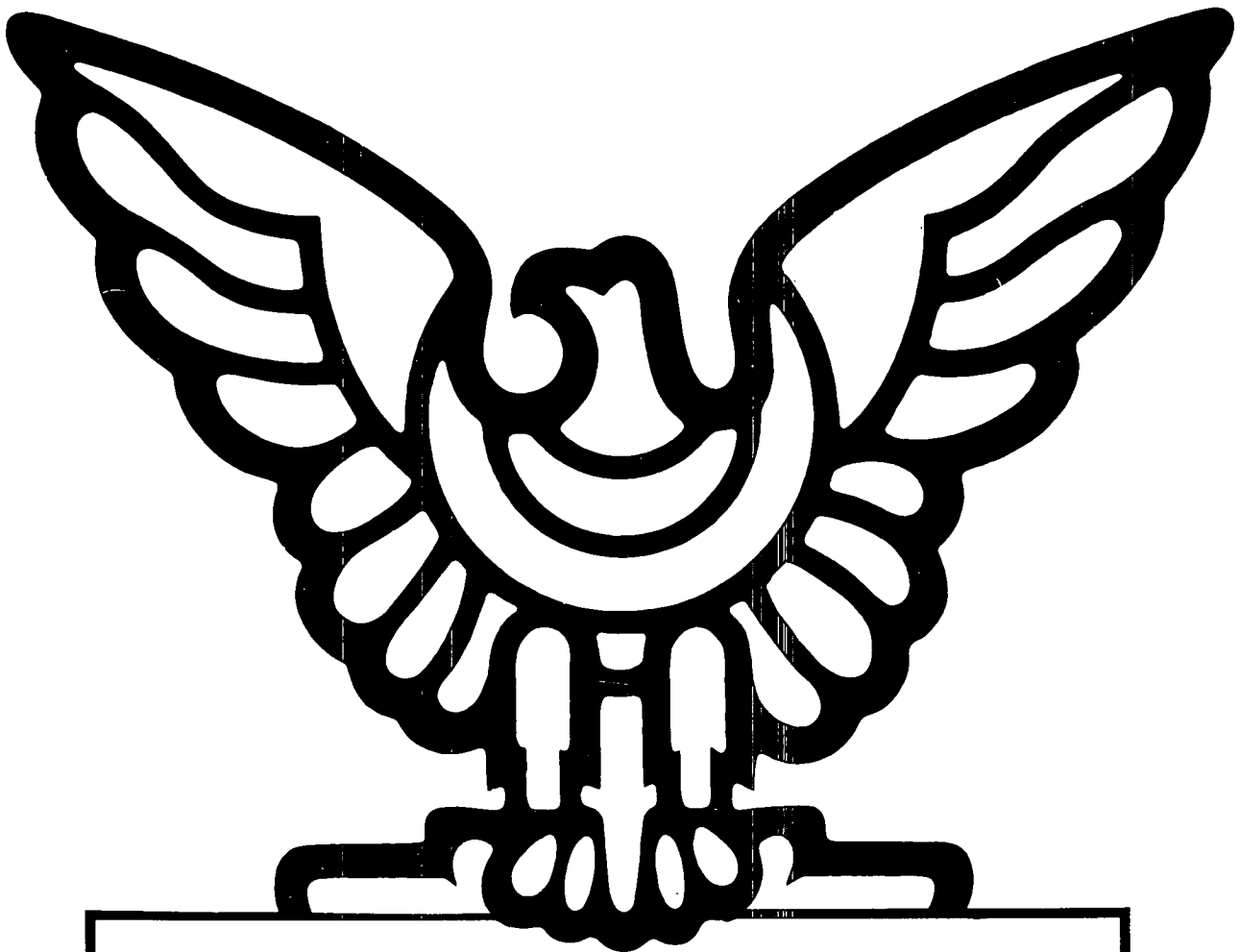


# Semiannual Report Office of Inspector General U.S. Department of Labor



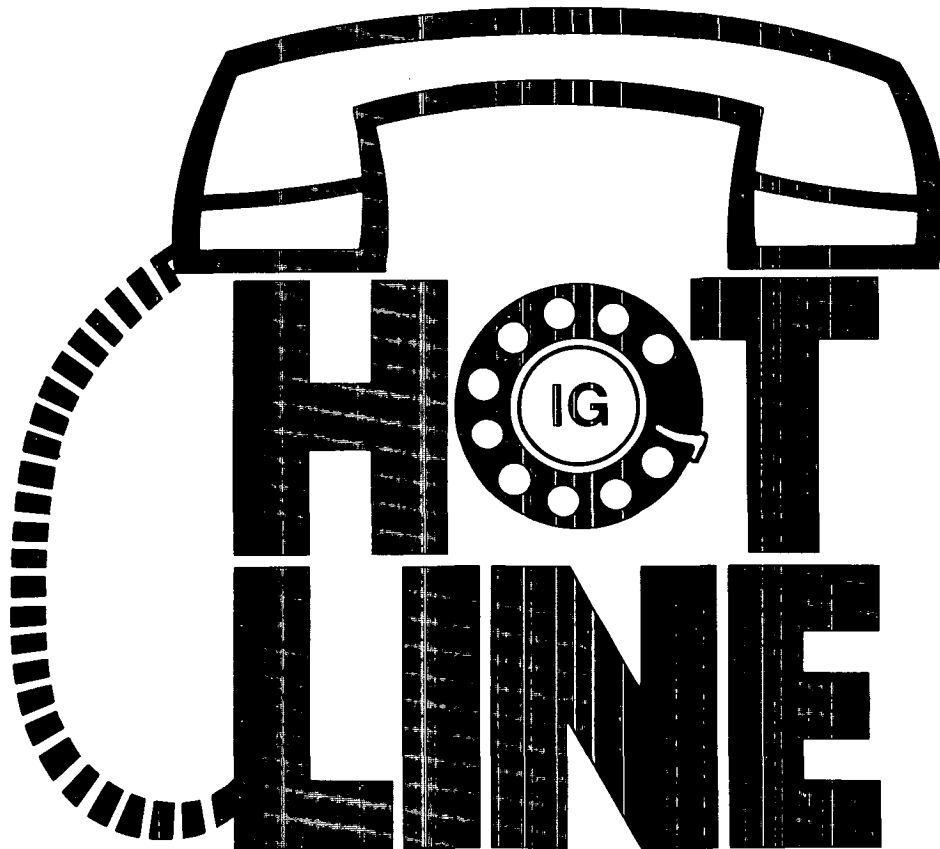
U.S. Department of Labor  
Office of the Inspector General

October 1, 1989 - March 31, 1990



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

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U.S. Department of Labor  
Elizabeth Dole, Secretary

Office of the Inspector General  
Raymond Maria, Acting Inspector General

October 1, 1989 - March 31, 1990

## THE INSPECTOR GENERAL'S MESSAGE

Through the *Semiannual Report* and testimony before the Congress, I have attempted to focus public attention on the critical need to revise the Department's enforcement strategies to better assure the economic well-being and health and safety of the American worker. The Office of Inspector General's (OIG) findings and reports clearly are intended to stimulate awareness of program deficiencies which, if unaddressed, could create major additional funding problems for the Federal Government. By fostering concern and debate, I believe that the OIG effectively has discharged its responsibility to *prevent* waste, fraud, and abuse.

It has been an honor and privilege to have served as the Acting Inspector General. I am especially indebted to my colleagues in the OIG whose competence, tireless commitment, and integrity have enabled this office to aggressively address and report on programs and issues of profound concern to the American public without regard for political or bureaucratic ramifications. Their incisive, provocative reporting, indeed, has been recognized by the Congress as a model to be emulated by other Inspectors General.

A handwritten signature in black ink that reads "Raymond Maria". The signature is written in a cursive, flowing style.

Raymond Maria  
Acting Inspector General

# SIGNIFICANT CONCERNS OF THE INSPECTOR GENERAL

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## **Problems with DOL Enforcement**

The integrity of OIG's investigative prerogatives remains in serious jeopardy as a result of the 1989 Department of Justice (DOJ) opinion that significantly reduced its ability to address through criminal investigations flagrant acts of fraud against Department of Labor programs and operations that do not involve DOL employees or direct Federal funds.

In response to OIG criticism of the Department's enforcement strategy, the Secretary initiated an examination of each agency's civil and criminal enforcement program. The results and conclusions of this review are due in June. Paralleling the Secretary's department-wide study, the OIG has initiated an audit of the effectiveness of *criminal* enforcement strategies alone in all relevant departmental agencies, including the OIG's Office of Investigations and Office of Labor Racketeering. Results of both reviews will be available for congressional review and comparison in the next *Semiannual Report*.

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## **Remedies Inadequate, Deterrence Unrealized**

While we anticipate improvements as a result of these efforts, experience with past Department of Labor enforcement promises to the Congress demands skepticism about the likelihood of significant institutional changes, particularly those that would strengthen criminal enforcement to pursue those whose acts clearly transcend mere technical or accidental violations.

It must be noted that the Secretary has endorsed the 1989 Department of Justice opinion restricting the OIG's investigative jurisdiction and has opposed the OIG's recommendation that legislation be enacted to overcome this unfortunate obstacle to good government.

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## **Need to Get Tough With White Collar Criminals**

Fraud and racketeering in pension and welfare plans are not the exclusive province of labor union officials or ethnic stereotypes. Today we face a new generation of racketeers disguised as attorneys, accountants, bankers, benefit plan administrators, investment advisors, and medical service providers. The DOJ opinion will perpetuate an environment in which the latter group of "white collar" offenders will be addressed through remedies such as restitution while the former group will face exposure to racketeering

charges leading to jail and forfeiture of assets. Such an enforcement approach is not only unconscionable, but it also creates the impression that we will tolerate a double standard of justice.

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**Legislative  
Recommendation**

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The Congress should adopt H.R. 4617 and S. 2608, recently introduced bills that would overcome the restrictive DOJ opinion and clarify Congress' intent with respect to Inspectors' General investigative jurisdiction. This proposed legislation would permit the OIG to pursue criminal investigations of egregious fraud and corruption that place in jeopardy the health and safety of American workers as well as their pension and welfare benefits.

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**Problems with  
Health Insurance  
Fraud**

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Skyrocketing health care costs have caused major insurance companies to all but abandon the small employer market, concluding that it represents an unacceptable risk. This vacuum of traditional group health insurance is being filled rapidly by self-funded plans commonly known as multiple employer welfare arrangements (MEWAs).

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**No Clear Federal  
Commitment**

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Criminal investigations disclose that this environment has attracted an alarming number of fraudulent MEWAs that masquerade as legitimate providers of group health coverage. Through aggressive, deceptive representations the racketeer operators of these schemes generate millions of dollars in monthly premiums from unsuspecting small companies and their employees. Structured as a modern-day Ponzi scheme, the fraudulent MEWA typically pays small claims and defers major claims while dissipating the premium revenue through a variety of embezzlements disguised as legitimate operating expenses. State regulation and civil enforcement actions against these fraudulent MEWAs have proved ineffective because there is no clearly orchestrated Federal enforcement program and because both the MEWA principals and the assets move quickly from state to state.

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**Tragic  
Consequences**

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The consequences of such fraud are tragic. Today, thousands of employers and their workers are held personally liable for unpaid medical bills even though they believed there was health coverage. Moreover, many participants are left with "pre-existing" health conditions for which they will never obtain health insurance in the future.

The Office of Labor Racketeering (OLR) has aggressively investigated the racketeers who operate these fraudulent schemes. The restrictive DOJ opinion, however, precludes the OIG from fully deploying all

necessary criminal investigators against this escalating criminal problem, thus ensuring that a large number of these pernicious fraud schemes will continue to plague the public.

Fortunately, our opposition to the DOJ opinion has been heard by the Congress. Speedy enactment of proposed congressional legislation will permit the OIG to dedicate more criminal investigators to combat the proliferation of fraudulent self-funded group health plans and effectively remove those unscrupulous racketeers who reap millions as they jeopardize the health care and financial security of the American worker.

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### **Problems with Pension/Welfare Plan Audits**

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The OIG continues to express significant concerns about the nation's private pension and welfare plans' vulnerability to fraud and abuse. Inadequate audit work by independent public accountants and a lack of effective law enforcement are the primary factors creating this climate of vulnerability.

The Employee Retirement Income Security Act (ERISA) was designed to make plan participants the first line of defense against fraud, abuse, and mismanagement by creating a reporting and disclosure system that would keep participants fully informed. Independent public accountants' financial statement audits, however, have too often failed to meet their client responsibility to plan participants to identify and disclose material violations of ERISA. Today there exists a gap between the independent public accountants' performance and expectations of the Congress and plan participants who thought they would receive clear, precise information to permit evaluation of the status and management of their plan assets.

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### **Plan Participants Ill-informed**

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This audit "expectation gap" in employee benefit plans also exists in other arenas as well and is a primary factor in fostering an environment conducive to fraud and abuse. In February 1989, the General Accounting Office reported that fraud and insolvencies within the savings and loan industry could in large part be attributable to the failure of the public accountants to identify and report on significant problems. In February 1990, the House Subcommittee on Oversight and Investigations reported on insolvencies within the insurance industry and their monumental cost to the public. The "scandalous mismanagement and rascality" causing these financial disasters were undetected by the

public accountants despite the fact that the problems were recognizable. Essentially, the Subcommittee charged the public accountants with a failure to detect fraud and alert shareholders and the public.

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**Benefit Plan Audits  
Should Cover  
All Assets**

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To close this “expectation gap” the OIG has made two basic recommendations: elimination of any restriction on the scope of the audit of plan assets, and revision of the American Institute of CPAs’ (AICPA) audit guide for employee benefit plans. This January a bill was introduced in the Senate to amend ERISA so that *all* assets of a plan would be subject to audit review in order to provide participants with greater assurance about the integrity of plan assets. The OIG and the DOL have worked continuously with the AICPA to assist the profession in developing an employee benefit plan audit guide that will incorporate procedures to improve the detection and reporting of ERISA violations. The AICPA has made a written commitment to continue dialogue with DOL in an effort to make the audit meaningful, realistic and integral to the larger enforcement process. The OIG is hopeful that this cooperative approach will, indeed, produce an audit that truly serves the interests of plan participants by incisive detection and prompt reporting of ERISA violations.

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**Strengthening  
Audit Standards**

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**Concerns about  
Misuse of Job  
Training Funds**

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The Job Training Partnership Act (JTPA) program has been subject to some recent congressional and media criticism regarding the population it serves and its expenditure of funds. Our audit work continues to disclose some examples of program abuse at the subrecipient level, appearances of conflict of interest at the PIC level, poor monitoring in some SDA areas, and examples of contracting compliance violations. During this period, we conducted 23 audits with total funding of over \$287 million resulting in \$43 million in questioned costs.

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**JTPA Troubles Call  
for Legislative Action**

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At this time, both the House and the Senate are considering amendments to JTPA proposed by the Administration to better target the program toward serving the most disadvantaged, to expand the program’s services by providing more basic training, and to bring greater accountability to the program for the funds it expends.



# EXECUTIVE SUMMARY

## **Significant Concerns** Page

The OIG is concerned that the Department continues to pursue a flawed enforcement strategy that relies too heavily on civil remedies at the expense of criminal actions thereby creating no meaningful deterrence to fraud affecting the economic well-being and health of the American worker ..... 1, 37

The OIG recommends that the Congress adopt H.R. 4617 and S. 2608 which would clarify Congress' intent with respect to OIG's investigative jurisdiction and would allow the OIG to pursue criminal fraud against all DOL programs ..... 2, 49

### **Small Employer Health Insurance Fraud**

There is no clearly orchestrated Federal enforcement program to deal with fraudulent self-funded multiple employer health plans and the Department's historical reliance upon civil remedies will not address this nationwide problem ..... 2, 43

### **Pension and Welfare Benefits Vulnerability**

The nation's private pension and welfare plans continue to be vulnerable to fraud and abuse because of inadequate audits by independent public accountants and lax Departmental enforcement of ERISA..... 3

### **Job Training Partnership Act (JTPA) Problems**

The Congress currently is considering legislation which should alleviate long-standing problems with JTPA in serving those most in need, adequately accounting for costs charged the Government, and insuring specificity in contracting for JTPA services. However, other problems continue to surface ..... 12

Many JTPA programs and expenditures may be unauditible if the OIG cannot gain routine access, as is currently the case in New Orleans, to contractor records needed to identify costs associated with JTPA-funded fixed unit price contracts ..... 12

Approximately \$640,000 in JTPA dislocated worker funds was used to purchase satellite disks, television cameras, and computers for a high-tech training center at Louisiana's Northwestern State University, "equivalent to what CNN has," according to the university president. No dislocated workers had been served as of the end of 1989, although the university has launched graduate degree programs in television broadcasting since acquiring the equipment ..... 13

On-the-job training (OJT) broker arrangements continue to be too susceptible to program abuse. Poor JTPA contracting procedures resulted in excessive profits in Mississippi, inflated placement claims by OJT brokers in Missouri, and expenditures in Indiana for services and training already available without JTPA funds. One California program was reimbursed more than \$700,000 for expenditures which included placing 8 people as longshoremen 178 times with the same employer. Claims for multiple placements of individuals for as little as 1 day are allowed under current JTPA regulations..... 14

### **Unemployment Insurance Troubles**

For the second time in 4 years, the OIG audited administrative charges to the Unemployment Trust Fund for services provided by the U.S. Department of Treasury. Almost \$18 million was overcharged the Trust Fund primarily because collection costs associated with taxpayer delinquency investigations were improperly calculated ..... 19

### **Federal Employees' Compensation (FEC) Account Jeopardized**

Proposed legislation to increase unemployment benefits for ex-service members and anticipated reductions in military personnel could drastically deplete the FEC Account since the Congress placed an annual cap on the amount of unemployment compensation which can be paid by DOD. Defense agencies have failed to reimburse the FEC Account for \$71.4 million through September 1988, an average annual shortfall of \$14.3 million ..... 20

**Office of Federal Contract Compliance Programs (OFCCP)  
Needs Clarification**

OFCCP and the OIG cannot reach agreement on the regulatory promulgation of the existing OFCCP definition of "underutilization," a key concept which underlies all OFCCP enforcement activities. The OIG believes that until this definition of "underutilization" of minorities and females in the workplace is promulgated, OFCCP's enforcement will remain susceptible to court challenge ..... 14

**DOL Financial Management Problems**

DOL top management touts the new Department of Labor Accounting and Related Systems (DOLAR\$) as the solution to OIG-identified problems that continue to preclude proper accountability and stewardship over DOL funds. However, DOLAR\$ implementation has not been smooth. Deficiencies continue to exist. The OIG is monitoring the Department's system testing and is independently testing controls, functional requirements, and user needs..... 30

**Inadequate State-generated Information  
Undermines Policy and Management Decision-Making**

Only 14 percent of DOL's funds are spent directly at the Federal level. Without reliable information from DOL fund recipients, neither the Department nor the Congress has good data for policy decisions and program management. Recent problems have significantly raised concerns about the integrity of State-generated information ..... 33

**Selected Statistics**  
**October 1, 1989 - March 31, 1990**

**Audit Activities**

Reports issued on DOL activities .....	282
Total Audit exceptions .....	\$372.7 million
Recommended cost efficiencies .....	\$296.1 million
Reports issued for other Federal agencies .....	12
Dollars resolved .....	\$18.4 million
Allowed .....	\$3.0 million
Disallowed .....	\$15.4 million

**Fraud and Integrity Activities**

Allegations reported .....	639
Cases opened .....	397
Cases closed .....	590
Cases referred for prosecution .....	108
Individuals or entities indicted .....	123
Recoveries, fines, penalties, restitutions, settlements, and cost efficiencies .....	\$6,933,654

**Labor Racketeering Investigation Activities**

Cases opened .....	72
Cases closed .....	42
Individuals indicted .....	81
Individuals convicted .....	35
Fines .....	\$66,050
Restitutions .....	\$324,760

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# Chapter 1

## OFFICE OF AUDIT

During this reporting period, 282 audits of program activities, grants, and contracts were issued. Of these, 33 were performed by OIG auditors, 19 by CPA auditors under OIG contract, 4 by the Defense Contract Audit Agency (DCAA), 42 by State and local government auditors, and 184 by CPA firms hired by grantees.

This chapter has three sections. The first section contains information on audits of the Department's programs (immediately following). The second section centers on the work which remains to be done to correct weaknesses in the Department's Federal financial management systems (page 30). The third section reports that State and local recipients of Department of Labor funding need to improve their financial management (page 33).

Reports on significant audit resolution are contained in Chapter 5 (page 51). Money owed the Department, audit schedules and tables, and a listing of final audit reports issued and resolved are found in Chapter 6 (page 55).

### Section 1 - Agency Activities

#### EMPLOYMENT AND TRAINING ADMINISTRATION (ETA)

ETA oversees the administration of the nation's employment and training system, principally the employment security programs of Unemployment Insurance (UI) and the Employment Service (ES), as well as the Job Training Partnership Act (JTPA) programs. Together, these programs are designed to maintain income for the unemployed while assisting them to obtain employment and, if necessary, provide them training through JTPA to increase their employability. ETA's fiscal year 1990 authorized staffing is 1,753 with a budget of about \$7.2 billion. Of that amount, \$2.5 billion was for State UI and ES operations and \$3.9 billion was for JTPA. In addition, the UI Trust Fund totaled \$45.7 billion in Federal and State cash accounts on deposit with the U.S. Treasury.

During this reporting period, the OIG conducted significant audit activity in JTPA programs, ETA's Information Resources Management (IRM), UI and State Employment Security Agency (SESA) programs.

