



# HIGHLIGHTS

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## Selected Statistics

October 1, 2006–March 31, 2007

Investigative monetary accomplishments .....	\$151 million
Questioned costs .....	\$22.3 million
Audit and other reports issued .....	40
Indictments .....	313
Convictions .....	249
Investigative cases opened .....	227
Investigative cases closed .....	295
Investigative cases referred for prosecution .....	153
Investigative cases referred for administrative/ civil action .....	103
Debarments .....	20

## A Message from the Inspector General

This *Highlights* edition provides a summary of selected noteworthy activities and accomplishments of the Office of Inspector General (OIG) for the six-month period ending March 31, 2007.

Our investigations continue to combat labor racketeering in the workplace and fraud against the foreign labor certification and other Department of Labor (DOL) programs. During this reporting period, our investigative work successfully led to 313 indictments, 249 convictions, and over \$151 million in monetary accomplishments. In addition, our audits made significant recommendations addressing vulnerabilities in the Department's programs and operations. We issued 40 reports and questioned \$22 million in costs. Further, we continue to provide audit and investigative oversight of DOL's response to Hurricane Katrina.

Our office remains committed to promoting the economy, integrity, effectiveness, and efficiency of DOL. I would like to express my sincere gratitude to a professional and dedicated OIG staff for their important contributions during this reporting period. Finally, I appreciate the constructive relationship between my office and the Department.

Gordon S. Heddell  
 Inspector General

## Worker Safety and Health

We continue to focus on assessing the Department's effectiveness in protecting workers' safety and health. To this end, we are providing oversight of the Mine Safety and Health Administration (MSHA), whose primary mission is to protect miners' safety. During this reporting period, we completed an audit of the reliability and completeness of MSHA's performance data. One of our findings established that MSHA could not ensure that it had accounted for all hours worked by miners, a critical data element used to measure MSHA's performance. Further, MSHA did not have adequate monitoring procedures in place to verify, in source documents, the hours worked by miners and contractors, as submitted by the mine operators. Without adequate controls over performance data, it is difficult for Congress and the Department to assess program effectiveness. Our findings also emphasize the importance of careful monitoring by MSHA to verify performance data that it receives from mine operators and their contractors.

Our safety and health investigative work resulted in a company owner and a supervisor pleading guilty to charges related to an employee's death. In 2005, Metla Construction Inc., a company in New York, willfully failed to provide fall-protection equipment for its workers on a construction site, and a worker fell approximately 60 feet to his death while working on a scaffold. The Occupational Safety and Health Administration (OSHA) had previously issued citations for safety violations and had previously cited the company for fall-protection violations in 2004 and 2005. In December 2006, the company's owner pled guilty to a willful safety violation causing the death of an employee. His brother, who was a supervisor at the company, also pled guilty to false statements related to the death of the employee.

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

## Grants Management

Successfully meeting the needs of Americans who benefit from programs funded by Federal grants requires procedures to enable adequate grant oversight and performance evaluation. Strong internal controls at the Department and grantee levels help ensure that grant funds are used in an approved and allowable manner to deliver services. Inadequate internal controls have a negative effect on the ability of grantee and programs to meet objectives.

During this reporting period, we completed three audits of DOL direct grantees, those who receive grants directly from DOL without first passing through a state or other entity. Two of the audits were initiated in response to hotline complaints. One grantee received a Workforce Investment Act earmark award. These are funds set aside from an appropriation for a specific entity. Another grantee was funded to serve older workers under the Senior Community Service Employment Program. The third was awarded an H-1B Technical Skills Training Grant, whose purpose was to provide training to U.S. workers to fill jobs in specialty occupations for which foreign workers are being brought in under H-1B nonimmigrant visas. Our audits contained findings in the areas of underperformance, services to participants whose eligibility was not established, unsupported or unallowable costs, and inadequate financial and performance reporting systems.

## Job Corps

Job Corps is recognized today as the nation's largest and most comprehensive residential education and job-training program for at-risk youths ages 16 through 24. Our work in the Job Corps program is extensive. We have recently completed four audits, two of which were initiated in response to hotline complaints. Our findings consistently supported our concerns regarding students' safety and health, risks associated with performance-based contracts, and procurement. For example, two audits identified irregularities in how Job Corps centers used leave categories to account for students who were absent or to extend their stay, thus inflating on-board strength, a key efficiency measure of program performance. Another audit found that a former Regional Director abused contracting

## Job Corps-Cont'd

authority by violating procurement regulations to acquire personal services. Our audit of a Job Corps center managed by the National Park Service disclosed nearly \$3 million in misreported costs and nearly \$200,000 in improper charges to the center. Job Corps temporarily closed this center citing student health and safety concerns.

