI	AL/DOL	30-SEP-93	Alaska - SA
12-93-001-03-001	ETA	ADMIN	30-SEP-93	FY 92 ETA Financial Schedules
12-93-002-03-315	ETA	UIS	30-SEP-93	FY 92 UI Financial Statements
12-93-017-03-370	ETA	OJC	17-SEP-93	Job Corps Eligibility Requirements
12-93-018-03-380	ETA	SPPD	27-MAY-93	Research & Evaluation Associates, Inc

**FINAL AUDIT REPORTS ISSUED  
01-APR-93 TO 30-SEP-93**

Audit Report Number	Agency	Program	Date Sent to Program		Name of Audit/Auditee
			Agency	Agency	
12-93-010-06-001	MSHA	ADMIN	23-SEP-93	MSHA	MSHA Financial Schedules
12-93-020-06-001	MSHA	ADMIN	24-MAY-93		Termination Claim Closeout by Westinghouse Electric Corporation
12-93-008-07-001	OASAM	ADMIN	30-SEP-93		FY 92 Consolidated Financial Statements
12-93-005-07-710	OASAM	COMP	30-SEP-93		FY 92 Working Capital Fund Financial Statements
12-93-021-10-107	OSHA	TRNTA	18-MAY-93		Pre-award Audit of Meridian Research, Inc
12-93-009-11-001	BLS	ADMIN	30-SEP-93		FY 92 BLS Financial Statements
12-93-019-98-599	OT AG	NO/DOL	04-MAY-93		DOL Child Development Center Inc Fin. Stmts & Auditor's Rpt
17-93-009-01-010	OSEC	ASP	19-MAY-93		The Office of Administrative Appeals
17-93-012-05-001	LMSA	ADMIN	25-AUG-93		Performance Measures OLMS
17-93-010-07-001	OASAM	ADMIN	12-APR-93		FY 92 Evaluation Monitoring of Lobbying Activities
17-93-011-07-001	OASAM	ADMIN	17-SEP-93		Controls Over Advisory & Assistance Services
17-93-007-07-730	OASAM	DAPP	13-APR-93		Energy Management and Conservation Audit Survey
18-93-015-03-340	ETA	JTPA	30-APR-93		OICA, INC - Audit Resolution - II
18-93-019-03-355	ETA	DINAP	13-AUG-93		Western Washington Indian Employment & Training Program
18-93-020-03-360	ETA	DOWP	09-SEP-93		National Indian Council on Aging
18-93-021-03-360	ETA	DOWP	09-sep-93		National Indian Council on Aging
18-93-018-03-365	ETA	DSFP	18-JUN-93		Training Development Corporation
18-93-012-03-370	ETA	OJC	09-SEP-93		International Masonry Institute
18-93-014-03-370	ETA	OJC	26-APR-93		NPIJA TF FY 90-91
18-93-011-07-735	OASAM	OPGM	09-SEP-93		International Masonry Institute
18-93-013-07-735	OASAM	OPGM	02-APR-93		TDC Indirect Cost Audit FY 91
18-93-016-07-735	OASAM	OPGM	28-JUL-93		National Governor's Association FY 89-90
18-93-017-07-735	OASAM	OPGM	28-JUL-93		National Governor's Association FY 91
19-93-005-10-001	OSHA	ADMIN	16-SEP-93		Property Management Inventory System

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