#### Job Training Partnership Act (JTPA)

The purpose of JTPA is to establish programs to prepare youth and unskilled adults for entry into the labor force and to afford job training to those economically disadvantaged individuals and other individuals facing serious barriers to employment who are in special need of such training to obtain productive employment. Under Titles II and III of JTPA, the Secretary of Labor grants funds to 59 States and entities which, in turn, distribute them to service delivery areas (SDAs) and other organizations. Grants are used for adult and youth programs, summer youth programs, and dislocated worker assistance. Under Title IV-D of JTPA, the Secretary established programs for employment and training research and demonstration, pilot projects, and evaluation.

We continue to see program abuse, conflicts of interest, excessive profits, contracting difficulties, and poor monitoring. During this period, we questioned \$43.3 million in JTPA expenditures.

## Long-standing JTPA Concerns

As we close this semiannual reporting period, both Houses of Congress are giving final consideration to a series of amendments to the JTPA program. Several of these amendments are based upon the Administration's proposals. The amendments are designed to better target the program toward serving the most disadvantaged of the eligible clientele, to expand the program's services by providing more basic training, and to bring greater accountability to the program for funds expended. These provisions will directly address many of the concerns we have raised in previous OIG reports.

In testimony before the U.S. House of Representatives' Committee on Labor and Education in September 1989, we cited targeting, cost accountability, and procurement among those areas of long-standing concern because of their potential for program abuse.

**Program targeting** is a significant thrust of pending bills in both the House and Senate. The bills' measures are designed to assure that a greater number of the most disadvantaged of the JTPA-eligible clientele will be served. Since January 1988, the OIG has been recommending remedies which would increase the return on JTPA's investment in human capital, as required by the Act. Increasing the number of severely disadvantaged program participants will help to achieve this fundamental objective.

**Cost accountability** is also addressed under provisions of the bills which would require expenditures to be charged, as appropriate, to the training, supportive services, or administration cost categories outlined in JTPA's regulations. The amendments would cap the amount charged to any one category, effectively eliminating "single unit charging" of contracts to just the training cost category. The OIG has repeatedly reported this as the primary cause for lack of cost accountability in the program.

**Procurement standards** would also be revised by requiring that the Governor establish certain minimum standards for JTPA programs to improve procurement practices and fiscal accountability. These standards address limitations on sole-source procurement, requirements for costs analyses in contracts, as well as ensure that procurements conform with local written selection procedures prior to requesting proposals. Standards will also ensure that all service deliverables as well as the basis for payment are specified in the contract. ETA has recommended additional changes to the amendments which will strengthen existing pro-

urement standards, improve fiscal accountability including record retention, and ensure that all financial transactions are conducted and records maintained in accordance with Generally Accepted Accounting Principles. These additional recommendations will help to prevent fraud and abuse in programs assisted under JTPA.

While we expect an amended JTPA program to more effectively accomplish its mission, our current audit work continues to surface problems. The following is a presentation of findings and recommendations based upon current JTPA work.

### NEW ORLEANS JTPA COSTS ARE UNAUDITABLE AND CONTRACTORS REFUSE OIG ACCESS TO RECORDS

Three contractors with fixed unit price contracts awarded based on 20 CFR 629.38(e)(2) have refused the OIG access to their financial records. Access to these records is necessary both to identify contractor costs and so the SDA can support the allowability of costs claimed against and funded by JTPA.

We issued an interim report recommending that ETA disallow \$2.3 million because the three contractors refused access to their financial records. No action has been taken on this report to date, pending outcome of the subpoena litigation.

In August 1989, the State replied to our draft report which described the SDA's failure to help the OIG gain access to records necessary for its audit. The State responded that since OIG litigation was pending, it would not take a position on the SDA's failure to help gain access to records.

Our interim report to ETA on this issue recommended disallowance of the unsupported costs claimed by the SDA. The report also recommended suspension of funding to the SDA unless immediate action was taken to grant auditors access to necessary JTPA records. ETA responded to our report in December 1989 by stating that invoking emergency sanctions against the SDA would not be recommended because of the litigation under way. However, ETA met with State representatives and requested their intercession with the SDA. As a result of an Enforcement Order issued by the District Court, one of the three contractors subsequently provided records requested by the OIG.

It has been 18 months since our audit began. We believe that ETA must act to institute sanctions whenever

auditors are refused full and open access to necessary records. The OIG and ETA will continue to work together to ensure that all appropriate records must be made available to the OIG and ETA staff. A recent Court of Appeals decision has affirmed that right to have access to grantee records. In addition, ETA is supporting amendments to JTPA which will strengthen its ability to move administratively if grantees fail to make appropriate records available to the OIG or ETA officials.

#### **LOUISIANA DEPARTMENT OF EMPLOYMENT AND TRAINING (LDET)**

In a draft report issued to LDET, OIG auditors questioned \$783,951 in Title III (dislocated worker) funds paid to a contractor to install a high-tech training center at Northwestern State University.

Approximately \$640,000 of the funds were used to purchase equipment for the center, including satellite disks, television cameras, and computers. The university president was quoted in a local newspaper article as saying, "What we have is equivalent to what CNN [Cable News Network] has."

The contract, which was originally 4 months in duration, called for the center to provide 40 hours of orientation and computer literacy training for potential prison employees and 40 hours of orientation for poultry processors.

Even though the contract was signed in April 1989, the auditors found that no JTPA dislocated workers had been served as of December 1989. However, both the university and the State literacy office have claimed benefits from the facility. The university has initiated graduate degree programs in television broadcasting since acquiring the equipment, and the literacy office claims the facility as the nation's only satellite uplink dedicated to literacy programs.

The report questioned the costs as being unreasonable, unnecessary, and of no benefit to JTPA.

The report also noted that:

1. \$1.7 million in JTPA Title III equipment was unaccounted for on the property inventory;
2. Equipment purchases made under four Title III contracts exceeded authorized amounts by \$49,514;
3. The Department could not justify the sole source

procurement of \$178,400 in equipment purchased with Title III funds; and

4. \$31,000 was paid in salary and fringe benefits to a departmental employee who was not qualified for the position.

In meetings with ETA, the State recognized this procurement action as being a problem and has proposed various solutions. To date, according to ETA, the matter is still unresolved but substantive, active negotiations are ongoing. ETA has asked for full settlement and is awaiting final response from the State.

In their response to our draft report, LDET provided rationale for their actions and suggested alternative solutions to correct the findings noted. Our recommendations remain unchanged.

#### **MISSISSIPPI JTPA SDA**

Poor contracting procedures used by the Mississippi Service Delivery Area (MSDA) resulted in profits of almost \$3 million and expenditures which did not benefit JTPA participants.

We audited JTPA fixed unit price contracts between the MSDA and the Mississippi Employment Security Commission (MESC) for program years 1984 through 1987.

We identified \$2,887,874 in total profits MESC earned on the contracts. Of this amount:

1. \$1,593,153 was questioned as unnecessary and unreasonable. The amount questioned consisted of \$906,721 which was retained by MESC and an additional \$686,432 which was spent on training projects in which participants' eligibility for JTPA participation was not documented.
2. \$1,294,721 was either spent on allowable JTPA activities or refunded to MSDA and was not questioned.

In addition, \$314,581 in interest earned by the State, on the profits, was recommended for recovery.

We also recommended that:

1. Mississippi avoid the use of fixed unit price contracts unless negotiated using meaningful price and cost analyses and they incorporate financial risks for inadequate performance;



3. The State establish requirements and monitor them to assure that profits and interest earned on profits by public and nonprofit entities be used only for allowable JTPA activities; and

4. All JTPA procurements, particularly sole-source awards and awards with only one bidder, be scrutinized for adherence to State-adopted Federal regulations and State JTPA cost principles.

### **JTPA PROGRAMS IN INDIANA**

In a review of Indiana's JTPA programs, initiated as the result of a congressional request, the OIG found that the Indiana Department of Employment and Training Services (IDETS) inappropriately expended JTPA funds to provide services which would otherwise have been available in the absence of such funds. In addition, IDETS expended the funds without regard to the recipients' eligibility for JTPA.

In one instance, IDETS funded a screening, hiring, and training process through Tecumseh Area Partnership (TAP), a local JTPA grantee, which was set up to staff a new Subaru-Isuzu Automotive plant in Lafayette, Indiana. To date, funding for this project is \$2.4 million and costs incurred through July 14, 1989, totaled \$523,648.

In a second instance, another JTPA grantee, Ohio Valley Opportunities, provided \$22,162 in JTPA funds to Arvin Sango, Inc., of Madison, Indiana, to train 22 new on-the-job training (OJT) hires. At the time of hire, Arvin Sango, Inc., did not consider JTPA eligibility as a factor for employment and, in fact, was unaware of any job applicant's program status. Additionally, the applicants hired were provided only normal "new hire" training which was ordinarily provided without JTPA funding.

In this report, the OIG recommended that ETA recover \$545,810 of JTPA funds expended by the State of Indiana.

The State of Indiana commented that, in retrospect, the current administration would not have approved the Subaru-Isuzu Automotive project but, in the absence of policy guidance from the Department of Labor, the Governor acted under his authority to interpret the Act. ETA has met with State officials and agreed to an expedited audit resolution process which should resolve these issues to protect the Government's interest.

### **FULL EMPLOYMENT COUNCIL, KANSAS CITY, MISSOURI: JTPA PERFORMANCE-BASED BROKER CONTRACTS**

We reviewed the operations of five broker contractors funded through the Full Employment Council (FEC) in Kansas City, Missouri, and found 92 cases of inflated placement claims by brokers. In turn, FEC overpaid the brokers by \$90,155.

We questioned another \$96,086 in 70 cases because the PJT employers could not or would not provide payroll records to support their claims.

We identified broker claims that either did not meet the completion criteria of the contracts or that requested reimbursement for training participants who were already employed by the employer/trainer. A broker contractor arranges the hiring and training of JTPA participants through private OJT employers and receives a fee for participant services.

Monitoring is an important internal control tool for ensuring performance under OJT contracts. FEC's ineffective monitoring contributed to the overpayments because FEC did not make regular on-site visits to OJT employers or enforce contractual requirements that brokers maintain OJT employer documentation.

We recommended that FEC improve its monitoring of broker and OJT contractors and collect overpayments. We believe that most of the overpayments and inflated claims could be reduced or eliminated if FEC would require the broker-contractor to submit certified payroll documentation with payment claims. At a minimum, such payroll documentation should be retained by the broker for later monitoring by FEC.

FEC responded to our draft report and did not contest \$161,112. It did not address the lack of monitoring.

### **PUERTO RICO JTPA TITLE IIA TRAINING COSTS**

We reviewed a residential training program currently operated by Cuerpo de Voluntarios al Servicio de Puerto Rico (Puerto Rico Volunteer Youth Corps, PRVYC) and funded by the Administracion del Derecho al Trabajo (ADT), a Service Delivery Area under JTPA Title IIA. The contracts between ADT and PRVYC covered program years 1986 through 1988, totaled \$38.2 million, and provided for the operation of 12 residential centers which are similar in design to the Job Corps program.

Our review disclosed two significant issues:

1. The use of JTPA funds to operate Commonwealth residential centers may violate Section 141(b) of P.L. 97-300, the Job Training Partnership Act, if such funds were used to supplant existing Commonwealth programs. Additionally, the use of Title IIA funds to provide services, *i.e.*, a residential training program, which are only specifically authorized under Title IVB, may be unallowable under the provisions of JTPA.

2. All costs incurred under the cost reimbursable residential training contracts between ADT and PRVYC were charged to training, even though more than half (approximately \$20 million) of those costs cannot be classified as training, according to 20 CFR 629.38. These nontraining costs cannot be absorbed by ADT since ADT already charged the maximum amounts allowable under Title IIA to the administration and participant support cost categories during the contract periods.

Prior to 1986, the Puerto Rico Department of Education operated the Commonwealth residential centers. If JTPA funds were used to support its activities, the same questions regarding use of JTPA funds to supplant existing programs and cost classification can be raised.

During a recent on-site monitoring review in Puerto Rico, ETA regional officials confirmed the use of Title IIA funds to operate the Commonwealth residential centers and the classification of all costs to training. They instructed ADT officials to reclassify the costs for the contracts with PRVYC and to submit the results to the regional office for review and further action.

The OIG recommended that ETA's Assistant Secretary:

1. Review the funding history of the Commonwealth residential centers for potential Section 141(b) violations and take appropriate actions.
2. Obtain a legal opinion on the propriety of using Title IIA funds for Commonwealth residential centers.
3. Ensure that ADT submits, and reviews for accuracy, the results of the reclassification of nontraining costs.

4. Review ADT's prior relationship with the Puerto Rico Department of Education for potential misclassification of costs and take appropriate action, if warranted.

5. Based upon the results of the above actions, initiate debt collection actions to recover unallowable costs.

6. Ensure that ADT initiates appropriate corrective action with regard to the Commonwealth residential centers to prevent funding of unallowable services or future misclassification of costs.

ETA is reviewing these recommendations for final action.

#### **POTENTIAL PROGRAM FRAUD CIVIL REMEDIES ACT (PFCRA) CASE IN JTPA**

PFCRA, a relatively new piece of legislation, provides Federal agencies with administrative remedies for losses resulting from either false claims up to \$150,000 or false written statements made in connection with a claim, a Federal benefit program, or a federally financed contract or grant. Under the Act and the Department's implementing regulations, the OIG is responsible for investigating PFCRA cases and referring them to the Solicitor of Labor (SOL) for potential civil prosecution. If SOL determines the case has merit, the law requires SOL to then obtain Department of Justice (DOJ) approval prior to civil prosecution.

The OIG began actions to implement PFCRA enforcement in regard to Department of Labor programs during fiscal year 1988. Work continued this reporting period as the OIG submitted a JTPA case to the SOL for civil prosecution.

In that case, a JTPA employer and service provider are alleged to have used a scheme involving false claims in order to fraudulently obtain money from the JTPA program. These claims alleged that JTPA participants received on-the-job training with the employer and related placement services with the service provider. Based on the evidence, the OIG concluded that the employer submitted false claims for training to the service provider. The service provider, in turn, submitted its own false claims to the SDA, alleging these same participants had been placed with the employer.

Federal and State officials fully cooperated in this effort.

## **HUDSON INSTITUTE *WORKFORCE 2000* BOOK SALES**

The Hudson Institute, under a \$2 million ETA noncompetitive grant, earned and inappropriately retained an additional \$95,848 in profits associated with the production and sale of its *Workforce 2000* publication. The OIG's current report has recommended that ETA recover \$95,848 in profits as of August 1989, as well as any additional profits earned up through submission of the grant closeout package.

In the September 1988 *Semiannual Report*, the OIG reported that the grantee was receiving grant-related income from the sale of the *Workforce 2000* publication and then, in violation of Federal guidelines, failed to credit that income (net of related expenses) to the grant. ETA agreed with the finding but requested further audit work to determine the amount of Hudson's revenues, expenses, and resulting net income from the sale of the publication. The current report, issued in February 1990, responded to that request. ETA has issued an initial determination to the grantee and is awaiting a response from Hudson Institute.

### **Special Targeted Programs**

Indian and Native American programs are federally administered programs authorized by Title IV, Part A of JTPA. The programs provide job training to economically disadvantaged, unemployed, or underemployed Indian and other Native Americans. Contrary to programs under JTPA Titles II and III, these programs and those for Migrant and Seasonal Farmworkers are directly administered at the national level by ETA.

While grantees are covered under the auspices of the Single Audit Act, the OIG continues to respond to requests for reviews of program results, economy and efficiency, or because of complaints of program abuse. In work completed this period, the OIG questioned \$660,447 in expenditures from grants awarded to Indian and Native American programs.

### **NATIONAL INDIAN BUSINESS COUNCIL (NIBC)**

In an audit of NIBC, doing business as the Indian Center of Salt Lake and as the United Tribes Service Center, covering July 1987 through June 1989, we questioned 46 percent (\$380,242) of the total JTPA expenses reported (\$832,060). The OIG questioned the \$380,242 primarily for improper expenses and less-than-arms-length transactions.

From 1983 to the present, ETA's Division of Indian and Native American Programs entered into grant agreements with NIBC and the National Urban Indian Council (NUIC), a related entity, to provide various training and employment services to Native Americans. NUIC operated programs under JTPA grants in Utah, Ohio, Delaware, Georgia, and Maryland. The President of NIBC is also the Executive Director of NUIC. In addition, NIBC and NUIC have interlocking Boards of Directors.

In prior semiannual reports, we have identified serious and flagrant program abuse and conflicts of interest by NIBC's president. Prior NIBC audit exceptions totaled 31 percent of the organization's total reported expenses. Prior audits of NUIC, based on ETA requests, uncovered exceptions totaling over \$790,000, mostly due to less-than-arms-length transactions, and resulted in ETA's discontinuing the funding of NIBC and NUIC as of June 1989.

The most recently completed audit of NIBC questioned \$380,242 in costs as a result of less-than-arms-length transactions relating to contracts for training services and materials, rental of office space and equipment, as well as various other improper expenses and program abuses.

NIBC contracted with five firms to provide various training services and materials to JTPA participants at a cost of \$91,750. All of these contracts were less-than-arms-length transactions with related business associates of NIBC's president. They also had additional problems, such as training seminars and materials that were not provided, and required bids that appeared to be either misleading or not obtained at all.

NIBC also entered into lease agreements with related parties for office space and word processors, only one of which appeared to have been actually leased and used. Total recommended disallowance for these findings is \$62,065.

Finally, NIBC improperly used Federal funds for unspecified purposes, prepayment of a post-grant lease, an audit resolution account to offer DOL in settlement of past and future audit findings, and various miscellaneous activities. Total questioned costs for these categories was \$226,427.

NIBC responded in February to the draft report, disagreeing with all findings. Also in February, NIBC remitted to DOL more than \$69,000, which represented

a partial repayment of unexpended, readily available NIBC funds. Since we could not definitively identify to which of our findings these funds specifically relate, we deferred to DOL's grant officer to determine if the money resolves or offsets any of the questioned costs.

#### **BOSTON INDIAN COUNCIL, INC. (BIC)**

At the request of ETA, the OIG reviewed two grants totaling \$319,768 which were awarded to BIC under JTPA and the Stewart B. McKinney Homeless Assistance Act (HAA), to determine whether grant expenses were reasonable, allowable, and properly allocated to DOL; and whether BIC used cash drawdowns of grant funds, which were substantially in excess of reported costs, for unauthorized purposes.

ETA's request was precipitated by an IRS Notice of Levy for back taxes issued to BIC in May 1989. According to the Notice, BIC owed over \$500,000 in accumulated back payroll taxes for 1986 through 1988. At the same time, IRS also informed ETA that a lien had been placed on BIC's assets.

The OIG's review disclosed audit exceptions totaling 46 percent (\$147,983) of the grant funds: \$65,579 in drawdowns in excess of reported costs and \$82,404 in unallowable or unallocable costs under applicable Federal regulations. Therefore, the OIG recommended to ETA that the grant officer attempt to recover the \$147,983 in audit exceptions taking into consideration applicable bankruptcy laws.

ETA informed the OIG that BIC was not funded again for the July 1989 program year.

#### **CANDELARIA AMERICAN INDIAN COUNCIL (CAIC)**

CAIC is a multi-funded, nonprofit organization serving approximately 18,000 Native Americans in southern California. CAIC was awarded a grant from ETA to provide employment services and training to enable unemployed Native Americans to obtain appropriate employment. The cost of the 3-year grant (July 1987-June 1990) is estimated at \$1.45 million; between July 1987 and December 1988, CAIC was reimbursed more than \$700,000 for claimed expenditures.

In an earlier report on CAIC, the OIG noted problems in fiscal management including the ability of CAIC employees to obtain interest-free loans in the form of salary advances.

We then examined the JTPA program accomplishments claimed by CAIC between July 1, 1987, through December 31, 1988, in order to confirm reported placement data and to identify any apparent program abuses and inappropriate costs.

CAIC's Comprehensive Annual Plan, included as part of its proposal for JTPA funds, sets a minimum performance goal of 357 "placements" into unsubsidized employment for the first 2 years. This minimum performance goal anticipated a cost of over \$2,500 per "placement."

Since ETA's JTPA/Native American program has no well-defined and specific criteria regarding participant placements, CAIC was able to report distorted, inflated and misunderstood program accomplishments. Based upon the auditors' contact with ETA officials, the auditors concluded that ETA is aware that grantees could exploit the ambiguity of the regulations by reporting inflated program results. ETA said that to prevent this type of abuse, the JTPA program regulations would have to be changed.

Examples of our findings are:

1. Of the 800 placements claimed by CAIC, 94 were found to be improper or unsupported. The remaining 706 placements were filled with only 270 individuals.
2. Almost half of the 706 placements were for 3 days or less. For example, 18 placements were claimed for participants placed as TV and movie "extras."
3. Almost half the 270 participants were placed more than once; these multiple placements of the same individual accounted for 80 percent of the reported placements. For example, 8 participants, intermittently employed as longshoremen, were placed 178 times with the same employer over 18 months.
4. The cost per placement averaged \$1,011 but the cost per individual placed was \$2,645 (when expenditures are compared to total placements and individuals).
5. The cost to the Government for placements was disproportionately higher (575 percent) than the dollar benefit (wages) received by the participants; for 1 to 3 day placements, ETA paid about \$5.75 for every \$1.00 of benefit received by the participants.

Even with these blatant violations of program intent, the OIG could not take exception to any of the costs associated with these "placements" because the ETA grant merely called for minimum "performance goals" as opposed to specific deliverables.

However, to prevent this type of program abuse in the future, we recommended that ETA revise the JTPA/ Native American program regulations by adding the following criteria:

1. A clear definition of "placement;"
2. A specification of a minimum length of employment to qualify as a placement; and
3. A prohibition of claiming or reporting multiple placements of a single participant at the same employer within a specified period of time.

In a preliminary response to this report, ETA's Assistant Secretary agreed with our two major points: that CAIC's "casual labor operation" is not in keeping with the spirit and intent of the Act and that a possible solution would be to better define "placements." The Assistant Secretary agreed to take a number of actions to deal with CAIC. However, citing several congressional committees' consideration of amendments to the Act, the Assistant Secretary said he would not revise the program regulations at this time. We note that none of these amendments is considering the definition of "placement." In the event there are no such amendments to the Act, the Assistant Secretary said that ETA would proceed with regulatory changes regarding "placements."