## Unemployment Insurance

The Unemployment Insurance (UI) program provides income maintenance to persons who are unemployed and otherwise meet eligibility requirements as determined under state law, which must conform to Federal law requirements. Our investigative work in the UI program has consistently uncovered that this program is susceptible to fraud. In just two investigations closed during this reporting period, we identified schemes involving \$2.5 million. In one case, one individual and his family members used stolen identities from payroll records to file UI claims. The defendants were able to defraud the State of California Employment Development Department of over \$600,000 in UI benefits. In the other case, a claims examiner for the Illinois Department of Employment Security processed fraudulent UI claims, which totaled approximately \$2 million.

## Foreign Labor Certification

We continue to be concerned about the high incidence of fraud against the Department's foreign labor certification programs. In addition, we continue to investigate visa fraud and fraudulent applications filed with DOL on behalf of fictitious companies, or applications using names of legitimate companies without their knowledge. During this reporting period, our investigations involved immigration attorneys, labor brokers, and applicants.

In one case, an immigration attorney, along with U.S. company owners, offered employment to Chinese citizens. This allowed them to obtain immigration benefits. Between 2000 and 2005, the attorney submitted more than 200 applications to extend B1 visas, which allow foreign citizens to come to the United States for a short time period

## Foreign Labor Certification-Cont'd

and conduct business on behalf of a foreign employer. These applications included a supporting letter purportedly from the applicant's Chinese employer. The attorney paid the company owners for their sponsorship of the Chinese citizens, and in some cases, even created sham companies. The attorney charged the Chinese citizens for processing the fraudulent visa applications. Earlier this year, she was found guilty of conspiracy and visa fraud.

Another case involved a labor-leasing company that circumvented the foreign labor certification program by having undocumented workers fill out I-9 employment eligibility forms that were preprinted with fraudulent Social Security numbers. These contract laborers were then leased to work at an Ohio airmail-sorting facility. The owner, along with two company officers were recently sentenced to incarceration and ordered to pay significant fines and assessments.

## Disaster Relief

As reported in previous *Semiannual Reports*, in response to the 2005 hurricanes, we initiated a two-phased approach to the unprecedented workload brought on by this natural disaster. Phase I focused on addressing the thousands of possible cases of fraudulent claims for UI and Disaster Unemployment Assistance (DUA) benefits. As part of this effort, we have opened more than 297 investigations to date, which have resulted in 67 indictments and 33 convictions.

Phase II of our investigative work commenced in May 2006 and is concentrating on labor racketeering schemes. Many involve nontraditional organized crime groups and loosely-knit criminal enterprises in reconstruction and debris removal.

In addition to our investigative work, we recently completed an audit to determine the financial impact of claimants using invalid Social Security numbers. We determined that the Louisiana Department of Labor paid approximately \$5 million in DUA/UI benefits against questionable Social Security numbers.

We direct our resources to monitor the DOL's most critical activities and to assess how effectively DOL programs are using taxpayer dollars.

*We direct our resources to assess how effectively Labor programs are using taxpayer dollars to serve the public. We focus particular attention on those programs and operations that our work has identified as top management challenges for the Department. Following is a brief synopsis of some of our upcoming work.*

### **Worker Safety and Health**

We are completing an audit on the quality of MSHA's Accountability Program, specifically its enforcement activities through peer reviews conducted of district offices' activities. We have also initiated audits of MSHA's mandatory mine inspections and of how MSHA determines whether fatalities are a result of mining activity. We will be completing an audit on the resolution of serious hazards identified through OSHA's Consultation Program.

### **Grants Management**

We are looking at the effectiveness of earmarked grants to determine if these are used to serve the intended populations and assess the outcomes for those served. Our work also includes an audit of DOL's noncompetitive procurement process and grant performance of the High Growth Job Training Initiative. Additionally, we are conducting three performance audits to determine if selected Katrina National Emergency Grants funds were expended properly.

### **Benefit Programs**

We have begun an audit of the process for paying Energy Employees Occupational Illness Compensation Program Act claims. Serious concerns have been brought to our attention regarding the processing and payment of claims under this program.

### **Veterans' Employment and Training**

We will be conducting an audit of DOL's programs intended to provide transition assistance to veterans, particularly returning reservists.

### **Gulf Coast Response**

We will continue our assessment of disaster unemployment compensation claimant eligibility and debit card accountability. Our investigations will continue to concentrate on this type of fraud and labor racketeering schemes related to debris removal, demolition, and reconstruction, many involving nontraditional organized crime groups.

### **Safeguarding Workers' Rights and Benefits**

Our investigations will continue to focus on combating labor racketeering-related corruption against workers' pension and welfare benefit plans. We will also continue to aggressively investigate fraud against DOL's programs, particularly its foreign labor certification and Unemployment Insurance programs.