### **A Look at Future JTPA Audit Work**

The OIG's agenda for future audit work is concentrated on developing information on JTPA program outputs. We plan to measure, in more specific detail than that provided by the various JTPA reporting systems, the specific benefits received by JTPA participants and the relationship between those benefits and the training provided by JTPA. We will also draw conclusions on the effectiveness of existing skills and needs assessment techniques and the relationship between those assessments and the training or services provided the participants.

Finally, we intend to conduct a multi-site review of OJT broker arrangements due to their proven susceptibility to program abuse.

### **ETA Information Resources Management (IRM)**

In 1988, ETA began improving its information technology environment by adopting departmental standards for office automation. ETA committed substantial resources and effort to acquiring microcomputers, networking them, and implementing a national system to work for a generally inexperienced user community. By 1991, ETA will have over 800 microcomputers networked in 11 to 15 separate Local Area Networks (LANs).

In a draft report issued this period, the OIG disclosed that, so far, two ETA regional offices noted improved productivity as a result of this automation. While ETA has made significant strides in many areas of LAN management, we believe that the agency can improve its management of LAN systems' costs, applications, administration, and security.

**Cost.** ETA has spent approximately \$6.2 million on its LAN system. Yet it does not accumulate LAN costs. Without such a system, management cannot make informed decisions about the cost effectiveness of expenditures, especially those for recurring services.

ETA, in its response to the report, questioned the practicality and necessity of developing a process to accumulate system costs at multiple levels as the OIG recommended.

**Application Management.** LAN implementation could be improved by adopting a system development methodology and providing criteria to determine how appropriate an application is for the LAN environment. Over the past 2 years, ETA has spent almost \$528,000 on the development of two LAN system applications, an alien certification system and a travel vouchering system which, as of March 9, 1990, were neither fully operational nor adequately documented.

ETA responds that version 2.0 of the alien certification system is operational in ETA's New York region, complete with a published user documentation manual, and it has been used to process more than 15,000 cases in the past year.

ETA is also testing a prototype travel vouchering system. Efforts to refine certain system features and complete user documentation continue, but at a lower staff commitment than the alien certification project.

**Administrative Management.** ETA needs to strengthen contract monitoring, provide its LAN managers with direction and technical information, and issue LAN policies and procedures.

For example, in its contract with Eastern Computers, Inc. for ADP services, ETA did not clearly define task order deliverables or closely control the two system development projects. As a result, management cannot determine the actual cost of the LAN system or the application development efforts.

**Security.** Central file servers are the core of the LAN network and present the greatest physical risk to the system. ETA needs to protect these servers and perform a risk analysis to determine the extent of their vulnerability.

ETA needs to classify the sensitivity level of staff who have access to sensitive systems and standardize and improve its access controls to protect its data from unauthorized access.

ETA's response to the draft report generally agreed with the OIG's position on application and administrative management and security. Specifically, ETA will work closely with the National Capital Service Center to ensure that contractor task order detail requirements, deliverables, and time frames are specified more clearly. In addition, ETA will require all new contract statements be reviewed by the ETA contracting officer before approval.

#### **EASTERN COMPUTERS, INC. (ECI)**

We also reviewed OASAM's contract for ETA with ECI for ADP services as an outgrowth of work on the LAN system.

We audited \$1,568,331 in contract costs and questioned almost 30 percent of those costs (\$461,861) primarily because invoiced amounts were not supported by time and expense reports; some amounts related to wages for employees who did not meet minimum education/experience requirements; and wage rates were paid that were less than those specified in certified contract pricing data.

A potential Service Contract Act violation, also found during this audit, will be referred to the Wage and Hour Division for review.

## **Unemployment Insurance Program**

The Social Security Act of 1935 authorized the Unemployment Insurance (UI) program which is a unique Federal-State partnership that is based upon Federal law, but is implemented through individual State legislation.

This program is administered by the State Employment Security Agencies (SESAs). At the Federal level, the Unemployment Insurance Service (UIS) of ETA is charged with ensuring proper and efficient administration of the UI program.

During this period, we reviewed U.S. Department of Treasury charges to the Unemployment Trust Fund and completed an extensive audit of the Federal Employees' Compensation (FEC) Account to determine its ability to operate as a self-replenishing account, as intended by the Congress.

### **TREASURY DEPARTMENT CHARGES TO UNEMPLOYMENT TRUST FUND**

At the request of the UIS, the OIG audited, for the second time in 4 years, administrative charges to the Unemployment Trust Fund (Trust Fund), for collection, accounting, and fund management services provided by the U.S. Department of Treasury. The annual Treasury charges increased over 100 percent from \$40 million to \$87 million between fiscal years 1986 and 1988.

Our audit, which was issued to the Treasury Department, found that approximately 60 percent of this increase was supportable, but there had been a \$17,876,011 net overcharge to the Trust Fund in fiscal years 1986 through 1988. This net overcharge was caused by three separate conditions.

First, collection costs associated with Taxpayer Delinquency Investigations (TDIs) for fiscal year 1988 were overcharged to the Trust Fund by \$19,738,871 because the charge to the Trust Fund was calculated based on cost per investigation instead of cost per return. Since several types of tax returns may be included in one investigation, the cost per investigation should have been adjusted to a cost per return, before charging the Trust Fund. Further, there were no procedures requiring a review for accuracy and reasonableness of the charges to the Trust Fund.

Second, the methodology used to calculate and apply the unit cost per return resulted in a \$2,039,555 undercharge to the Trust Fund for fiscal years 1986 to 1988. This undercharge occurred when one volume figure (the number of FUTA tax returns or 940s transcribed at the service centers) was used to determine the unit cost rate but another volume figure (the number of 940s posted to the business master file) was used when applying the rate.

Finally, when Treasury calculated the adjustment for fiscal year 1986 fourth quarter estimated to actual expenses (made during the first quarter of fiscal year 1987), an error was made in the carry forward amount resulting in an overcharge of \$176,695 to the Trust Fund.

We recommended that Treasury credit the Trust Fund for \$17,876,011 and that Treasury costing procedures, which allowed the errors to go undetected, be amended to produce more accurate costings and more effective internal control over the administrative charges to the Trust Fund.

The IRS and Treasury generally agreed and will credit the overcharges back to the Unemployment Trust Fund.

#### **More Accountability Needed In Federal Employees' Compensation Account**

Federal agencies are required to reimburse the Federal Employees' Compensation Account (FEC Account) within the Unemployment Trust Fund for the cost of benefit payments made to their workers. ETA financial statement and other OIG audit reports indicated significant weaknesses in the accounting and internal control systems of the FEC Account. We, therefore, conducted a more extensive audit of the FEC Account to determine the exact nature and extent of the weaknesses. On March 9, we issued a draft report to ETA on our audit.

Our audit found that the accounting process for the FEC Account was performed outside ETA's Office of the Comptroller and, as a result, was not included on the departmental general ledger as part of the Department's integrated accounting system. Further, ETA assigned responsibility for FEC Account billings to the Unemployment Insurance Service (UIS) which did not have the resources or personnel to properly account for the overall FEC Account activities. As a result, supervision and separation of duties among FEC Account accounting functions within UIS was inadequate.

In addition, the accounting system over FEC Account operations did not adequately record, summarize, or report FEC Account transactions. We found that:

1. ETA lacked a complete accounting system with general ledger and double entry controls.
2. Subsidiary ledgers of SESA activity were not adequately maintained.
3. Subsidiary ledgers of Federal agency accounts receivable were not always accurate or properly reconciled and documented.
4. Timeliness of collection of reimbursements from Federal agencies needs improvement.

An incomplete accounting system lacking sufficient internal controls prevented ETA from adequately accounting for the status of the FEC Account's appropriated funds. Specifically, ETA did not adequately account for unreimbursable benefit payments related to the phase-in of the 1980 statute and thus had to estimate this amount as \$245 million in accounting for its appropriated funds. Based on ETA's estimate, which our audit determined to be reasonable, we found that \$27.9 million in FEC Account withdrawals could not be accounted for by ETA. We believe these unaccounted for withdrawals represent benefit payments which were not billed to other Federal agencies. Therefore, we have no reasonable assurance that the FEC Account has not inappropriately subsidized the appropriations of some Federal agencies. However, lacking a complete accounting system with adequate internal controls, the likelihood of accurately determining and identifying these unbilled amounts is remote.

Solvency of the FEC Account is seriously jeopardized by a congressional cap on Department of Defense (DOD) spending for unemployment benefit costs. For fiscal years 1984-1988, DOD failed to reimburse the FEC Account \$74.1 million in unemployment costs paid to former DOD employees. In effect, the FEC Account subsidized DOD appropriations an average annual amount of \$14.3 million for each of those years. Anticipated reductions in military personnel and proposed increases in ex-servicemember unemployment benefits may sharply increase DOD unemployment benefit costs. If the cap on DOD spending for these benefit costs is not removed, the FEC Account, which is designed to be self-replenishing, will be quickly depleted. While the DOD appropriation limit may have been designed to

restrain DOD spending, its effect is to merely pass back costs to the FEC Account. We are working with ETA and OMB to urge the removal of the cap.

Our draft report recommends that ETA's Assistant Secretary:

1. Assign full responsibility over the FEC Account accounting function to the proper ETA office and personnel.
2. Develop a proper separation of duties regarding maintenance of FEC accounting records.
3. Develop a double entry accounting system over the FEC Account operations.
4. Integrate the accounting system with the departmental general ledger.
5. Identify the Federal agencies responsible for the \$27.9 million in unbilled benefit payments and, to the extent possible, seek to collect this amount.
6. Seek ways to strictly enforce the 30-day period during which Federal agency deposits should be made to the FEC Account.
7. Work with OMB to eliminate DOD's budget limitation.

#### **CONTINUING DISAGREEMENT ON SESA INVESTMENT OF UNEMPLOYMENT INSURANCE FUNDS**

In August 1988, we reported that the States' Unemployment Trust Funds are losing as much as \$15 million annually in potential interest income because ETA prohibits States from investing "float" generated in the unemployment benefits disbursement process. "Float" is the period between the time that benefit disbursements are made by the States and the time that the payment instruments are returned to the bank or State treasury for redemption. Float, even if available only overnight, has significant earnings potential.

The OIG affirms its recommendations that ETA allow the States to take advantage of more effective cash management alternatives, including investment of benefit payment account float, as long as investment earnings are returned to the Trust Fund. ETA and the OIG have not yet reached agreement on this issue.

The Cash Management Improvement Act of 1989, as proposed by Senators Roth (R-DE) and Sasser (D-TN), is still pending, as reported in our last *Semiannual Report*. The OIG strongly supports provisions of this bill which would resolve the UI cash management issues raised by our audit. If this legislation is not passed by the Congress during this next reporting period, it is our intention to elevate resolution of the findings and recommendations in our "SESA Investment of UI Funds" audit to the Deputy Secretary for a final decision.

#### **State Employment Security Agencies (SESAs)**

SESAs administer Federal and State unemployment compensation laws and programs and operate the public employment service, a national system providing no-fee employment services to individuals seeking employment and employers seeking workers. The unemployment compensation program operates through a Federal-State cooperative relationship in which the major functions performed by the States are the collection of State taxes from employers, determination of benefit entitlement, and payment of benefits. Federal funds to administer the labor exchange system are provided by statutory formula to the States.

#### **FEDERAL EQUITY IN REAL PROPERTY**

We issued a final report to ETA summarizing the Department's equity in SESAs' real properties acquired with Federal grant monies. At September 30, 1988, the value of DOL's equity (at cost) in SESAs' real properties approximated \$297 million. The fair market value of these assets may exceed \$1 billion.

We found that ETA relies almost exclusively on SESAs to account for and maintain control over real properties acquired with grant funds. We believe this practice places DOL's equity at risk. In addition, the SESAs' activities and ETA's guidance relating to the properties were not always consistent with Office of Management and Budget (OMB) guidelines.

We also recommended that ETA take necessary actions to recover over \$5 million (including interest) in Federal equity involving 10 properties for which DOL had not been adequately compensated. The properties were no longer being used for employment security purposes.



Our final report concluded that ETA should:

1. Establish and maintain a national property inventory for reconciliation with State records.
2. Establish a national real estate specialist position to assist both States and DOL in all real property equity transactions.
3. Revise or clarify its real property acquisition and disposition policies so that they are consistent with OMB guidelines.

ETA was in general agreement with our recommendations and has proposed suitable corrective action. We will continue to work with ETA to assure all issues are resolved.

## **PENSION AND WELFARE BENEFITS ADMINISTRATION**

The Pension and Welfare Benefits Administration (PWBA) carries out the Department's responsibilities under Title I of the Employee Retirement Income Security Act (ERISA) and certain provisions of the Federal Employees' Retirement System Act of 1986 (FERSA). PWBA is responsible for regulatory, enforcement, research, and reporting and disclosure functions. PWBA's oversight of employee benefit plans impacts on the protection of over 65 million individuals and over \$2 trillion in assets, about one third of the nation's investment capital. For fiscal year 1990, PWBA's authorized staffing is 505 and its budget is \$43.8 million.

### **Pension Plan Audits Don't Protect Assets or Participants**

ERISA requires that pension and benefit plans with more than 100 participants have their financial statements audited annually by an Independent Public Accountant (IPA). The IPA is charged with performing the audit in accordance with Generally Accepted Auditing Standards (GAAS) and for assuring that the plan's financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). The American Institute of Certified Public Accountants (AICPA) published an Industry Audit Guide in 1983 to assist IPAs in properly auditing pension and benefit plans.

During this reporting period, the OIG issued a final report on the quality of IPA audits of employee benefit

plans. We showed that these audits do not produce the kind of protections that the Congress or plan participants expected.

We found that 46 percent of our statistically valid sample of 279 plan audit reports had scope limitations which excluded from the IPA's review a sizable portion of a plan's assets and transactions. The AICPA and PWBA have joined us in calling for elimination of the limited scope exemption in ERISA.

In addition, almost a quarter of the 279 plan audit reports in our sample did not meet the requirements of GAAS. We concluded that the 1983 Industry Audit Guide did not provide the level of guidance that IPAs need to comply with GAAS as defined today. We found those firms that did perform good benefit plan audit work did so on their own initiative, after developing their own pension plan audit guide.

### **INITIAL EFFORTS TO CLOSE "EXPECTATION GAP" ARE INADEQUATE**

In recent years, the accounting profession, through the AICPA, has made a much publicized commitment to close the gap between what clients and the public expect from an audit and what the profession delivers. With respect to pension plans, the client includes the Secretary of Labor, acting on behalf of the participant. The closing of the "expectation gap" is being accomplished, in part, by the promulgation of a series of new auditing standards. These standards were intended to clarify and increase the auditors' responsibilities in various areas including internal controls, communication, and the detection and reporting of errors, irregularities, and illegal acts.

Expectations for audits of pension plans are established by statute. Title I of ERISA established national policy for the protection of employee benefit rights. The Congress declared that a primary policy of the Act was to protect the interests of participants in employee benefit plans by requiring the disclosure and reporting to participants of financial and other information. To accomplish this, the Act specifically provided that a comprehensive annual report be published and a qualified IPA be engaged on behalf of all plan participants to audit the financial statements and related schedules required to be included in the annual report. The Act provides that the audit should be in accordance with GAAS.

A major disagreement has arisen between the Department and the AICPA with respect to the adequacy of

the AICPA's implementation of its commitment to close the expectation gap. It was expected that the AICPA's revision of the Industry Audit Guide would incorporate significant additional procedures to ensure that the financial audit required by ERISA would achieve its statutory intent. However, as a result of our review of the initial drafts of the new guide, we concluded that the new guide did not adequately cover important matters related to provisions of ERISA. And, unfortunately, after months of negotiations, as of the end of this reporting period, the AICPA had been unwilling to substantially strengthen the audit procedures to accomplish the desired end. Negotiations had nearly reached a stalemate.

#### **AICPA RENEWS COMMITMENT TO ENHANCE ERISA AUDIT COVERAGE**

At a meeting on April 18, top officials of the AICPA's Auditing Standards Board and Auditing Standards Division presented their views on the AICPA's Industry Audit Guide. The AICPA's Auditing Standards Board has final clearance or approval responsibility for the issuance of the guide. These officials expressed concurrence with our position that the draft revisions to the guide were not adequate. They made a commitment, confirmed in writing, to work with the Department to ensure that additional procedures are incorporated into the guide to improve audit coverage consistent with GAAS.

We view this renewed commitment very positively and hope it will translate into effective results. We intend to work closely with PWBA and the AICPA over the next few months to ensure that significant additional procedures are incorporated into the new guide to provide the greatest possible degree of protection to plan participants.

#### **TWO CRITICAL ISSUES REMAIN**

First, as explained above, the AICPA must issue a new Industry Audit Guide which incorporates significant additional procedures for key ERISA provisions.

Second, the Department must devise a mechanism to require direct reporting to the Secretary (acting on behalf of the participant) of internal control weaknesses and ERISA violations detected by the IPA. There is currently no system in place to accomplish this. Violations of ERISA often place plan assets in jeopardy. If practicable, these new reporting requirements should be incorporated into the new guide.

#### **PWBA Disclosure Office Operations Need Improvement**

On September 20, 1989, the OIG issued a final audit report on PWBA's disclosure office function. The disclosure office is responsible for providing plan participants with information about their plan without fear of intimidation or reprisal by plan officials, employers, or others.

We found that the public disclosure function is inefficient and meets neither ERISA disclosure requirements nor congressional intent. Further, we found that internal controls are not adequate to track disclosure requests and ensure that summary plan descriptions are received from plan administrators.

PWBA has studied the organizational structure of the disclosure office, developed new operational procedures and internal control forms, and is conducting an "A-76" review to determine the most cost-efficient approach to performing these functions. The final decision on the best way to handle the disclosure function is expected in the first quarter of fiscal year 1991.

We will work closely with PWBA to monitor each step in the process of reaching and implementing their final decision.

#### **EMPLOYMENT STANDARDS ADMINISTRATION**

The Employment Standards Administration (ESA) coordinates a variety of programs protecting the basic rights of workers, including minimum wage and hour standards, various workers' compensation programs, and equal employment opportunity and affirmative action programs for employees of Government contractors. ESA includes the Wage and Hour Division, the Office of Workers' Compensation Programs (OWCP), and the Office of Federal Contract Compliance Programs (OFCCP).

ESA is the second largest program agency in the Department in terms of expenses. Fiscal year 1989 net expenses were \$1.5 billion, including a \$764 million reduction in the liability for future workers' compensation expenses. Approximately \$1.4 billion was paid out in Federal employees' compensation benefits and \$594 million in Black Lung disability benefits.

The OIG completed financial statements for ESA, audited the Longshore and Harbor Workers' (LSHW) Compensation Act Special Fund, and continued investigations into potential Program Fraud Civil Remedies Act cases relating to the Federal Employees' Compensation Act and Wage and Hour during this reporting period. We also elevated one recommendation from our nationwide OFCCP report for resolution by the Audit Followup Official. The key point of contention is whether "underutilization," which is critical to many OFCCP enforcement activities, should be precisely defined by regulation.

## **ESA Fiscal Year 1989 Financial Statements**

For a second year, ESA received an unqualified opinion on its financial statements. The financial statements were found to present fairly ESA's financial position and results of operation in accordance with Federal generally accepted accounting principles. No exceptions with Federal laws or material internal control weaknesses were noted.

### **Office of Federal Contract Compliance Programs (OFCCP)**

OFCCP has broad-ranging responsibility for ensuring nondiscrimination and affirmative action by more than 215,000 Federal contractor establishments, employing more than 30 million workers and doing more than \$167 billion worth of business with the United States Government. To administer the programs for fiscal year 1990, OFCCP is authorized a budget of \$53 million and a total of 970 positions.

In fiscal year 1987, the year in which the OIG completed an extensive nationwide program results audit of OFCCP to evaluate the overall effectiveness and efficiency of its enforcement operations, OFCCP was authorized a budget of \$47.9 million with total staff of 910 positions located in the national office, 10 regional offices, and 56 area and field offices.

In September 1988, the OIG issued a report titled *OFCCP Needs to More Effectively and Consistently Enforce Federal EEO Regulations* which was a nationwide review containing 46 recommendations aimed at strengthening program enforcement and improving operational efficiency and effectiveness.

We have coordinated closely with OFCCP over the past 19 months in an attempt to reach agreement on our comprehensive audit recommendations. OFCCP re-

sponded by making many changes to their operations, including revising their case selection system, updating their automated management information system, and revising their policies and operations manual.

As of January 1990, we were able to resolve all but 1 of the 46 original recommendations. The key point of contention in this recommendation is whether "underutilization," which is critical to OFCCP enforcement of affirmative action plan requirements under the Executive Order, should be precisely defined by regulation. We maintain that the ambiguities in determining "underutilization" should be clarified by regulatory revision promulgated through the Administrative Procedures Act.

The unresolved recommendation was elevated to the Deputy Secretary of Labor, who is the DOL Audit Followup Official, on February 14, 1990, for a final decision.

Because "underutilization" has never been promulgated by regulation, in 1981 the Firestone Tire and Rubber Company was successful in challenging through the courts the definition of the term. "Underutilization" previously meant any difference between minority/female employment levels and their availability in the geographic area. Since then, various less stringent concepts have been used to define "underutilization." However, these concepts are at risk because they are not specified by regulation. The OIG strongly believes that unless action is taken to eliminate the vagueness by promulgating a clear definition of minority/female underutilization in the workplace, OFCCP's enforcement actions will remain susceptible to challenge.

## **Office of Workers' Compensation Programs**

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

FECA is the sole form of workers' compensation available to Federal employees who suffer on-the-job traumatic injury or occupational disease. DOL administers the Act, but all Federal agencies influence how effectively it operates. In fiscal year 1990, FECA's requested staffing level is 878 with a \$51.7 million budget. With chargeback collections and the appropriation, ESA will pay out approximately \$1.56 billion for injured Federal employees. Approximately 54,600 claimants will receive long-term benefits and another 74,000 Federal employees will file for continuation of pay for traumatic, job-related injuries.

## **POTENTIAL PROGRAM FRAUD CIVIL REMEDIES ACT (PFCRA) CASES IN FECA**

The OIG began actions to implement PFCRA enforcement in regard to Department of Labor programs during fiscal year 1988. Work continued during this reporting period to investigate cases in which employers reported quarterly wage earnings to the State that overlapped periods of time in which former Federal employees also received "total disability" compensation under FECA. This was a joint, pro-active effort by the OIG and OWCP to verify FECA claimants' reports of employment and wage earnings and to seek out program fraud, waste, and abuse.

These cases were referred to the Solicitor's Office. Both cases involved individuals who worked for other employers while receiving disability payments from OWCP. During the months covered by the OIG's investigations, the individuals consistently failed to notify OWCP, as required, of their employment.

The results of these investigations are currently being considered for civil prosecution by the reviewing official, as provided for under PFCRA.

## **Wage and Hour**

Of ESA's \$246 million budget for fiscal year 1990, Wage and Hour uses the largest portion to enforce a wide variety of labor standards.

## **POTENTIAL PROGRAM FRAUD CIVIL REMEDIES ACT (PFCRA) CASES IN WAGE AND HOUR**

To date, the OIG has submitted six Wage and Hour PFCRA cases to the Solicitor of Labor (SOL) for civil prosecution. These six cases involve submission of false certified payrolls on construction projects governed by the Davis-Bacon and Related Acts and the Contract Work Hours and Safety Standards Act. These regulations apply to all construction or repair contracts in excess of \$2,000 issued by Federal agencies. The regulations also require that the contractor submit a certified weekly statement with respect to the wages paid each employee.

Through this reporting period, the SOL completed a legal sufficiency review of four of these cases and concluded that adequate evidence exists to believe that civil fraud was committed and that the accused are liable for civil penalties under PFCRA. Litigation in two of the cases was recently approved by the Department of Justice, and the Solicitor of Labor has stated his

intention to issue a complaint in each case and refer the allegations of liability to a departmental Administrative Law Judge, a "Presiding Officer" under PFCRA.

## **OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION (OSHA)**

OSHA administers programs designed to assure the safety and health of workers at their worksites. This includes setting workplace regulations and standards for a safe and healthful working environment, enforcing compliance by inspecting places of employment, and providing occupational safety and health training and education. To administer the program for fiscal year 1990, OSHA had a staffing level of 2,425 and a \$267 million budget.

During this reporting period, the OIG reviewed OSHA's annual report to the President and the Congress, including selected statistics incorporated in the report.

## **OSHA'S Annual Report to the President**

Public Law 91-596, Section 26, requires the Secretary of Labor to submit to the President, for transmittal to the Congress, an annual report on OSHA achievements within 120 days following the convening of each regular session of the Congress.

The OIG concluded that OSHA is not making the most of its opportunity to disclose either positive results of its program operations or program goals and future priorities to the Congress and the public. To meet its purpose, the annual report needs to be restructured, more timely, and include data linking program costs with accomplishments.

**Restructure Report.** OSHA could be more informative by organizing its report along programmatic lines and focusing on "results" rather than "activities" during the year. For example, OSHA reported 58,354 Federal inspections conducted, but did not report the number of serious hazards identified or corrected as a result of its inspections or the number of employees removed from exposure to those hazards.

**Provide a More Timely Report.** OSHA's annual reports to the Congress for calendar year 1987 and fiscal year 1988 were transmitted to the President 7 and 13 months, respectively, after the end of the reporting period.

**Link Costs With Accomplishments.** OSHA should link program costs with accomplishments to determine whether objectives are achieved at an acceptable cost, as recommended by the Comptroller General in his report *Managing the Cost of Government--Building an Effective Financial Management Structure*. Information and specific examples were provided to OSHA on the development of program performance measures for fiscal years 1988 and 1989 that link costs with accomplishments on a comparative basis.

In addition, we audited selected program statistics for fiscal year 1988. We found OSHA's statistics to be accurately reported in all material respects except:

1. The number of inspections reported was not matched with the results, such as violations or penalties. Specifically, the number of "Total Inspections" reported for Federal and State enforcement programs represent inspections started during the year, not those that were completed. In contrast, the number of "Violations Cited" and the amount of "Proposed Penalties" reported stem from citations issued during the year.
2. "Violations Cited" and "Proposed Penalties" were reported net of adjustments to the citations (*i.e.*, the results of informal settlement agreements). Thus, neither the original amount of proposed penalties nor the effects of reductions during the informal settlement process were presented in OSHA's annual report.
3. The annual report excluded 11(c)/405 program statistics.

**OSHA's Response.** The agency's preliminary response to the draft report was favorable. OSHA agreed with the finding that there may be steps which the agency can take to better coordinate the clearance of the report and deliver it in a timely manner for submission to the Congress. OSHA further stated, "The report contains a number of interesting concepts and ideas for improving the reporting of program data which merit serious consideration."

## MINE SAFETY AND HEALTH ADMINISTRATION (MSHA)

MSHA administers the provisions of the Mine Safety and Health Act of 1977. The program is designed to reduce the number of mine-related accidents and fatali-

ties and to achieve a safe and healthful environment for the nation's miners through mine inspections, enforcement of health and safety standards, education, and certification of new mine equipment. Approximately 5,000 coal and 11,500 metal/nonmetal mining operations exist. For fiscal year 1990, MSHA's approved staffing level is 2,688 with a \$168.1 million budget. In fiscal year 1989, MSHA had expenses of \$206 million in carrying out its responsibilities. Over \$145 million, or 71 percent, were spent on enforcement activities. Obligations were \$163 million.

During this reporting period, we issued two audit reports: the second audit of MSHA financial statements and an internal control evaluation of MSHA's financial management systems.

### Financial Statement Audit

The fiscal year 1989 financial statements received an unqualified auditor's opinion. The financial statements fairly present MSHA's financial position and results of operation in accordance with Federal generally accepted accounting principles.

### Internal Control Evaluation

Nine financial management systems were reviewed. These systems covered all phases of financial management from budget formulation to financial reporting. Generally, we found the internal controls were adequate. We did find some problems with undocumented procedures, inconsistent billing practices, and untimely record updates. The agency agreed with our recommendations and is taking corrective action.

## DEPARTMENTAL MANAGEMENT

Departmental management refers to those activities and functions of the Department which formalize and implement policies, procedures, systems, and standards to ensure efficient and effective operations of administrative and managerial programs. The Assistant Secretary for Administration and Management has oversight responsibility.

During this audit period, we reviewed activities in two major areas within departmental management: financial management and information resources management (IRM). In a review of one regional office's administrative operating practices, we found systemic problems with vendor payments. Review of work under

way on departmental contractors and grantees increases our concerns about poor contract specificity, oversight and administration.

## **Financial Management**

Effective management of Federal programs requires accurate, useful financial information on program costs and outputs. Such information facilitates sound resource allocation decisions, cost controls, and proper management.

### **COST ALLOCATION PLANS AND INDIRECT COST RATES**

A potential indirect cost savings to the Government of almost \$331,000 could result from indirect cost audits completed by the OIG in the last 6 months. OASAM's Division of Cost Determination, rather than a program agency, is responsible for establishing individual indirect rates for the various contractors. Direct costs are usually those which can be identified specifically with a particular direct activity of an organization, while indirect costs are usually incurred for common or joint objectives which cannot be readily identified with a particular final cost objective. The current audit exceptions can be attributed primarily to unallowable expenses (or unallocable costs under applicable Federal regulations) contained in the indirect cost pools; and inappropriate allocation bases. Examples of questioned costs (either costs recommended for disallowance or unsupported costs) follow.

### **MANAGEMENT AND TRAINING CORPORATION (MTC)**

As a result of our audit of MTC's calendar year (CY) 1988 indirect costs, we questioned \$190,837 of indirect costs and increased the base by \$59,350. Questioned costs resulted primarily from MTC paying management bonuses that the auditors concluded were either not earned or were not reasonable. For example, MTC's President/CEO received what the OIG considers to be extremely high compensation, including a bonus, in CY 1988 which was reimbursable by DOL under the cost allocation plan. We recognize that MTC is the largest operator of Job Corps centers with 15 centers under their management, but we have likewise noted similar high levels of executive compensation in our audits of other Job Corps center operators and support contractors. As a result, we plan to report during the next semiannual period on a survey of executive compensation paid to Job Corps center operators. A similar survey of Job Corps support contractors will

follow. Some bonuses that were direct costs were improperly included as indirect costs. Also, MTC did not offset miscellaneous revenues against related expenses and improperly included the costs of brochures, promotional aides, and a corporate reorganization as indirect costs. MTC did not agree with the auditors' conclusions.

In addition, CY 1988 questioned costs would also impact provisional indirect cost rates for 1989 and 1990. These rates should be revised to 5.79 percent and 5.83 percent, respectively. The DOL impact for these two additional years, based on the provisional rate after audit adjustments, is anticipated to be \$174,575 in CY 1989 and \$182,536 in CY 1990.

### **EMERGING ISSUES -- INADEQUATE CONTRACT AND GRANT MANAGEMENT AND ADMINISTRATION**

The OIG is currently conducting a number of performance audits as well as financial and compliance audits of departmental contractors and grantees. Common threads emerging from these various audits are instances of inadequate departmental oversight and monitoring of contractors/grantees' performance, inadequate contract administration, and vague or inadequate contract/grant requirements.

These types of issues are at the core of the "value for money" approach we are currently taking in auditing various procurement-related activities. Our goal is to ensure that public funds are being expended efficiently and effectively in delivering the Department's programs.

We testified in response to the fiscal year 1991 budget that our work in information resources management (IRM) has revealed problems departmentwide with contract specificity and oversight. As an example, a review of the IRM acquisition process disclosed that contract administration activities were not always timely and appropriate, resulting in costly contract modifications.

In another review, we identified a contractor who delivered only 25 of 50 ADP training classes, while expending \$194,000 of the \$199,000 obligated under the task order, because of inadequate contract administration. Additional costs were incurred when a second contractor was obtained to complete the required training.

Our financial and compliance reviews have also revealed similar problems. For example, ETA awarded a

\$1.4 million, 3-year grant to the Candelaria American Indian Council (CAIC) and our review showed that CAIC's grant proposal, which ETA accepted, set out "performance goals" instead of specific deliverables for placements. Lacking well-defined and specific criteria, CAIC was able to report program accomplishments that were distorted and inflated. (See page 17 for further details.)

While surveying all DOL agencies to determine the universe of grant recipients, the OIG discovered three OSHA grant recipients that had not been audited, even though OMB Circular A-110 required the grantees to procure audits of their programs. OSHA had, however, conducted its own financial and program monitoring reviews.

The OIG arranged audits of two of the OSHA grantees: the United Labor Agency, AFL-CIO, of Tallahassee, Florida; and the Furniture Workers' Division of the Electrical, Salaried, Machine and Furniture Workers, AFL-CIO, of Nashville, Tennessee. The United Labor Agency received \$516,778 between April 1985 and September 1987. The second grantee received \$539,916 between August 1981 and September 1986. Since OSHA closed the grants more than 3 years ago, no funds were available to procure audits. Although OSHA still retained some of the program records, much of the needed documentation was either purged or never existed.

Because these grantees were not audited and the period in which documentation must be maintained has lapsed, there is no assurance that grant compliance requirements were met. It remains imperative that Federal grantor agencies assure that recipients procure audits before evidence is destroyed.

The third grantee for which OSHA did not require an audit was the National Asbestos Council (NAC), located in Atlanta, Georgia. NAC received \$255,000 in OSHA grant funds from 1986 through 1988. After the OIG urged both OSHA and the grantee to have an audit performed which covered the 3 years, NAC contracted with a public accounting firm to conduct the audit. The public accountants initially determined NAC to be unauditible but have since allowed NAC to reconstruct their books of account and are now trying to complete the audit.

Ongoing OIG audits of contracts and grants awarded by the Bureau of Labor Statistics, ETA, OSHA, and VETS will enable us to assess the magnitude of these issues and help formulate a corrective action strategy. The results of this work will be described in our next report.

## Regional Office Operating Practices

The Department has ten regional offices to administer its various programs. Each regional office contains an administrative unit, which manages financial operations, as well as other administrative support, for the region. We reviewed the financial operations of one region. Generally, we found adequate controls over financial transactions, except as they relate to vendor payments. Two problems identified were systemic problems, and not localized to the regional office.

Departmental policy stresses good cash management, requiring that payments be made as close as possible to the due date in accordance with the Prompt Payment Act. The central payment system, which began processing automated payments in July 1989, assumes it takes 10 days from payment authorization by the region to actual payment by Treasury. We found that this assumption was erroneous. Processing time was actually much shorter. For manual payments, the regional office did not have a system to ensure that bills are held in suspense until due. In the one region audited, payments were being made an average of 8 days (automated payments) to 16 days (manual payments) before due.

In accordance with the Prompt Payment Act, interest should be paid on payments made after the due date. With the 10-day processing assumption, interest was calculated by the system on any bill certified for payment less than 10 days before the due date. We found the 10-day processing assumption to be excessive, resulting in interest being paid on some bills which were paid timely. Also, excess interest was paid on bills paid late.

The Department has been very responsive. The regional offices have been reminded to time payment scheduling as close as possible to the due date. Also, the computer software is being revised to reduce the 10-day processing time assumption.

## Information Resources Management

### DATA BASE TREND ANALYSIS

OASAM collects, processes, and tracks procurement-related data using three independent computer systems. The Automated Purchasing and Payment System collects information on purchases of \$25,000 or less. The Integrated Accounting System (currently being replaced by DOLAR\$) collects information on purchases greater than \$25,000. The Federal Procurement

Data System collects and disseminates selected procurement information to the Congress, other agencies, and the private sector.

The Office of Audit has developed a computer system that interrogates the three systems. For the first time, all data relating to a contract or contractor can be obtained and analyzed. The system has been successfully used as an audit planning tool and is expected to enhance procurement monitoring activities.

#### **DEPARTMENTAL OVERSIGHT OF IRM PILOT PROJECTS**

During our ETA LAN audit, we found that departmental policies do not address departmental and agency IRM responsibilities for pilot projects. Since agencies use pilot projects to introduce new technology (such as LANs) or applications, the Department needs to oversee these projects more closely. In Boston and New York, ETA has used its pilot project technology to develop an administrative and programmatic application, respectively. These application pilots lacked adequate planning, evaluation, and costing. ETA has spent almost \$528,500 on these pilots without adequate internal or external review.

We reported these findings to the Director, Directorate for Information Resources Management (DIRM). DIRM agreed and intends to issue guidance for evaluating, approving, and monitoring pilot projects.

## **ACCESS TO RECORDS**

During this reporting period, instances occurred where access to records or assistance requested was unreasonably refused, thus hindering the Inspector General's ability to conduct audits.

Section 6(a)(1) of the Inspector General Act of 1978 authorizes the Inspector General access to all program and operational material with respect to which the Inspector General has responsibility under the Act. Section 6(a)(3) of the Act authorizes the Inspector General to request information or assistance necessary to carry out legislatively assigned functions from any Federal, State, or local governmental agency or unit. Section 6(a)(4) authorizes the Inspector General to subpoena data and documentary evidence necessary to perform duties and responsibilities required under the Act.

Six subpoenas were issued in the course of Office of Audit activity during this period.



# OFFICE OF AUDIT

## Section 2

### **Much Work Remains to Correct Weaknesses in DOL's Federal Financial Management Systems**

The OIG's assessment of DOL's financial management system (DOLAR\$) found deficiencies in implementation, as well as deficiencies in planning, organizing, and controlling the system development effort.

Unless top level program and fiscal managers are held accountable for accurate and complete financial reporting, full accountability can never be achieved at Labor or any other Federal agency.

Financial statements are merely necessary by-products of adequate accounting systems -- necessary to show accurately the financial position and costs of operations and programs of each agency. In the absence of audited financial statements and reports, the true financial position of Federal agencies, and the Federal Government as a whole, as well as the real cost of Federal programs, will remain unknown.

Accounting and internal control deficiencies, identified primarily through our annual audits of the Department's financial statements, continue to preclude proper DOL accountability of and stewardship over Federal funds. Some improvement has occurred. For the first time, the Department, with extensive support from OIG, prepared its own fiscal year 1989 financial reports to Treasury.

#### **DOLAR\$ Is Management's Solution To Correct Cited Deficiencies**

The OIG's assessment of DOL's financial management environment concluded that the Department's financial and accounting systems are not fully integrated and that they are significantly deficient in accounting, internal controls, and financial reporting. Financial statement audits for fiscal years 1986 through 1988 outline these systems' deficiencies.

Numerous weaknesses identified in these reports continue to exist, pending successful implementation of the Department's new general ledger accounting system.

To address these findings, DOL management points to the implementation of the new, integrated financial management system, the Department of Labor Accounting and Related Systems (DOLAR\$). Management represents that the new system, initiated prior to the financial statement audits, will:

1. Meet the accounting and reporting requirements of GAO, OMB, and Treasury;
2. Ensure full implementation of the U.S. Government Standard General Ledger;
3. Develop a mechanism to ensure that a subsidiary ledger is used to support the grant and contract accounting data;
4. Reconcile subsidiary ledgers to the general ledger; and
5. Document accounting and operating procedures and systems.

In addition to meeting DOL management requirements, DOL's financial management systems must also meet the Joint Financial Management Improvement Program (JFMIP) core requirements. These requirements, issued January 12, 1988, by the Comptroller General, the Secretary of Treasury, and the OMB Director, stipulate minimum general accounting and electronic data processing requirements for Federal agencies' financial management systems. Agencies are required to certify conformance in their FMFIA reports.

## The OIG's Report on DOLAR\$ Fuels Concerns

Our last *Semiannual Report* expressed concerns regarding the Department's overall effort to develop and implement this new accounting system. DOLAR\$ became DOL's system of record on October 1, 1989, and is based on functional requirements to be met by Federal Success, a commercial Federal financial management package; and customized subsystems.

In a recently issued report, the OIG pointed out deficiencies in DOLAR\$ implementation which increase the risk that DOLAR\$ may not meet top management or JFMIP objectives.

Specifically, we concluded that, as of February 1990:

1. DOLAR\$ did not meet all the JFMIP core financial system requirements;
2. DOLAR\$ may not contain adequate internal controls;
3. External reports were prepared using estimates based on prior year data; and
4. DOLAR\$ did not provide complete beginning balances for fiscal year 1990.

We attribute these weaknesses to deficiencies in planning, organizing, directing, and controlling the system development effort, as delineated below.

**Planning.** We identified problems in planning documentation supporting the DOLAR\$ acquisition strategy. First, the planning documentation does not meet Federal and departmental requirements. Second, OASAM did not send the DOLAR\$ contract to the Solicitor's Office for a review of legal sufficiency. In response to a 1985 OIG report, the Department agreed to amend procedures to mandate a legal sufficiency review process. However, the Department has yet to implement this recommendation. Third, the Department may not have enough information to determine if a delegation of procurement authority from the General Services Administration is required for the Financial System Network (FSN), a second part of the Department's overhaul of its financial management and accounting systems.

**Organizing and Directing.** The DOLAR\$ software, as implemented, may not meet Federal, departmental, and contractual requirements. Our review showed that

DOLAR\$ does not meet all the JFMIP core financial system requirements. Further, system documentation required by the contract was not delivered promptly, nor has the Department obtained source code.

**Controlling.** Weaknesses exist in the Department's management of two areas critical to ensuring that the Department receives a system that will meet user needs: quality assurance and acceptance testing. DOLAR\$ may not contain adequate controls because, in order to meet the Department's requirements, the contractor modified the system which then weakened Federal Success' original internal controls. The contractor has not adequately tested the DOLAR\$ system nor is the Department's acceptance testing adequate.

**Recent Management Actions.** In September 1989, we briefed the Assistant Secretary for Administration and Management and the Comptroller on the OIG's concerns about DOLAR\$, including incomplete and incorrect software, and incomplete acceptance testing.

In October 1989, the Comptroller took action to reduce the risks in the financial management system implementation. The Comptroller developed a contingency plan that addressed the alternative actions to take when problems occurred during implementation. In addition, the contractor improved system testing.

In March 1990, the Assistant Secretary agreed to focus on completing and testing the core system before implementing additional subsystems and the FSN. He also agreed to improve reporting on the development effort to top management and to resolve significant concerns.

**Additional Actions Needed.** More needs to be done to ensure that DOLAR\$' development will meet user needs efficiently, effectively, and economically. The Department should act as follows to improve the core system:

**Controls.** Remove requirements that weaken controls. Develop and document additional automated and manual controls.

**Requirements.** Determine that all DOLAR\$ requirements are valid and then document whether the system meets those Federal, departmental, and contractual requirements.

**Testing.** Reduce unnecessary risks by: developing an operational plan for FY 1990 testing that includes all tasks, testing all functional requirements, adding needed skills to the test team, and performing limited system testing.

## OVERSIGHT OF DOLAR\$ CONTINUES

The OIG will independently monitor the Department's system validation, verification, and acceptance testing as well as initiate our own limited tests of the system. These tests will be made to determine whether the system is adequately controlled and meets functional requirements and user needs.

We are planning an interim-year review of accounting and financial reporting, which will include an evaluation of compliance with OMB's Standard General Ledger, GAO's Generally Accepted Accounting Principles, and Treasury's reporting requirements. The review will also include an assessment of internal accounting controls in the new DOLAR\$ environment. The results of our review will complement management's own assessment of internal control weaknesses reported annually in the Federal Managers' Financial Integrity Act report.

We will continue to advise DOLAR\$ staff on accounting and systems policy.

### Progress Made On ETA Accounting Systems But More Remains To Be Done

In addition to deficiencies in the Department's primary accounting system, OIG financial statement audits identified weaknesses in program accounting and financial management systems, particularly ETA's systems. ETA's Unemployment Trust Fund (UTF) and the Regional Automation System (RAS), which ETA uses to manage its grants system, account for nearly 85 percent of the Department's fiscal year 1988 expenses. Clearly, the integrity of ETA's program systems and their integration into the Department's general ledger system is vital.

While management agreed to address the problems, none has been fully corrected. Management relies heavily, and in some cases entirely, on assertions that new systems -- particularly DOLAR\$ and ETA's revised accounting system -- will solve the problems. The OIG remains unconvinced that UTF's accounting systems and RAS will be adequately integrated into DOLAR\$. Lack of progress to improve RAS is also troubling.

All UTF activities are not currently recorded in ETA's accounting systems and the Department's general ledger. Until this year, the Department relied on reports filed by the Treasury Department, which did not include

critical and required information such as accrued program benefits payable or accrued unemployment insurance taxes.

Our recent audit of the Unemployment Trust Fund's (UTF's) Federal Employees' Compensation (FEC) Account confirms a continued lack of accountability and integration of the UTF into ETA's and the Department's accounting systems. (See Chapter 1 for a discussion of the FEC Account audit.)

ETA financial statement audits identified significant grants management weaknesses. ETA agreed to correct deficiencies in RAS operations, accruals, advances, and the interface with the Department's general ledger. However, to complete corrective action will require continued management attention to: develop a uniform accounting controls system for data entry, revise and document the accrual system for grant and contract expenditures, and reconcile RAS advances with those recorded in the Department's general ledger.

To date, a CPA firm has developed a system of uniform accounting controls for RAS data entry at the regional offices. The results of these efforts should be reflected in improved reliability of fiscal year 1990 data in RAS. A consultant has helped ETA redesign the accrual system which will be implemented when DOLAR\$ is activated for ETA grants transactions. ETA has analyzed the advances account in the old general ledger system; however, corrective action cannot be evaluated until DOLAR\$ provides fiscal year 1990 beginning balances to ETA.

### Chief Financial Officer Legislation Critical to Federal Accountability

We continue to believe that top program and fiscal managers will not be held fully accountable in the absence of legislation mandating a strong Chief Financial Officer (CFO) for the United States and Chief Financial Officers for each Federal agency which provides each with sufficient authority, responsibilities, qualifications and resources. For this reason, we strongly endorse legislation to accomplish this and to require the annual preparation and audit of financial statements for each agency.

Finally, sufficient stewardship over Federal funds can never be comfortably achieved at the Federal level until accountability is met through adequate financial management systems below the Federal level. We address some of these mounting concerns in the next section about recipients of DOL funding.

# OFFICE OF AUDIT

## Section 3

### **State and Local Recipients of DOL Funding Need to Improve Their Financial Management**

In recent years, the OIG and the Department have become increasingly concerned about financial accountability below the Federal level. Without reliable information from DOL fund recipients, neither the Department nor, ultimately, the Congress has good data for policy decisions and management of Labor's programs.

The Department of Labor spends only 14.3 percent of budgeted funds directly at the Federal level. In fiscal year 1988, the Department's total expenses were \$23.4 billion, with \$20.0 billion going to State and local governments, nonprofit organizations, and other private sector organizations. Unemployment benefits totaled \$13.7 billion, and another \$6.1 billion went to ETA grants. Other miscellaneous grant programs accounted for \$258 million.

In auditing the Department's financial statements, we rely on the financial control systems of the States and other grantees to ensure these funds are properly managed and spent. Our opinion contains a scope limitation to this effect. Generally, these systems and expenses are audited through organization-wide audits under the Single Audit Act. We supplement this coverage in a very limited way with our special reviews and audits. Recent problems have significantly raised concerns about the integrity of State-generated information.

The adequacy of State financial reporting and accounting systems has been questioned in a series of recently issued national and State level reports. First, the Secretary in her Federal Managers' Financial Integrity Act (FMFIA) report has raised concerns over the extent of Single Audit coverage. Our review of the adequacy of State accounting systems for the Unemployment Insurance program provided insight into the scope of the financial management problems. Finally, a number of Single Audit reports identified problems that go beyond the Unemployment Insurance program, and indicate serious accounting system problems at the State level.

#### **FMFIA Report Raises Concerns about Single Audit Coverage**

The Secretary's 1989 FMFIA report stated that Single Audit Act coverage for JTPA grantees is inadequate. In 1987, the Department found 14 of 42 States had not

issued a State-level report, and about 40 percent of the Service Delivery Areas (SDAs) had no audit report issued since the 1983 inception of the program. More recently, a review of 48 States found that they all had at least one audit report issued since the program's inception. Similar results were found at the SDA and subrecipient levels. However, timeliness and audit resolution continued to be problems at these lower levels. The Secretary reported that of 705 reports reviewed, only 442 (63 percent) were issued on a timely basis; and only 52 (14 percent) of the 365 audits containing findings were resolved within 180 days.

We also have been concerned about the audit coverage provided to all Labor programs under the Single Audit Act. We have a comprehensive review under way, which will be reported in our next *Semiannual Report*. This review looks at both reporting compliance and the amount of coverage Labor programs receive in the Single Audit. One of our concerns is how the compliance supplement or alternative audit procedures are applied to DOL programs.

#### **State Accounting Systems Do Not Adequately Support UI Trust Fund Management of Federal Reporting**

In a special review of the State accounting systems supporting the UI program, we found them seriously inadequate to accomplish their objectives to fully account and report on State UI trust funds.

In 1988, the UI program paid out \$13.7 billion in benefits and collected \$23.2 billion in tax contributions.

In a survey of the 53 state employment security agencies (SESAs), we found that 26 did not maintain a general ledger for their UI trust fund transactions. A general ledger, simply through its application of double entry accounting, summarizes the detailed transaction infor-

mation and provides important control to ensure information accuracy. Of the 27 SESAs which had general ledgers, only 3 were designed to fully account for experience rating activity, the foundation of the UI tax structure. UI taxes are based on the concept that higher risks, as reflected by past experience with unemployment, should be reflected by higher tax rates.

In six States we selected for detailed review, we tracked federally reported SESA financial information back to the SESA accounting systems and found that over 40 percent of the data could not be supported by the financial accounting systems.

Our recommendations call for ETA to develop a long-range plan with intermediary milestones, to develop and improve SESA general ledger systems and to monitor the adequacy of SESA accounting operations. Part of this plan should encompass a system to provide adequate accounting support for experience rating. We also are recommending that ETA develop a framework for evaluating UI Federal reporting and a plan to incorporate automated general ledger systems which would complement the above recommendations.

As part of our work, we developed a model SESA trust fund accounting system to assist ETA in improving SESA financial operations. One State, **Wisconsin**, had a very good system. The Wisconsin system provided valuable information in the refinement of our model.

ETA's response to our draft report was generally supportive; however, the response to the final report raised questions regarding ETA's resolve to correct identified problems. While they agreed with the need for significant improvement in the SESA Trust Fund accounting systems, they advised that our expectation of a comprehensive corrective action plan from ETA was beyond their scope of responsibility for UI program administration. ETA pointed out that "the OIG position fails to recognize: The traditional Federal-State relationship for Unemployment Insurance, where the Federal partner limits prescription to matters of Federal law. In other areas, including accounting systems, the Federal (i.e., UIS) role is advisory."

Overall, the States have been responsive to our recommendations. The following are examples of some of the problems we found and is not all inclusive.

In **New Jersey**, we found that the subsidiary accounting systems did not reconcile to the official State accounting systems. Unsupported adjustments were routinely made to bring them into agreement and, thus, compounded

the problem. The State also used different methods to record UI taxes, based on whether the payment is due from an employer or from an employee. In response to the audit, the State has undertaken the difficult task of reconciling its accounting systems. Changes in accounting for tax revenue are planned and our other recommendations are being addressed.

In **Delaware**, the UI trust fund was not included in the State-wide single audit, because the SESA controlled the fund, and not the State treasurer. As a result, the UI transactions were subjected to compliance tests, but the trust fund was not subjected to financial audit procedures. The State Auditor plans to include the trust fund in subsequent audits. We found several other problems to which the State has responded quickly. Delaware is now proceeding to improve and fully automate its general ledger.

In **Utah**, we found that one of several cash accounts was not recorded on the SESA's general ledger. This situation has been corrected, as well as other accounting and documentation deficiencies.

In **Maryland**, we found monthly journal entries were not being fully documented or explained, resulting in an incomplete audit trail. The chart of accounts for the general ledger also was very outdated as well as documentation of accounting procedures. These situations are being corrected.

Finally, **West Virginia** lacked a general ledger; furthermore, the subsidiary tax system lacked several accounts needed to fully account for UI tax revenue. The State is making progress in correcting the situation. We have provided technical assistance and will continue to do so.

#### PROBLEMS IDENTIFIED BY STATE SINGLE AUDITS

Recent State single audit reports have identified problems similar to those identified in our special review. In addition, they have shown the problem not just restricted to the UI program, but occurring throughout other Labor programs.

The auditor for the **Michigan** Employment Security Commission (MESC) for the year ended September 30, 1987, concluded that the system for internal control was inadequate for the Unemployment Compensation and Contingent Funds. The Contingent Fund accounts for collections of a special unemployment tax surcharge, i.e., a solvency tax imposed on certain employers, interest and penalties on delinquent unemployment contributions, and payments of deferred interest. The audi-

tors qualified their opinion on the Contingent Fund because of inadequate records to support the amounts recorded for solvency tax receivable (\$12,780,000) and deferred revenue (\$2,380,682).

In 1986, the auditors disclaimed an opinion, and financial statements could not be presented for MESC. The agency had over \$120 million in Federal expenditures that were determined unauditible. In 1986, the agency received funding for unemployment insurance, the employment service, JTPA, trade readjustment, labor force statistics, and two veterans' programs.

In their 1986 and 1987 audits, the State of West Virginia's auditors report:

. . . the State does not report, nor have the ability currently to report, financial information that clearly indicates the nature of the receipts and disbursements of the State and each of its funds or accounts. Instead, a summary of the receipts and disbursements by object or function code is available for only the main appropriated accounts or funds of the State. In addition, the State's financial reports do not separately identify intergovernmental transfers from true receipts and disbursements of the State.

Concerning Federal funds, the auditors found that no one had responsibility for maintaining uniformity in Federal reporting, or reconciling the reports to the State accounting system. They concluded that "the State cannot be assured that its reports on the receipt and disbursement of Federal funds have been prepared in an accurate or consistent manner."

The *Arizona Auditor General* has informed us that there will be a disclaimer of opinion on the Arizona Department of Economic Security's (ADES) General Purpose Financial Statements and the Schedule of Federal Financial Assistance for fiscal year 1988. The Auditor General expects the same problems to exist in fiscal years 1989 and 1990. ADES is the umbrella social services agency for the State of Arizona. The DOL programs it administers include unemployment insurance, JTPA, alien certification, the employment service, and labor statistics.

ADES's problems center on its new computer system -- the "Financial Management and Control System," which was implemented before being fully tested. Certain modifications had not been made to meet DOL reporting requirements. When they implemented the new system, the old one was shut down, including a subsidi-

ary cost accounting system used to meet certain DOL reporting requirements. In January 1989, they decided to use the old cost accounting system to generate DOL reports and were then faced with the tedious job of reconstructing 6 months' worth of records.

ADES is trying to get the new system to work. The new system has potential and will be much superior over the old system when fully operational. At this point, the Federal funding agencies are carefully monitoring developments at ADES and ETA has in place a corrective action plan with the State. The Auditor General is committed to assisting the agency and eventually to auditing all Federal expenditures.

In California, the auditor reports that the Employment Development Department could not reconcile its automated Tax Accounting System (TAS) with its accounting records without making unsupported adjustments. To reconcile TAS to its various accounting records, including the unemployment insurance trust fund, the Department increased total tax revenue by \$32.8 million, increased total refunds owed to employers by \$14.8 million, and decreased total taxes owed by employers to \$16.2 million. These adjustments are not supported by detailed transaction records.

They found that 14 of 66 employer accounts tested were inaccurate or contained amounts the Department should have refunded to employers. As a result, revenues were understated by \$1.7 million, and over \$800,000 in refunds was owed to employers. Further, the Department could not support \$200,000 in its bank reconciliation of two unemployment insurance benefit payment accounts. Finally, the Department could not support the amounts reported for reimbursable benefit payments owed by the state government, local governments, and nonprofit organizations on its Federal summary report for UI financial transactions.

For the year ending June 30, 1988, the Colorado State Auditor also noted serious problems with their automated tax system for unemployment insurance. They found that the detail and summary records often do not agree. As a result of computer errors, the unemployment tax receivable balance was overstated by \$2.7 million. The age of \$50 million in receivables could not be determined, nor could receivables be written off because those functions were not operational on the system. The system would not recognize a refund to employers, resulting in misstated payable balances. Further, there was no control to ensure that data entered in the tax system was posted to three master files. The State agency agreed with the State Auditor and has given a high priority to correcting the problems.

For the 2 years ending June 30, 1987, the **Montana** auditor states that the bank balance and the State's accounting records were unreconcilable for the unemployment benefits account. As of June 30, 1986, the bank showed a balance of \$1,352,561 and the State records had a balance of \$618,357, a difference of over \$734,000.

The 1988 audit for **Texas** found that the State Department of Commerce could not fully support its JTPA Semiannual Status Report for Title IIA and Title III funding for program year 1987. The supporting workpapers were incomplete and did not establish an adequate audit trail. Some information in the report was obtained by telephone and was not confirmed in writing. Further, the report was not submitted on time.

In a review of subrecipient program year 1987 reports, the auditors identified \$3,359,325 that was not supported by monthly expenditure reports. A program year 1988 report did not include over \$4 million in expenditures because of differences between monthly totals and closeout totals.

ETA is working with the State to implement corrective action which ETA believes should correct most of the problems.

In **New Jersey**, the State Auditor reported for the year ending June 30, 1988, that the State Department of Labor's cost accounting system could not be reconciled

to the central New Jersey Financial Information System. We also found this problem in our review of unemployment insurance accounting. Further, New Jersey may have received excess Federal funds. For fiscal years 1980 through 1986, unobligated balances totaled \$246,920 for employment services and unemployment insurance. For JTPA, \$712,351 was unobligated after 3 years. Another \$1.2 million was supported by accounts receivable that were over 3 years old. JTPA funding is for 3 years. It appears these accounts receivable should have been cancelled.

**In summary**, although the Department has some serious financial management problems, discussed in Section 2, these difficulties are not restricted just to the Federal level. Many of our primary grant recipients, the State governments, also have serious financial management problems. Those reported here certainly are not a complete list. Our review of single audit coverage should provide us more insight into the scope of the problem.

The Department is currently taking actions which should address most of its financial management problems. Specifically, ETA has taken significant steps to improve its program and grant oversight (see Chapter 5, Audit Resolution). The Department must continue to closely and sufficiently monitor its programs and provide technical assistance to its grantees to ensure full accountability and safeguarding of Federal funds through strong financial management systems.

## Chapter 2

### OFFICE OF INVESTIGATIONS

With great reluctance the Office of Investigations (OI) continues to decline to investigate allegations of fraud in four critical areas relating to programs and operations of the Department of Labor: criminal fraud relating to employee benefit plans, criminal fraud relating to worker health and safety, criminal fraud relating to Federal wage and hour statutes, and criminal fraud relating to certain benefit trust funds. A March 1989 Department of Justice (DOJ) opinion has curtailed OI's ability to conduct criminal investigations in these areas. The Office of Inspector General categorically disagrees with the DOJ position; however, investigator liability exposure dictates OI's current policy. Should an OI investigator be sued pursuant to investigations into these areas, the Government may not defend him and he would be made personally liable for the costs of his own defense.

Prior to this restrictive opinion, OI had conducted a number of successful investigations in these areas. Two particularly successful investigations were previously reported: *U.S. v. Manix* (Dec. 1988) and *U.S. v. Lundberg*. The Manix case marked the first time in history that a Federal Court had sentenced anyone to prison for flagrant work place safety violations. The Lundberg case involved the embezzlement of \$9 million from employee pension funds. Six people were found guilty of participating in this sophisticated fraud scheme. In both instances the Department's program agencies, OSHA, PWBA, and the Office of the Solicitor demonstrated an inability to recognize the criminal aspects of these cases or a reluctance to pursue or refer them, despite the gravity of the offenses and willfulness of the criminality.

In this diminishing federal budget environment it is especially compelling that we obtain maximum benefit from *existing* resources without resorting to the traditional cry for exponential increases in staff. Purposeful and malicious fraud necessitates skilled independent investigator resources with a successful track record -- a scarce resource in any budget environment. The Office of Inspector General possesses that independence, skill, and knowledge base, as it has the only recognized Federal criminal investigators within the Department. Sadly, the Justice Department opinion restrains the Inspector General from effectively applying the full strength of his investigative staff in an effort to create a meaningful deterrent to fraud.

We are optimistic that the Congress eventually will clarify the Inspector General's investigative jurisdiction to permit vigorous criminal investigations of fraud. In the interim, OI has refocused its efforts into other areas such as allegations of fraud in the Job Training Partnership Act and the Federal Employees' Compensation Act programs.



The following are investigations which were in progress when the DOJ opinion was issued.

## **PENSION AND WELFARE BENEFITS ADMINISTRATION**

1. On February 13, a U.S. District Court jury in Albuquerque, New Mexico, convicted the owner of Lundberg Industries, Ltd., and his attorney of embezzling pension funds and conspiracy. Sentencing is scheduled for May 4. On March 13, three other defendants were sentenced to serve 5 years probation and perform community service counseling. A sixth defendant was sentenced on March 14 to 3 years probation and community service. The last four defendants pled guilty to charges of aiding and abetting of others and failing to report transactions required by Title I of the Employee Retirement Income Security Act of 1974 (ERISA). All were involved in an embezzlement scheme which involved over \$9 million in pension funds. *U.S. v. Lundberg et al.* (D. New Mexico)

2. On December 5, an insurance agent, who also served as a financial and investment advisor to a pension and profit sharing plan, was sentenced in U.S. District Court at Pittsburgh, Pennsylvania, to 5 years probation and 100 hours of community service. He was convicted on one count of theft and embezzlement from an ERISA-covered pension plan. His fraudulent schemes included forging signatures of the plan's trustees, diversion of the plan's deposits to his own accounts, diversion of money into a real estate investment firm in which he was a partner, and falsely certifying the plan's deposits that were not made. *U.S. v. Taylor* (W.D. Pennsylvania)

## **EMPLOYMENT STANDARDS ADMINISTRATION**

### **Wage and Hour Division (WHD)**

1. On December 4, a Buffalo, New York, construction company pled guilty to a one count criminal information charging the company with false statements to the Government. From January 1984 to October 1987, the company falsified certified payroll information about 12 different Departments of Education and Housing and Urban Development projects. The company agreed to make \$180,000 restitution to its underpaid employees and agreed to be debarred from future Government contract work. *U.S. v. Transcon Associates, Inc.* (W.D. New York)

2. On December 4, the owner of a Rome, New York, electrical company pled guilty to a one-count criminal information charging him with false statements to the Government. He admitted that from November 1986 to April 1988, his firm underpaid 14 employees almost \$113,000 while they were working on six federally-funded construction projects. *U.S. v. Rawls* (N.D. New York)

3. The owner of a Syracuse, New York, masonry contracting company, on February 23, pled guilty to a one-count criminal information charging him with false statements to the Government. He submitted falsified certified payroll records from May to November 1987, which resulted in a \$107,000 underpayment to his employees while they were working on U.S. Army projects at Fort Drumm, New York. *U.S. v. Barrett* (N.D. New York)

4. On November 3, two former co-owners of a Bronx, New York, construction company pled guilty to conspiracy charges involving kickbacks from their employees on two HUD construction projects in New York City. They had been indicted for having their employees return over \$95,000 in back wages that WHD had determined underpaid. On March 2, they were sentenced to 3 years probation and ordered to perform community service by building a Bronx facility to house pregnant drug-addicted women. *U.S. v. Garcia et al.* (S.D. New York)

## **EMPLOYMENT AND TRAINING ADMINISTRATION**

### **Unemployment Insurance (UI)**

1. On March 1, a western Massachusetts man, his wife, son, and daughter-in-law were named in a 32-count indictment returned in the District of Massachusetts. They were charged with participating in a scheme to file numerous fraudulent UI claims, from which they allegedly received more than \$150,000 in UI benefits between May 1986 and November 1989, from the States of Massachusetts, New Hampshire, Vermont, Rhode Island, Connecticut, Michigan, and Texas. Two of those indicted were also charged with fraudulently obtaining excess supplemental security income benefits totalling \$50,000. This investigation was conducted by the OIG, Postal Inspection Service and Health and Human Serv-

ices OIG with assistance from the State Employment Security Agencies of these States. *U.S. v. William A. Dietz et al.* (D. Massachusetts)

2. In December and February three subjects pled guilty and were sentenced for making false statements to the U.S. Government and the State of Washington. Each was sentenced to 8 months imprisonment and jointly ordered to pay \$25,997 restitution. The investigation disclosed a scheme in which the subjects used stolen farm laborers' W-2 forms to file bogus IRS income tax returns and fraudulent UI claims. The State of California reports that this scheme resulted in fraudulent claims exceeding \$2 million in their State. This joint investigation was conducted by the OIG, Internal Revenue Service, Postal Inspection Service, Immigration and Naturalization Service, and the State of Washington. *U.S. v. Quezada et al.* (E.D. Washington)

3. On March 2, a five-count felony complaint was filed in the Orange County Central Municipal Court, Santa Ana, California, charging the owner of a drywall construction company from Tulsa, Oklahoma, with grand theft and failure to pay withholding taxes or file related

returns in California. This joint investigation with the California Employment Development Department's Investigations Division, found that the company employed approximately 300 persons in California between 1986 and 1989 while failing to pay approximately \$600,000 in payroll taxes, approximately \$36,000 of which was Federal UI tax. *California v. Warren*

### Foreign Labor Certification (FLC)

In the U.S. District Court for the Western District of Montana, on January 26, one of two subjects was sentenced, under a Rule 20 proceeding, to 5 years imprisonment and 5 years probation. His partner was previously sentenced to 6 months work release imprisonment and 2 years probation. They, operating as Alro Advertisement, devised a scheme to defraud Mexican nationals through the mails and newspaper advertisements by soliciting money and promising respondents certificates from the U.S. Department of Labor, so that they could work here. Using a mail drop in Seattle, Washington, the defendants collected the fees and did nothing to obtain the certificates. *U.S. v. McCord et al.* (W.D. Washington)

OI investigative efforts also included vigorous enforcement in the program areas exemplified by the following cases:

## EMPLOYMENT STANDARDS ADMINISTRATION

### Office of Workers' Compensation Program (OWCP) Federal Employee Compensation Act (FECA)

1. On February 7, a former civilian U.S. Army employee pled guilty to a one-count criminal information charging him with making a false claim to the U.S. Government. It resulted in him fraudulently obtaining approximately \$211,000 in FECA benefits since 1976. The investigation, conducted with the Army Criminal Investigation Division Command, disclosed that the defendant was self-employed, operating a sheet metal, heating and air conditioning business with projected annual sales of \$1 million, a fact he did not report to OWCP as required. As part of a joint criminal and civil plea agreement, the defendant relinquished any entitlement to federal benefits and was to repay \$150,000. Prior to his guilty plea, the defendant repaid \$100,000 with the balance due, in \$25,000 installments, within 2 years. *U.S. v. Cullum* (D. District of Columbia)

2. On October 6, a former Alcohol, Tobacco and Firearms Service agent was sentenced in U.S. District Court for the Northern District of Georgia to 6 months imprisonment and 3 years probation for making false statements to obtain FECA benefits and ordered to make \$247,619 restitution. The defendant had been working as a private investigator while obtaining FECA benefits for being allegedly totally disabled. *U.S. v. Farmer* (N.D. Georgia)

3. On October 24, OWCP informed the former Chief of IRS Audit Division, Nevada, that his compensation would be terminated effective November 19, 1989. He was receiving over \$3,600 per month in disability benefits. Previously, the subject was sentenced to 5 years probation and ordered to pay \$40,000 restitution and perform community service. As part of an agreement, the defendant assigned over \$127,000 in retroactive disability retirement benefits owed to him by OPM to the DOL. He claimed temporary total disability compensation from 1979 to 1986, while he owned and operated two Swiss Colony Cheese franchises, earning from \$300,000 to \$400,000 per year and not reporting either the self-employment or income. *U.S. v. Friede* (D. Nevada)

4. A former Portsmouth Naval Shipyard civilian supervisor was sentenced on October 6 after his guilty plea to making false statements to OWCP for FECA benefits. Claiming he had been injured at work during 1985, the defendant failed to inform OWCP that he was operating an outdoors camp and hunting/fishing lodge in Maine. He was sentenced to 4 months imprisonment, placed on 3 years probation, fined a mandatory \$50, and ordered to pay approximately \$125,000 restitution. *U.S. v. Downing* (D. Maine)

## EMPLOYMENT AND TRAINING ADMINISTRATION

### Job Training Partnership Act (JTPA)

1. On November 28, the former president and chief operating officer of the Lake County Job Training Corporation, the JTPA grant recipient and administrator for that county, entered into a plea agreement with the United States Attorney for the Northern District of Indiana, Hammond Division which was accepted by the court on December 7. She pled guilty to three of an original nine-count indictment, charging racketeering, extortion, bribery and filing false income tax returns, which was returned on July 14. On February 21 she was sentenced to 1 year imprisonment on each count, concurrently. The judge refused to order restitution, indicating the defendant would be facing significant Internal Revenue Service civil tax obligations in the future. This prosecutive action resulted from a joint investigation of public corruption in Lake County, Indiana, conducted by the OIG, Internal Revenue Service, and Federal Bureau of Investigation. *U.S. v. Lang-Lampkin* (N.D. Indiana)

2. On January 30, a couple was sentenced to 2 years incarceration and fined \$50 for defrauding the JTPA program. As owners and operators of Forward Insurance Agency, they entered into an on-the-job contract with Careerworks, Inc., to provide computer and insurance training to JTPA participants. The investigation disclosed that the subjects submitted false vouchers and time sheets, totaling \$16,000. Even before their March 2, 1988, JTPA-related indictment, both defendants had prior criminal histories, including assault and aggravated assault on a peace officer. *U.S. v. Forward* (S.D. Texas)

3. On February 23, a Federal grand jury sitting in the Eastern District of Louisiana, New Orleans, returned indictments charging a trio with misprision of felony

violations, and two were charged with being principals in an offense against the United States. One defendant, a paid Tanjipahoa Parish School Board consultant in Hammond, Louisiana, solicited and received \$67,000 in kickbacks from a second defendant and owner of Return on Investment (ROI), a computer firm, in return for influencing JTPA grants totaling \$450,000 awarded to ROI. The third defendant, the school board superintendent, received \$10,000 from ROI for the JTPA grant awards. Each individual faces a maximum penalty of 4 years imprisonment and a \$250,000 fine. This continuing investigation was conducted with the Federal Bureau of Investigation. *U.S. v. Richard et al.* (E.D. Louisiana)

4. On December 15, the president of Arya International Bakery of West Bloomfield, Michigan, was sentenced in U.S. District Court, Eastern District of Michigan, Southern Division. It followed a July 27, 17-count indictment charging him with false statements, theft of JTPA funds and obstruction of a JTPA investigation. On October 10, he pled guilty of one count of making false statements, one count of theft of JTPA funds and one count of obstruction of a JTPA investigation.

The defendant contracted with the Greater Pontiac Area Consortium to train and employ disadvantaged individuals in the ethnic bakery trade. The indictment alleged that he falsely represented his ability to provide JTPA participants with classroom training, caused ineligible participants to be enrolled, overstated hours worked by participants and their pay rate, and falsely represented that certain participants were employed by his company. He fraudulently obtained in excess of \$17,000 and an additional \$31,000 in JTPA funding was being sought by the defendant. He was sentenced to 10 months incarceration, ordered to make \$31,000 in restitution, assessed fines and court costs exceeding \$3,000, and placed on 5 years probation. *U.S. v. Jalili* (E.D. Michigan)

### Job Corps

1. On February 20, a former bakery route salesman pled guilty to a four-count information charging him with theft of public money. The defendant delivered bakery goods to the Albany Job Corps Center, Albany, Georgia. Over a 2-1/2 year period, his overbilling scheme cost the Center \$130,000. He would keep collected cash received from other customers and balance his books by overcharging the Job Corps Center. *U.S. v. Gordon* (M.D. Georgia)

2. On November 30, a former Job Corpsmember and convict pled guilty to embezzling U.S. Treasury checks, stolen from a Brooklyn, New York, Job Corps contractor. He was indicted on November 2 for the theft of 27 relocation adjustment checks, exceeding \$22,000. On February 14, he was sentenced to 1 year imprisonment, 3 years probation, ordered to make \$2,500 restitution and fined a mandatory \$50. This joint investigation with the Postal Inspection Service and U.S. Secret Service resulted in another individual admitting her role in the theft and being accepted into a deferred prosecution program. The former Job Corps contractor's employee who was believed to have been responsible for the actual theft of the checks was machine-gunned to death while she sat in her automobile outside a Brooklyn apartment, 10 days after being interviewed by the OIG about the theft. The investigation is continuing. *U.S. v. Rutledge* (E.D. New York)

## **ETHICS AND INTEGRITY ISSUES**

1. On March 2, a former Deputy Commissioner, a high-level official for the Department of Labor's Division of Coal Mine Workers' Compensation, pled guilty to a two-count information, charging him with filing false claims and mail fraud. The defendant used information from deceased black lung claimants to file false claims totaling \$230,000. As part of the plea agreement, the defendant will make full restitution. Sentencing is scheduled for May 3. *U.S. v. Ratliff* (E.D. Kentucky)

2. On February 14, the administrative officer for the President's Committee on Employment of People with Disabilities (PCEPD), pled guilty to one count of theft and embezzlement of Federal funds. The investigation disclosed that on at least 12 occasions, following the preparation of cash vouchers for payment of vendors servicing PCEPD, the defendant retained the Government's funds for her own personal expenditures. She was sentenced to 90 days confinement, with the imposition of sentence suspended, given 2 years probation, ordered to make \$1,527 in restitution and to perform community service. *U.S. v. Skiles* (D. District of Columbia)

## **OI INITIATIVES**

### **Project SESA Assist**

In view of the previously mentioned DOJ opinion, the OIG initiated "Project: SESA Assist" to ensure continuity and a smooth transition for the SESAs (State Employment Security Agencies) to assume a more vigorous role of criminal enforcement in non-federally funded UI activities. While there are many SESAs whose enforcement programs and resources are excellent, there have been many SESAs who have required OIG assistance, particularly involving interstate criminal activity where limited jurisdiction is a major concern. Among other things, OIG Special Agents are being made available throughout this fiscal year to provide hands-on training and visits to SESAs to minimize any potential void produced by the OIG's absence in the program.

### **"To get the Facts - Investigating Workers' Compensation Fraud"**

The OIG was pleased to provide the Office of Inspector General community and other law enforcement agencies a video cassette entitled, "To get the Facts - Investigating Workers' Compensation Fraud." It was produced by the OIG as part of its continuing effort to increase fraud awareness about the Federal Employees' Compensation Act, a major DOL program whose costs escalated to \$1.1 billion in 1988.

## COMPLAINT HANDLING ACTIVITIES

The OIG Complaint Analysis Office and the OIG regional offices serve employees, other agencies and the general public who report suspected incidents of fraud, waste, and abuse in DOL programs and operations. The following tabulation reflects the composites of total allegations reported to the OIG and their disposition.

### TOTAL ALLEGATIONS REPORTED TO OIG NATIONWIDE: 639

#### SOURCES:

Walk-in .....	2
IG Hotline .....	42
Other telephone calls .....	12
Letters from the Congress .....	4
Letters from individuals or organizations .....	66
Letters from DOL agencies .....	153
Letters from Non-DOL agencies .....	175
Incident Reports from DOL agencies .....	121
Reports by special agents and auditors .....	63
Referrals from GAO .....	1
Total .....	639

#### DISPOSITION:

Referred to Office of Audit or Office of Investigations .....	333
Referred to DOL program management .....	28
Referred to other agencies .....	2
No further action required .....	136
Pending disposition at end of period .....	140
Total .....	639

## Chapter 3

### OFFICE OF LABOR RACKETEERING

In the 1980's, the Office of Labor Racketeering (OLR) focused primarily on pension and welfare fund racketeering. Because employee benefit plans' vulnerability to criminal exploitation has not abated, this investigative emphasis will continue into the next decade.

Historically, OLR has concentrated on multi-employer, collectively bargained plans that are jointly administered by management and labor trustees. To fully protect the pension and welfare plans of the American worker from fraud, OLR has broadened its investigative scope to include the detection of racketeering activity in non-union benefit plans, especially welfare plans. Within the last year OLR has opened criminal investigations of several fraudulent self-funded group health plans or multiple employer welfare arrangements (MEWA's), as they are commonly known. MEWA's typically are marketed to small companies that have found the rising cost of traditional group medical insurance prohibitive.

Typically, fraudulent self-funded MEWA's offer premiums well below the prevailing market rate for legitimate trusts and insurance companies and do so without any intention of meeting their total reimbursement liabilities. With the expectation of staying afloat for a period of time through aggressive selling and slow claims payment, these fraudulent MEWA's have become a variation of the classic criminal Ponzi scheme. OLR investigations have disclosed fraudulent schemes that create tragic consequences for subscribing employers and participants by leaving them liable for unpaid medical bills and creating "pre-existing" health conditions for which they will never be insured in the future.

Illustrative of this type of investigation is the Harbor Medical Administrators case discussed in the significant cases section below.

OLR continues to devote attention to labor racketeering violations in the areas of labor-management relations and internal union affairs involving extortion, kickbacks, illegal payments, bribery, denial of union members' rights by violence, and embezzlement. Two labor racketeering cases illustrative of multiple violations involving organized crime are the Laborers Local 332 and the New Jersey Construction Industry cases discussed below.

OLR has continued to maximize its efforts with limited resources by participating in joint investigations with local, State, and other Federal agencies. During this reporting period, OLR investigations resulted in 81 indictments and 35 convictions. Seventy-five percent of the indictments and 68 percent of the convictions resulted from joint investigations.

Examples of significant cases follow.

## EMPLOYEE BENEFIT PLANS

### Metropolitan Marine Maintenance Contractors Association (MMMCA)

Four trustees of the employee benefit funds of several International Longshoremen's Association (ILA) locals pled guilty on February 2, 1990, in New York to a criminal information charging them with receiving kickbacks to influence the operation of the funds. The plea agreement also included admission by the defendants to having committed other violations, including racketeering, embezzlement, and making false statements regarding a benefit plan. The information was filed on January 31.

The defendants are two management trustees of the Metropolitan Marine Maintenance Contractors Association (MMMCA) benefit funds, Umberto J. Guido, a former president of the association, and Robert A. Colozza, MMMCA executive director, and two labor trustees Joseph F. Colozza, vice president of ILA Local 1814 and brother of Robert, and Michael Porta, Jr., Local 1814 delegate.

MMMCA is a trade association representing member-contractors engaged in ship and container maintenance and repair and related activities. It has collective bargaining agreements with various ILA locals and maintains the Metro-ILA pension fund, welfare fund, and fringe benefit fund.

From about December 1969 through September 1989, the defendants received kickbacks in the form of numerous personal and business loans ranging from \$5,000 to \$700,000, commissions, and other items from banks and other institutions in the New York City metropolitan area. In return the defendants deposited employee benefit fund money in the banks.

As part of the plea agreement resulting from the joint criminal investigation by OLR and the Waterfront Commission of New York and New Jersey, Guido has agreed to settle a civil complaint filed by the Secretary of Labor in July 1989. The complaint, following a civil investigation by the Department of Labor's Pension and Welfare Benefits Administration (PWBA), alleged that trustees, including Guido, of the Metro-ILA benefit funds failed to collect delinquent employer contributions owed to the funds.

Guido, who was president of the MMMCA from 1972 through 1986, maintained ownership interest in most of the companies listed in the civil complaint. *U.S. v. Umberto Guido et al.* (E.D. New York)

### Teamsters Local 436 Welfare Fund

Salvatore "Sam" T. Busacca, Sr., former official of Teamsters Local 436 of Cleveland and its benefit funds, was convicted of racketeering and embezzlement charges on December 20, 1989, by a federal jury in Cleveland. He was acquitted on a charge of racketeering conspiracy.

Busacca embezzled approximately \$259,000 from the local's welfare fund to pay attorney fees in an unsuccessful defense of criminal charges from a prior embezzlement of the same fund. At the time he embezzled the \$259,000, Busacca was president of the local and chairman of the Board of Trustees for the employee benefit funds. He used the money to defend himself against an April 1986 indictment that followed an OLR investigation. He was charged then with racketeering, embezzlement, and other violations. He was convicted in August 1987 and sentenced to 10 years in prison, which he is now serving. He was indicted in December 1988 for embezzling the \$259,000.

Four other officials from the local were acquitted of various charges that they assisted Busacca in the embezzlement.

This is the seventeenth conviction in OLR's investigation of corruption in Teamsters Local 436 and its benefit funds. *U.S. v. Salvatore T. Busacca et al.* (N.D. Ohio)

### Laborers Local 332 Benefit Fund

A Philadelphia demolition and construction company owner pled guilty on February 14, 1990, in Philadelphia to violating the Racketeer Influenced and Corrupt Organizations (RICO) statute. The RICO count charged the defendant with racketeering activity to defraud the Laborers Local 332 Health and Welfare Fund and violate the collective bargaining agreement that he had with the local.

Ralph Costobile, owner of Costo, Inc., had been indicted in September 1989 in a 33-count indictment that had included the underlying crimes charged in the racketeering count. The remaining counts in the indictment were dismissed.

The racketeering count to which Costobile pled guilty charged that he used Costo, Inc., in furtherance of his scheme and lists specific racketeering acts. These acts include making payoffs of \$70 per laborer per week to Philadelphia organized crime figures so that they would prevent Local 332 officials from harassing him when he

employed non-union laborers; causing assaults on laborers who threatened to expose his use of non-union laborers; paying a 1985 candidate for union business manager \$4,300 to withdraw and enable the incumbent to run unchallenged; and bribing a company employee to assure the awarding of demolition and construction contracts.

The 18-month investigation in this case was conducted jointly by OLR and the FBI with assistance from the U.S. Environmental Protection Agency. *U.S. v. Ralph Costobile* (M.D. Pennsylvania)

### **Harbor Medical Administrators**

An Atlanta corporation administering the welfare plans trust for the Drivers, Warehousemen, Maintenance and Allied Workers of America Local 1 of White House, Tennessee, and the local's president were indicted on January 18, 1990, by a Federal grand jury in Atlanta on charges of making and receiving kickbacks and embezzlement. The 7-count indictment, which named four individuals and two corporations, was unsealed on January 23 after the arrests of the defendants by special agents from OLR, the FBI, the Georgia Bureau of Investigation (GBI), and the U.S. Postal Inspection Service.

The defendants are Harbor Medical Administrators of Georgia, Inc.; James Craighead, president of Drivers Local 1; Frank Buccheri, president, chief executive officer, and trustee of Omni Employee Benefit Trust of Atlanta; Catherine Steele, secretary and chief financial officer of Omni Trust; Richard Rowe, a Connecticut resident and founder of Omni Trust in Boston, Massachusetts, and Atlanta; and Southeast Group, Inc., a corporation set up by Buccheri allegedly to receive funds for himself.

Harbor Medical was a third-party administrator of Omni Trust. As a self-insured group health arrangement, Omni Trust provides health benefits in 16 States to approximately 9,000 employees and dependents of nearly 300 companies that participate in the trust. Sherman Dixie Concrete Industries, Inc., a participant in the Omni Trust, employs approximately 100 members of Drivers Local 1 in the Nashville area.

The indictment charges that from December 1987 through November 1988, Craighead solicited and received \$4,670 in the form of nine payments on a new 1988 Lincoln Town car by Buccheri so that the union benefit plans would continue to use Omni Trust. Buccheri was allegedly assisted in paying the kickbacks by Steele and Harbor Medical. Craighead and Buccheri are also charged with receiving and making kickbacks regarding

\$500 Buccheri allegedly paid Craighead for his continued influence. Buccheri, aided by Southeast Group, is charged with having solicited \$19,068 in kickbacks from two insurance companies to allow one company to provide life and accidental death and dismemberment insurance and the other to provide reinsurance for stop-loss coverage to Omni Trust.

From about November 1987, through August 1988, Buccheri, Steele, Rowe, and Harbor Medical allegedly embezzled approximately \$368,788 from the Omni Trust account by taking commissions to which they were not entitled. Buccheri, Steele, and Harbor Medical are also charged with embezzling \$7,513 from the Omni Trust by paying medical claims for Buccheri, Steele, and others for whom no premiums had been paid and who were not eligible participants.

Estimates from the Georgia State Insurance Commission indicate that approximately \$700,000 in medical claims had not been paid at the time the Commission put the plan in receivership and that Harbor Medical had approximately \$70,000 cash in hand to pay claims. To date, the State has settled approximately \$300,000 in claims and is attempting to settle approximately \$400,000 in bills that remain outstanding.

OLR, in conjunction with other Federal and State agencies throughout the country, is continuing its criminal investigation of numerous other self-funded group health plans that are characterized by deceptive and fraudulent practices.

Investigation leading to this indictment was conducted jointly by OLR, the FBI, the GBI, and the Georgia State Insurance Commission. *U.S. v. Frank Buccheri et al.* (E.D. Georgia)

### **Service Employees International Union Local 200**

An official of Service Employees International Union (SEIU) Local 200 of Syracuse, New York, and of SEIU Local 362 of Orlando, Florida, was indicted on December 1, 1989, by a federal grand jury in Syracuse on charges involving the locals and their affiliated benefit plans.

The defendant, Walter J. Butler, is president of local 200, secretary-treasurer of local 362 and of the Service Employees Florida State Council (FSC), and chairman of the Board of Trustees and/or administrator of local 200's five affiliated benefit plans. He is also a former vice president of the International.



The indictment includes one count of racketeering involving five acts of embezzlement from a union and six acts of embezzlement from employee benefit plans. Other counts include making false entries in records required by ERISA, embezzlement from a union, mail fraud, making false entries in union records, and obstruction of justice.

The indictment charges that Butler embezzled local 362 funds by paying Christmas bonuses to his wife, Linda Butler, who was not an employee, officer, or member of the local. Also, he used local 362 union and benefit plan funds to pay rent for a condominium in Dania, Florida, that was jointly owned by him and his wife. Checks were issued to an alias used by his wife. According to the indictment, when FSC and union local officials pressured him to stop the condo payments, Butler had local 362 issue him comparable checks as organizing expenses instead. He also altered the local's minutes to reflect higher rental payments than originally approved.

According to the indictment, Butler embezzled funds from local 200 by causing multiple expense checks to be issued payable to him for attending meetings of the five affiliated benefit plans. Additional embezzlements occurred in the form of free use of a union automobile, health insurance coverage, Christmas bonuses, and vacation pay for his son, W. James Butler. Butler also allegedly used funds from the local 200 benefit plans to give his son Christmas bonuses, vacation pay, and payments for unearned legal fees.

This investigation was conducted jointly by the OLR, the FBI, and the New York State Police. *U.S. v. Walter J. Butler* (N.D. New York)

### **Laborers District Council Building & Construction Health and Welfare Fund**

Three members of Laborers Local 413 in Chester, Pennsylvania, were convicted of conspiracy to embezzle and embezzlement from the Laborers District Council Building and Construction Health and Welfare Fund in Philadelphia.

Gretchen R. Starkey, indicted in December, pled guilty on February 6 to having conspired to embezzle \$30,666 and embezzlement of \$1,240. John D. Singleton was convicted on February 8 of the charges in a May indictment, conspiracy to embezzle \$111,000 and embezzlement of \$111,000. Richard B. Moore, indicted in December, pled guilty on March 1 to having conspired to embezzle over \$38,000 and embezzlement of \$2,312.

The three union members had conspired with Donna V. Mims, who was a claims processor for the fund, to embezzle from the fund. Mims was indicted in May on 80 counts of embezzlement and one count of conspiracy. She pled guilty in June to one count of conspiracy to embezzle \$212,000 and nine counts of embezzling \$9,795.

Mims was responsible for reviewing and approving claims for medical benefits filed by eligible members of the local. From September 1985 to January 1987, she processed fraudulent medical benefits claims, causing checks to be issued to the other defendants. The checks were cashed or deposited in various bank accounts and divided among the co-conspirators.

A joint investigation of this case was conducted by OLR and the FBI. *U.S. v. Donna Mims, U.S. v. John D. Singleton, U.S. v. Gretchen Starkey, and U.S. v. Richard B. Moore* (E.D. Pennsylvania)

### **Mid-Jersey Trucking-Teamsters Local 701 Pension Fund**

A Fort Lauderdale attorney and certified public accountant was convicted by a federal jury in Miami on December 6, 1989, of submitting false documents required by the Employee Retirement Income Security Act (ERISA) and conspiracy. The violations arose from the acquisition of a loan from the Mid-Jersey Trucking-Teamsters Local 701 Pension Fund of North Brunswick, New Jersey.

Allan F. Meyer, who had been indicted in March 1989, is the ninth individual convicted in the OLR investigation of fraud regarding the investment of \$20 million belonging to the local 701 pension fund by the Omni Funding Group, Inc. of Fort Lauderdale. Omni had been contracted by the pension fund to invest the money in second mortgages.

Meyer received a \$1,075,000 loan from Omni and used the money to buy out his partners' interest in a citrus grove. He then quitclaimed the grove title to Joseph Higgins, owner of Omni, for use as a tax shelter. Higgins was prohibited by law from obtaining personal benefit from the fund. Higgins was required to report to the fund the facts of his personal dealing, but was able to conceal them as a result of Meyer's participation.

The OLR investigation of the fraud against the pension fund has resulted in convictions in New Jersey, California, and Florida. The fund has lost \$10 million from various schemes by Higgins and his associates. *U.S. v. Allan F. Meyer* (S.D. Florida)

## LABOR-MANAGEMENT RELATIONS

### Laborers Local 210

John Catanzaro, auditor and steward for Laborers Local 210 in Buffalo, New York, was sentenced on January 30, 1990, to serve 27 months in prison. Catanzaro pled guilty on November 30, 1989, to one count of accepting illegal payments to ensure labor peace on a construction work site.

Catanzaro had been indicted in April 1988 on two counts of receiving over \$30,000 from the Gregory Pipeline Company of Houston, Texas. The money, which Catanzaro received as wages even though he performed no work, was paid by the company for labor peace during construction of a pipeline through western New York State in 1986 and 1987.

Upon release from prison, Catanzaro is barred for 6 years from holding any union position and 13 years from any association with employee benefit plans.

This investigation was conducted jointly by OLR and the FBI. *U.S. v. John Catanzaro* (W.D. New York)

### New Jersey Construction Industry

A reputed major figure of the Gambino organized crime family, nine officials of unions involved in the construction industry in New Jersey, and a construction company and its president were indicted on January 24, 1990, by a New Jersey State grand jury in Trenton for crimes involving corruption in the construction industry.

Investigation leading to these indictments was conducted jointly by OLR, the New Jersey State Police, and the New Jersey Division of Criminal Justice Organized Crime Bureau. The defendants had been arrested on July 27, 1988, in pre-dawn raids by Federal and State officials following a 2-year investigation dubbed "Operation Stealth/Starlight." The probe is one of the most significant investigations of labor racketeering in the construction industry ever undertaken by the Federal or State government in New Jersey.

Three separate but related indictments were returned. A 6-count indictment charges Michael Mandaglio, reputed Gambino crime family *caporegime* and former business manager of Laborers Local 342 in Newark, and James Daly, president of the New Jersey Council of Bricklayers and director of Bricklayers Local 13 of Newark, with racketeering, racketeering conspiracy, and other crimes.

By virtue of his reputed position in the crime family, Mandaglio allegedly controlled a racketeering enterprise that included extortion, theft, bribery and control over labor unions and legitimate businesses. Daly allegedly participated in the scheme by using his union position to further the illegal goals of the racketeering enterprise. The indictment specifically mentions the theft of over \$75,000 from Essex County contracting companies through extortion and alteration of company books and records and payment of kickbacks to a construction company employee.

A second State indictment contains 71 counts variously charging nine construction industry union officials with accepting bribes from William A. Kish, president of Keithley Construction Corporation, and Kish and the company with paying the bribes. The bribes were allegedly paid in return for the use of non-union employees at Keithley construction sites and to obtain construction contracts by union officials exerting pressure on building contractors.

The union officials named in this indictment are: Allen Minkler, business manager, Bricklayers Local 27, Woodbridge; James Daly, president of the New Jersey Council of Bricklayers and director of Bricklayers Local 13, Newark; Luke Rolio, business agent, Bricklayers Local 21, Morristown; Joseph Dulio, business manager, Laborers Local 711, Morris Plains; Michael Scarano, business agent, Bricklayers Local 35, Old Bridge; Stanley Wiglus, business agent, Laborers 913, Dover; Lawrence Plante, business agent, Carpenters Local 620, Madison; Joseph D'Argenio, business agent, Laborers Local 694, Montclair; and Anthony Proto, business agent, Laborers Local 342, Newark.

The third indictment charges Kish and Keithley Construction with conspiracy and bribery. Allegedly, they paid \$7,000 to Dominick Ciccone, an official with the Borough of Carteret, to use his position to approve building permits without proper inspection for Keithley Construction and to reduce permit fees. Ciccone pled guilty on January 31, 1989, to a State accusation charging official misconduct and is now serving a 7-year sentence. *New Jersey v. Michael Mandaglio* and *James Daly, New Jersey v. William A. Kish et al., New Jersey v. William Kish and Keithly Construction*

### Boardwalk Marketplace Project

Four individuals involved in the failed Boardwalk Marketplace Project in Atlantic City, New Jersey, have been charged by the State with various violations involving the construction project. A joint 4-year investigation of corruption involving the project was conducted by

OLR, the Atlantic County Prosecutor's Office, and the New Jersey State Police.

The defendants are Joseph Shamy, project manager; Rudolf Ponzio, assistant project manager; Enrico "Rick" Casale, owner of Rick Casale Roofing and Resorts Roofing of Margate; and Nancy Casale, his wife.

In late 1984, the Nashua Trust Company (NATCO), a Texas corporation, began purchasing properties in downtown Atlantic City. Approximately \$50 million worth of properties were purchased and \$1.5 million in renovations completed. The development became known as the Boardwalk Marketplace Project and was to be a \$350 million effort to develop a 3-block area of downtown into an historic marketplace attraction reminiscent of Atlantic City in the 1920's. The project was started but never completed because of financial difficulties.

On January 25, 1990, a State sealed accusation charged Shamy with commercial bribery. He pled guilty on the

same day to the accusation that he accepted bribes from construction companies doing work on the project.

The State also indicted Ponzio on January 25, charging him with conspiracy to commit commercial bribery, commercial bribery, and state tax evasion. He allegedly accepted \$20,000 in bribes from four Atlantic City area contractors who were given work at the development. The charges against Shamy and Ponzio were unsealed when indictments against the Casales were returned.

Enrico Casale was charged on March 14 in two separate indictments. One charged him with conspiracy to commit commercial bribery and commercial bribery. He allegedly paid \$1,000 in bribes to Shamy. The second indictment charges Casale and his wife with conspiring to commit theft by deception and attempted theft. They allegedly billed NATCO for \$9,800 for work that was never done on a NATCO property in Atlantic City. *New Jersey v. Shamy, New Jersey v. Ponzio, New Jersey v. Enrico Casale, New Jersey v. Enrico Casale and Nancy Casale*

## Chapter 4

# OFFICE OF RESOURCE MANAGEMENT AND LEGISLATIVE ASSESSMENT

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, representing the OIG on various committees and initiatives of the President's Council on Integrity and Efficiency (PCIE), and performing ADP and other management and support activities to achieve the mission of the OIG.

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 concerning the impact on the economy and efficiency of the administration of the Department's programs and on the prevention of fraud and abuse. This section highlights several of the more significant legislative concerns which developed over the previous 6 months.

### **H.R. 4617 and S. 2608, Amendments to the Inspector General Act of 1978**

This bill, introduced in the House on April 25, 1990, by Representative Conte (R-MA) and in the Senate on May 10, 1990, by Senator Glenn (D-OH) and 12 original Senate co-sponsors, would amend the Inspector General Act of 1978 to clarify the authority of Federal Inspectors General to conduct audits and investigations. This bill would correct a critical problem for OIGs arising as a result of a March 1989 opinion of the Department of Justice's Office of Legal Counsel. Several Inspectors General have testified before the Congress within the last 8 months about the adverse consequences of the DOJ opinion on OIG criminal investigations and about the pressing need for congressional legislation to overturn that decision.

The bill will clarify that each Inspector General has the authority to determine the nature and scope of their investigations relating to programs and operations administered, carried out, financed, or conducted by the respective agency.

This measure has bipartisan support in the Congress and we urge quick and favorable consideration of this good government measure.

### **S. 2012, "To amend ERISA to require an independent audit of statements prepared by certain financial institutions with respect to assets of employee benefit plans."**

In response to the OIG's long-standing concerns about the inadequacy of independent public accountant audits of pension plans which were fully described in our previous two reports, Senators Kassebaum (R-KS) and Hatch (R-UT) introduced a bill on January 23, 1990, which would eliminate a provision in ERISA that permits limited scope audits of private pension plans. OIG audits found that limited scope audits of pension plans give no assurance of asset integrity to benefit plan participants and, as such, are an unnecessary burden on the taxpayer.

The OIG strongly supports this measure to improve the disclosure mechanism that the Congress envisioned when it passed ERISA.

### **S. 2080 and H.R. 4149, "Office of Inspector General Law Enforcement Act of 1990."**

This bill has been introduced by Senator Boschwitz (R-MN) in the Senate and Representative Staggers (D-WV) in the House. For the past 9 years, the OIG has strongly supported any legislation which would provide for full law enforcement authority for OIG criminal investigators (GS-1811s). The lack of such authority impedes the ability of OIG special agents to perform many traditional law enforcement responsibilities and presents a real problem of safety for witnesses and agents. While DOJ's temporary deputation of some of the OIG's criminal investigators has proved beneficial in the past, it has only been a palliative remedy and does

not adequately meet the need for permanent law enforcement powers necessary to ensure success and credibility; moreover, the renewal process has proved to be burdensome and inefficient. Full law enforcement authority includes making arrests, issuing search warrants, and carrying firearms -- in essence, the ability for OIG criminal investigators to conduct their investigations with the same safeguards granted to the traditional law enforcement agencies such as the FBI, DEA, IRS, Customs, and the Secret Service (all GS-1811 investigators).

### **S. 543, "Job Training Partnership Act and Youth Employment Amendments of 1989"**

The OIG supports this bill which would alleviate some long-standing problems about serving those most in need, adequately accounting for costs charged the Government, and greater fairness and specificity in contracting for JTPA services.

### **LEGISLATIVE AGENDA**

Several other items on the OIG's legislative agenda for 1990 include proposals in the following areas:

1. Implementation of recommendations of the President's Commission on Organized Crime to amend the Labor Management Reporting and Disclosure Act (LMRDA) to broaden the Secretary's authority to enforce 29 U.S.C. 501(a), and otherwise strengthen the Act;

2. Amend the LMRDA and the Employee Retirement Income Security Act to conform the respective provisions of the Acts relating to the disqualification from holding office of persons convicted of certain offenses;

3. Establish a contingency fund for the Office of Labor Racketeering to authorize the use of proceeds from covert operations to offset necessary and reasonable expenses incurred in such operations; and

4. Amend the Hobbs Act to nullify the effect of the Supreme Court's decision in *United States v. Enmons* 410 U.S. 396 (1973), by clarifying that the Hobbs Act punishes the actual or threatened use of force or violence to obtain property as part of a labor-management dispute.

### **OTHER ISSUES**

#### **Addition of Legal Counsel to the Inspector General's Office**

In response to an inquiry by the Senate Committee on Governmental Affairs, before which the OIG voiced its frustration about the Department's refusal to acknowledge the Inspector General's authority to hire his own attorneys under the IG Act of 1978, the Department acknowledged the OIG's authority to hire independent counsel and agreed to the transfer of the legal function and the legal counsel staff from the Department's Office of the Solicitor to the OIG. The transfer was effected in early January 1990.

# Chapter 5

## AUDIT RESOLUTION

Audit Resolution Activity (\$ millions)				
<u>Period</u> <u>Ending</u>	<u>Audit Reports</u> <u>Resolved</u>	<u>Amount</u>		<u>Total</u> <u>Resolved</u>
		<u>Disallowed</u>	<u>Allowed</u>	
9/30/88	384	\$6.8	\$3.3	\$10.1
3/31/89	344	\$46.6	\$74.2	\$120.8
9/30/89	327	\$72.7	\$45.5	\$118.2
3/31/90	350	\$15.4	\$3.0	\$18.4

Detailed information on audit resolution activity for the period may be found in Chapter 6.

### Significant Resolution Actions

#### MANAGEMENT'S COMMITMENT TO RECOVER FUNDS

The following are examples of significant resolution actions taken by program officials which resulted in the disallowance of costs claimed by the Department's contractors and grantees or, in the case of the Black Lung program discussed below, restitution of money to the Trust Fund.

#### SESA Equity in State-Owned Real Property - Indiana (Audit Report No. 04-89-139-03-325)

In November 1989, ETA agreed with the OIG's recommendations in this report which included a proposed agreement to terminate the Indiana Unemployment Trust Fund's equity interest in real property owned by Indiana. The memo indicated that the State acknowledged an obligation to reimburse the Trust Fund for the value of the land "taken."

Indiana had converted a parking lot acquired with Reed Act funds into general State use. The OIG recommended that the State deposit into the Trust Fund

\$776,521 for part of the appraised value of the property as a credit to the Reed Act Account. The remaining \$703,479 of the appraised property value should also be deposited into the Trust Fund for the payment of UC benefits. The total deposit amounts would thus be \$1,480,000.

#### Mississippi SDA Summer Youth Remedial Education Contract Audit (Audit Report No. 04-89-153-03-340)

ETA disallowed all \$1,249,880 questioned in OIG's audit of the Mississippi JTPA 1988 Summer Youth Remedial Education contract. The questioned costs included \$465,558 in profits which should have been used to serve more JTPA participants. In addition, the contractor spent \$784,322 for computer software and training that was not used for the summer program and did not benefit the program participants.

The Mississippi Department of Education repaid \$511,859 in cash to the JTPA program. The cash repayment consisted of \$465,558 in contract profits and \$46,301 for the prorated use cost of the computer software. The remaining questioned costs were recouped by returning the computer software to the Mississippi SDA for future use in JTPA programs.

**State of Michigan Department of Labor (MDOL)**  
**(Audit Report No. 05-89-048-03-340)**

The single audit, conducted by the State Auditor General, questioned \$1.9 million in expenditures charged to Federal programs. Of this amount, \$793,929 related to DOL's JTPA program and \$8,666 related to grants administered by OSHA.

The audit disclosed that MDOL did not maintain or use time distribution records to allocate salary costs between State and Federal programs. Moreover, the payroll charges appeared to be based on the amount of Federal funding available. Thus, the portion of employees' salaries allocable to non-Federal programs was charged 100 percent to Federal programs.

The Auditor General recommended that MDOL develop an allocation plan based on the recording of actual work activity. However, MDOL's response sidestepped the issue and continued to propose allocating costs based on the relative share of Federal funding available, rather than where staff time is spent.

In its management decision disallowing \$636,376 of salaries which MDOL could not adequately document as chargeable to the JTPA program, ETA required MDOL to implement a system that allocates costs equitably among the various State and Federal programs administered.

In a related determination, OSHA disallowed and MDOL remitted \$5,499 of payroll expenses improperly charged to OSHA grants.

**National Urban Indian Council**  
**(Audit Report No. 18-89-012-03-355)**

In a final management decision, ETA disallowed and established a debt on all \$680,626 questioned by the OIG in its audit of more than \$2 million expended by NUIC between October 1983 and June 1987.

Most of the audit exceptions resulted from less-than-arms-length transactions, other program abuses and conflicts of interest. For example, the Department was charged approximately \$105,000 for improvements made to buildings owned by NUIC's Chief Executive.

**Phoenix Indian Center**  
**(Audit Report No. 18-89-013-03-355)**

ETA disallowed all costs questioned because of improper allocation of print shop costs and inappropriate training costs charged by the grantee, which operates a

print shop. Services of the print shop were used by outside customers and various grant programs operated by the grantee. Print shop operating costs were also charged to JTPA but none of the income generated by the shop was allocated to JTPA.

The grantee also offered to sell existing JTPA services to other Indian programs. Subsequent to the termination of those offered services, which generated no income, the grantee reclassified the costs and reported them as JTPA training costs.

**National Plastering Industry's Joint Apprenticeship Trust Fund (The Trust Fund)**  
**(Audit Report No. 18-89-011-03-370)**

The Trust Fund provides apprenticeship training and related activities to plasterer apprentices in support of the local unions. In an audit of the private nonprofit corporation, the OIG recommended disallowance of costs relating to profits, interest on those profits, and employee salaries and fringe benefits which had been charged to Job Corps, even though the employees in question worked on union activities.

The ETA Contract Officer's management decision upheld \$336,029 in questioned costs, stating that charges in excess of cost for materials provided to Job Corps is unallowable. The contractor is to be reimbursed for actual expenses only. The interest earned on those excess charges is also unallowable. Finally, costs were disallowed for improperly allocated salaries and fringe benefits.

**Commonwealth of Puerto Rico Department of Labor and Human Resources**  
**(Audit Report No. 02-89-216-03-325)**

The single audit report identified questioned costs of \$262,214, most of which was prior years' unobligated grant funds that were not refunded to the Federal Government.

ETA accepted these questioned costs and added \$114,324 more from the WIN program. This represented the Commonwealth's required matching contributions. The total of disallowed costs was \$376,538.

**Texas Department of Community Affairs (TDCA)**  
**(Audit Report No. 06-89-102-03-340)**

In this single audit, the Texas State Auditor questioned the method of allocating direct costs for support staff salaries (legal, personnel division, audit staff, etc.). A total of \$285,926 in Federal grant costs was questioned

of which \$224,179 were directly charged to the JTPA Title IIA grant. Costs for staff services that are provided to multiple funding sources must be supported by a documented means of cost allocation or by an approved indirect cost rate.

The Department's Division of Cost Determination (DCD) reviewed the finding and determined that the costs should be reclassified as indirect costs. A revised indirect cost rate was approved by DCD and the questioned costs were fully recovered from the Federal grants by the TDCA under the revised indirect cost rate for the fiscal year ending August 31, 1986. Since the costs are properly recovered indirectly, TDCA has reversed the original direct charges that were questioned by the auditors.

**Wayne County Private Industry Corporation  
(Audit Report No. 05-88-087-03-340)**

At the request of Wayne County, Michigan officials, the OIG audited the Wayne County Private Industry Corporation and two of its sub-contractors. Because periodic or benchmark payments were not supported or documented, the OIG recommended recovery of \$172,769.

The State of Michigan and ETA sustained \$151,158 of OIG's audit exceptions.

**Centro Campesino - The Farmworkers Center, Inc.  
Single Audit Reports for FY 1986 and for FY 1987  
(Audit Report Nos. 04-89-138-03-365 and 04-89-192-03-365)**

ETA agreed with our findings and disallowed the costs in both reports relating to cost allocation (indirect cost charges) applied to DOL and other fund sources. Cost allocation dollars of \$53,324 in DOL funds were disallowed in the 1986 report, and \$71,724 were disallowed in the 1987 report. The entity lacked a sufficient cost allocation plan because the plan itself lacked justification, certain indirect costs were not allocated, not all grants were charged indirect costs, and (the allocation factors used lacked documentation.

**United Community Services, Inc. (UCS)  
(Audit Report No. 18-89-004-03-340)**

ETA concurred with the State of California's disallowance of \$28,920 that UCS claimed for training and placement services to JTPA participants. In some cases, participants were never trained or employed through UCS's program. In others, UCS could not adequately support its claims for reimbursement.

**MANAGEMENT'S COMMITMENT  
TO REMEDY ADMINISTRATIVE ACTIONS**

Nonmonetary audit recommendations are important because they direct attention to improving internal controls and operating procedures. They may propose shifts in program emphasis or policy direction and make legislative or regulatory changes. Corrective actions constitute reasonable remedies and include descriptions and timetables of specific actions taken, completion dates, and evidence to prove recommendations were implemented.

Following are two examples of significant resolution actions by program officials to remedy administrative deficiencies.

**ETA Administrative Systems Task Force**

ETA established a task force to review and report on the integrity of specific administrative systems. The strengths and weaknesses within ETA's financial, contracting, and oversight systems were evaluated. The Integrity Task Force received technical assistance from the OIG and OASAM.

Four specific areas were covered: audit resolution, accounting and financial management, procurement and grants management, and program oversight responsibilities. The review found no evidence of abuse or infractions of Federal law, regulations, or administrative procedures. Recommendations were offered to ensure continued integrity and productivity within ETA. ETA has initiated actions to strengthen the integrity of its administrative systems, which include the development of workplans to address staff training needs, clarification of procedures and regulations, and emphasis on productivity and efficiency.

For example, the revised ETA oversight system currently under development will focus more intensively on State oversight of SDAs and local Employment Service (ES) offices. Further, a larger number of SDAs and ES local offices will be reviewed by the regional offices. The reviews will go beyond a check of the quality of State monitoring of SDAs and ES local offices and will look at actual SDA and local office operations.

**Atlanta Regional Reserve Account**

In the previous semiannual report, we described inappropriate operations in ETA's Atlanta regional office relating to the Regional Reserve Account. The OIG's report disclosed that unemployment insurance (UI)



appropriations were redistributed by the region in violation of national office policies; adequate accounting records were not maintained which were necessary to disclose the operations of the Regional Reserve Account; and the regional ETA office and the State Employment Security Agencies cooperated in spending UI funds for activities not authorized by statute.

In their response, ETA agreed to implement our recommendations by reiterating to their regional offices the policies for distributing UI administrative funds, and by agreeing to closely monitor State financial information to ensure that no other inappropriate redistributions occur.

## **Chapter 6**

# **AUDIT SCHEDULES AND TABLES**

# Money Owed the Department of Labor For the Period October 1, 1989 - March 31, 1990

Program Name	Beginning Balance			Debt Established During Period				Collections During Period			Adjustments Due to:			Ending Balance	
	(A) In Collection	(B) Under Appeal	(C) From Beginning Appeals	(D) From New Appeals	(E) Other (Never Appealed)	(F) New Appeals	(G) In Collection		(H) Under Appeal	(I) Write-Offs	(J) Appeals		(K) Audit Resolution	(L) In Collection	(M) Under Appeal
							(1) Prior Period	(2) Current Period			(1) Prior Period	(2) Current Period			
ESA	20,494,280	3,363,966	0	0	9,104,648	1,053,476	6,136,175	0	795,000	0	0	979,534	14,238,262	7,449,957	4,417,442
FECA															
Black Lung Disability Trust Fund	6,501,198	133,115,021	8,222,742	0	14,070,580	0	15,787,850	0	7,980,052	0	0	-1,051,982	6,078,600	0	124,892,279
ETA	55,151,394	58,810,642	1,233,911	0	1,738,113	0	588,571	501	76,902	1,678,917	0	2,038,078	51,352,301	2,388,148	54,892,024
CETA	8,304,643	12,398,232	0	0	0	12,376,010	732,342	0	0	4,882,877	0	293,763	2,246,243	149,418	19,891,365
JTPA	9,947	88,427,043	0	0	205,944	54,553	204,172	0	0	0	0	0	11,719	0	88,481,596
UI/SESA															
MSHA	8,565,959	1,618,842	0	269,467	8,514,223	673,512	7,386,152	0	1,185,628	507,011	0	64,624	6,506,090	2,207,155	1,349,375
Assessments/Mine Operator Civil Penalties															
OSHA	11,360,764	44,410,843	0	3,145,156	8,415,450	11,885,878	4,988,402	0	3,094,960	7,063,962	0	-2,107,125	12,776,242	4,168,891	46,087,603
Civil Penalties	0	0	0	0	396,418	0	396,418	0	0	0	0	0	0	0	0
-From Business															
-From State Grantees															
BLS	178,962	0	0	0	448,446	0	585,513	0	0	0	0	0	39,405	2,490	0
OASAM	196,486	0	0	0	64,838	0	0	0	0	0	0	0	261,324	0	0
Total	110,763,633	342,144,589	9,456,653	3,414,623	42,958,660	26,043,429	36,805,595	501	13,132,542	8,576,262	6,561,794	216,892	93,510,186	16,366,059	340,011,684

**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 ALJ/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  
October 1, 1989 - March 31, 1990**

Agency	Reports Issued	Grant/Contract Amount Audited	Unsupported Costs <sup>1</sup>	Amount Recommended Disallowance
VETS	8	\$6,703,332	\$29,781	0
ETA	187	\$59,165,609,279	\$345,560,534	\$4,291,391
ESA	6	\$1,612,056,313	0	0
MSHA	7	\$206,499,921	0	0
OASAM	12	\$24,936,510	\$448,530	0
OIG	1	\$16,238,264	0	0
OSHA	8	\$7,696,907	\$29,534	\$1,743
BLS	1	\$79,402	0	0
PWBA	1	0	0	0
Multi	39	\$2,804,101,119	\$1,373,778	\$854,085
Other Agencies	12	\$191,051,064	0	\$19,915,566
Totals	<u>282</u>	<u>\$64,034,972,111</u>	<u>\$347,442,157</u>	<u>\$25,062,785</u>

<sup>1</sup>Unsupported Costs include \$296,054,000 in funds recommended for better use. See Chapter 1, Federal Equity on Real Property on \$296,000,000. For the remaining \$54,000, North Carolina was improperly using Federal money to pay for lawsuits filed by employees who had been laid off through a reduction in force. ETA disallowed the expenditures already disbursed; for those pending cases for which \$54,000 had not yet been disbursed, the OIG recommended and ETA agreed that the funds should not be disbursed and that such payment would be both inappropriate and unjustified.

**Summary of Audit Activity of ETA Programs  
October 1, 1989 - March 31, 1990**

Program	Reports Issued	Grant/Contract Amount Audited	Unsupported Costs	Amount Recommended Disallowance
ADMIN	4	\$57,407,893,281	\$467,811	0
UIS	8	0	0	0
SESA	9	\$1,139,622,421	\$302,215,084	\$2,261,645
JTPA	23	\$287,722,319	\$41,398,335	\$1,857,267
CETA	5	\$61,101,302	\$349,626	\$73,501
OSTP	1	\$45,954	0	0
DINAP	88	\$37,121,124	\$660,477	0
DOWP	14	\$208,003,109	\$465,902	0
DSFP	28	\$23,590,259	\$3,299	\$3,130
OJC	4	0	0	0
OSPPD	3	\$509,510	0	\$95,848
Totals	187	\$59,165,609,279	\$345,560,534	\$4,291,391

**Summary of Audits Performed Under the Single Audit Act  
October 1, 1989 - March 31, 1990**

Agency	Entities Audited	Reports Issued	DOL Grant/Contract Amount Audited	Amount of Unsupported Costs	Amount Recommended Disallowance
VETS	4	6	\$5,734,174	0	0
ETA	71	154	\$1,331,049,425	\$6,852,477	\$3,130
MSHA	0	5	\$572,921	0	0
OSHA	7	7	\$7,381,304	\$29,534	0
BLS	1	1	\$79,402	0	0
Multi Agency	13	39	\$2,804,101,119	\$1,373,778	\$854,085
Other Agencies	10	11	0	0	0
Totals	<u>106</u>	<u>223</u>	<u>\$4,148,918,345</u>	<u>\$8,255,789</u>	<u>\$857,215</u>

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 106 entities for which DOL was cognizant; in addition, DOL issued 117 reports which included direct DOL funds for which DOL was not cognizant.

**Summary of Audits Performed Under the Single Audit Act  
Multi-Agency Reports  
October 1, 1989 - March 31, 1990**

Program	Number of Recommendations	Amount of Unsupported Costs	Amount Recommended Disallowance
VETS:			
VETSPM	1	\$270	0
ETA:			
UIS	4	\$16,904	0
SESA	6	\$369,659	0
JTPA	22	\$823,683	\$336,958
DSFP	2	\$53,410	\$517,127
MSHA:			
Grantees	1	\$543	0
OSHA:			
OSHAG	6	\$109,309	0
<hr/>			
Totals	42	\$1,373,778	\$854,085

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

**Audits by Non-Federal Auditors  
Summary Results of OIG Reviews of  
Organization-Wide Single Audit Reports  
For the Period of 6 Months Ended March 31, 1990**

	<u>Independent Public Accountant</u>	<u>State &amp; Local Auditor</u>	<u>Grand Total</u>
1. Report issued without change or with minor changes			
a. Based on desk review	181	42	223
b. Based on QCR			
Total without change or minor changes	181	42	223
2. Reports issued with major changes			
a. Based on desk review			0
b. Based on QCR			0
Total with major changes			0
3. Reports with significant inadequacies			
a. Based on desk review			0
b. Based on QCR			0
Total reports with significant inadequacies			0
4. Number of auditors referred to State Boards/AICPA			0
5. Number of auditors which other sanctions were taken			0
6. Costs questioned in reports issued with direct funded findings	\$6,876,852	\$1,324,937	\$8,201,789
7. Sustained questioned costs	\$857,344	\$960,558	\$1,817,902
8. Costs recommended for disallowance in reports issued with direct funded findings	\$134,673	\$722,542	\$857,215
9. Sustained recommended disallowances	\$10	\$2,681	\$2,691



## Summary of Audit Resolution Activity October 1, 1989-March 31, 1990

Agency Program	Oct. 1, 1989		Issued (Increases)		Resolved (Decreases)		Sept. 30, 1989	
	Balance Unresolved	Reports	Dollars	Reports	Allowed	Disallowed	Balance Unresolved	Reports
	Dollars		Dollars		Dollars	Dollars	Dollars	
OSEC	0	0	0	0	0	0	0	0
VETS	\$3,050,861	17	\$29,781	8	0	0	\$3,080,642	18
ETA:								
ADMIN	\$100,232	3	\$467,811	4	\$71,616	\$28,761	\$467,666	2
OFAM	\$196,463	1	0	0	\$67,364	\$129,099	0	0
UIS	0	1	0	8	0	0	0	6
SESA	\$2,437,342	7	\$304,476,729	9	\$404,310	\$2,033,032	\$304,476,729	10
JTPA	\$8,009,891	15	\$43,255,602	23	\$718,515	\$6,538,907	\$44,008,071	18
CETA	\$3,797,080	3	\$423,127	5	\$228,472	\$4,427,516	\$141,623	3
OSTP	0	0	0	1	0	0	0	0
DINAP	\$1,081,958	29	\$660,447	88	\$338,267	\$744,125	\$660,043	24
DOWP	0	1	\$466,558	14	0	\$11,840	\$454,718	1
DSFP	\$125,972	7	\$6,429	28	\$21,414	\$125,058	\$6,419	7
OJC	\$1,531,089	79	\$2,358	4	\$546,201	\$984,888	\$2,358	1
BAT	0	0	0	0	0	0	0	0
OSPPD	\$12,080	2	\$95,848	3	\$3,293	\$8,787	\$95,848	1
ESA	0	3	0	6	0	0	0	3
OLMS	0	0	0	0	0	0	0	0
MSHA	0	2	0	7	0	0	0	1
OASAM	\$14,059,630	8	\$448,530	12	\$34,314	\$183,980	\$14,289,866	10
SOL	0	0	0	0	0	0	0	0
OIG	0	0	0	1	0	0	0	0
OSHA	\$11,066	3	\$31,277	8	\$32,701	\$7,899	\$1,743	2
BLS	0	1	0	1	0	0	0	0
PWBA	0	1	0	1	0	0	0	0
Multi-Agency	\$755,456	22	\$2,370,090	39	\$510,529	\$138,700	\$2,476,317	30
Other Agency	0	4	\$19,915,566	12	0	0	\$19,915,566	2
<b>TOTAL</b>	<b>\$35,169,120</b>	<b>209</b>	<b>\$372,650,183</b>	<b>282</b>	<b>\$2,976,996</b>	<b>\$15,362,592</b>	<b>\$390,077,609</b>	<b>141</b>

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

DOLLARS ISSUED include \$296,054,000 in recommendations that funds be put to better use.

DISALLOWED COSTS include additional claim amounts by ETA of \$597,894. 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, program agency debt collections, or revision of prior management decisions.

DIFFERENCES between the beginning balance of this schedule and the ending balance of the previous *Semiannual Report* result from: (1) State auditors reported in the FY 1987 Texas Single Audit that separate accounting systems were used to prepare various reports, resulting in unreconciled differences of \$14.9 million; this amount was included in the prior report's ending balance of unresolved dollars. Later it was determined that the difference was due to timing and the amount questioned was withdrawn; (2) Resolution had been suspended on a report issued to the City of Chicago, pending availability of records. Records were subpoenaed and provided this period. The City has now appealed the grant officer's determination. (3) Other minor adjustments during the period.

**Summary of Audit Resolution Activity**  
**Unsupported Costs**  
**October 1, 1989-March 31, 1990**

Agency Program	Oct. 1, 1989		Issued (Increases)		Resolved (Decreases)		March 31, 1990	
	Balance Unresolved	Reports	Reports	Dollars	Reports	Disallowed	Reports	Dollars
OSEC	0	0	0	0	0	0	0	0
VETS	12	\$3,050,861	1	\$29,781	0	0	13	\$3,080,642
ETA:								
ADMIN	1	\$100,232	2	\$467,811	2	\$71,616	1	\$467,666
OFAM	1	\$196,463	0	0	1	\$67,364	0	0
UJS	0	0	0	0	0	0	0	0
SESA	5	\$2,437,342	8	\$8,476,729	5	\$404,310	8	\$8,476,729
JTPA	10	\$8,009,891	10	\$43,255,602	8	\$718,515	12	\$44,008,071
CETA	3	\$3,797,080	4	\$423,127	4	\$228,472	3	\$141,623
OSTP	0	0	0	0	0	0	0	0
DINAP	17	\$1,081,958	13	\$660,447	19	\$338,267	11	\$660,043
DOWP	0	0	2	\$466,558	1	0	1	\$454,718
DSFP	2	\$125,972	5	\$6,429	3	\$21,414	4	\$6,419
OJC	76	\$1,531,089	0	0	76	\$546,201	0	0
OSPPD	2	\$12,080	1	\$95,848	2	\$3,293	1	\$95,848
ESA	0	0	0	0	0	0	0	0
MSHA	0	0	0	0	0	0	0	0
OASAM	7	\$14,059,630	5	\$448,530	3	\$34,314	9	\$14,289,866
OSHA	2	\$11,066	2	\$31,277	3	\$32,701	1	\$1,743
BLS	0	0	0	0	0	0	0	0
Multi-Agency	14	\$755,456	15	\$2,316,090	11	\$510,529	18	\$2,422,317
Other Agency	0	0	1	\$19,915,566	0	0	1	\$19,915,566
TOTAL	152	\$35,169,120	69	\$76,593,825	138	\$2,976,996	83	\$94,012,251

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.

**Status of Resolution Actions on Beginning Balance  
and Unresolved Audits Over 6 Months**

Agency Program	Oct. 1, 1989 Balance Unresolved		Resolved (Decreases) <sup>1</sup>		March 31, 1990 Balance Unresolved <sup>2</sup>	
	Reports	Dollars	Reports	Dollars	Reports	Dollars
OSEC	1	0	1	0	0	0
VETS	17	\$3,050,861	2	0	15	\$3,050,861
ETA:						
ADMIN	3	\$100,232	2	\$100,232	1	0
OFAM	1	\$196,463	1	\$196,463	0	0
UIS	1	0	0	0	1	0
SESA	7	\$2,437,342	6	\$2,437,342	1	0
JTPA	15	\$8,009,891	13	\$7,257,422	2	\$752,469
CETA	3	\$3,797,080	3	\$3,797,080	0	0
DINAP	29	\$1,081,958	29	\$1,081,958	0	0
DOWP	1	0	1	0	0	0
DSFP	7	\$125,972	7	\$125,972	0	0
OJC	79	\$1,531,089	79	\$1,531,089	0	0
OSPPD	2	\$12,080	2	\$12,080	0	0
ESA	3	0	2	0	1	0
OLMS	0	0	0	0	0	0
MSHA	2	0	2	0	0	0
OASAM	8	\$14,059,630	3	\$182,007	5	\$13,877,623
SOL	0	0	0	0	0	0
OIG	0	0	0	0	0	0
OSHA	3	\$11,066	3	\$11,066	0	0
BLS	0	0	0	0	0	0
PWBA	1	0	0	0	1	0
Multi	22	\$755,456	19	\$649,229	3	\$106,227
Other Agencies	4	0	4	0	0	0
<b>TOTALS</b>	<b>209</b>	<b>\$35,169,120</b>	<b>179</b>	<b>\$17,381,940</b>	<b>30</b>	<b>\$17,787,180</b>

<sup>1</sup>Reflects resolution activity for reports which are unresolved at the beginning of the period.

<sup>2</sup>Includes only those reports whose unresolved status exceeds 180 days.

There were no unresolved Recommended Funds Put to Better Use at the beginning of the period.

See next schedule for breakout of "unsupported costs."

Ending Balance Unresolved includes \$15,864,496 under litigative hold.

**Status of Resolution Actions on Beginning Balance  
and Unresolved Audits Over 6 Months  
Unsupported Costs**

Agency Program	Oct. 1, 1989 Balance Unresolved		Resolved (Decreases) <sup>1</sup>		March 31, 1990 Balance Unresolved <sup>2</sup>	
	Reports	Dollars	Reports	Dollars	Reports	Dollars
OSEC	0	0	0	0	0	0
VETS	12	\$85,514	0	0	12	\$85,514
ETA:						
ADMIN	1	\$1,046	1	\$1,046	0	0
OFAM	1	\$190,115	1	\$190,115	0	0
UIS	0	0	0	0	0	0
SESA	5	\$2,419,758	5	\$2,419,758	0	0
JTPA	10	\$7,211,109	8	\$6,458,640	2	\$752,469
CETA	3	\$3,797,080	3	\$3,797,080	0	0
DINAP	17	\$393,583	17	\$393,583	0	0
DOWP	1	0	0	0	1	0
DSFP	2	\$105,482	2	\$105,482	0	0
OJC	74	\$1,213,117	74	\$1,213,117	0	0
OSPPD	2	\$12,080	2	\$12,080	0	0
ESA	0	0	0	0	0	0
OLMS	0	0	0	0	0	0
MSHA	0	0	0	0	0	0
OASAM	6	\$13,418,934	2	\$51,608	4	\$13,367,326
SOL	0	0	0	0	0	0
OIG	0	0	0	0	0	0
OSHA	2	\$11,066	2	\$11,066	0	0
BLS	0	0	0	0	0	0
PWBA	0	0	0	0	0	0
Multi	14	\$895,908	11	\$611,732	3	\$284,176
Other Agencies	0	0	0	0	0	0
<b>TOTALS</b>	<b>150</b>	<b>\$29,754,792</b>	<b>128</b>	<b>\$15,265,307</b>	<b>22</b>	<b>\$14,489,485</b>

<sup>1</sup>Reflects resolution activity for reports which are unresolved at the beginning of the period.

<sup>2</sup>Includes only those reports whose unresolved status exceeds 180 days.

These unsupported costs are incorporated into the "Status of Resolution on Beginning Balance and Unresolved Audits Over 6 Months" schedule on the previous page. They are broken out as required by P.L. 100-504.

**Unresolved Audits Over 6 Months  
Precluded from Resolution  
October 1, 1989 - March 31, 1990**

Agency	Program	Audit Report Number	Name of Audit/Auditee	No of Rec	Audit Exceptions
<b>Under Litigation:</b>					
VETS	ADMIN	17-87-047-02-001	ILLINOIS VETS DVOP FUNDS <sup>1</sup>	1	\$773,827
VETS	ADMIN	17-87-051-02-001	OHIO VETS DVOP FUNDS	1	\$627,755
VETS	ADMIN	17-87-052-02-001	FLORIDA VETS DVOP FUNDS	4	\$96,108
VETS	ADMIN	17-87-053-02-001	INDIANA VETS DVOP FUNDS	2	\$60,745
VETS	ADMIN	17-87-055-02-001	MISSOURI VETS DVOP FUNDS	2	\$297,370
VETS	ADMIN	17-87-056-02-001	CALIFORNIA VETS DVOP FUNDS	3	\$256,496
VETS	ADMIN	17-87-057-02-001	WASHINGTON VETS DVOP FUNDS	4	\$237,304
VETS	VETSPM	17-88-001-02-210	MICHIGAN VETS DVOP FUNDS	2	\$245,693
VETS	VETSPM	17-88-002-02-210	WISCONSIN VETS DVOP FUNDS	1	\$165,539
VETS	VETSPM	17-88-003-02-210	MARYLAND VETS DVOP FUNDS	1	\$193,700
VETS	VETSPM	17-88-005-02-210	TEXAS VETS DVOP FUNDS	2	\$24,649
VETS	VETSPM	17-88-006-02-210	IOWA VETS DVOP FUNDS	2	0
VETS	VETSPM	17-88-008-02-210	NEBRASKA VETS DVOP FUNDS	1	\$71,675
VETS	VETSPM	17-88-009-02-210	MINNESOTA VETS DVOP FUNDS	1	0
OASAM	OCD	05-83-065-07-742	CITY OF DETROIT <sup>2</sup>	11	\$12,813,635
MULTI	ALLDOL	03-89-083-50-598	COMMONWEALTH OF PA	5	\$105,343
<b>Pending Indirect Cost Negotiations<sup>3</sup>:</b>					
OASAM	OPGM	04-88-070-07-735	HOME BUILDERS	8	\$46,828
OASAM	OPGM	18-89-008-07-735	RES-CARE DEVELOPMENT	13	\$500,152
OASAM	OPGM	18-89-021-07-735	TELEDYNE ECONOMIC DEV.	7	\$510,200
<b>Awaiting Resolution:</b>					
ETA	ADMIN	19-89-001-03-001	ETA'S IRM NEEDS IMPROVEMENT <sup>4</sup>	3	0
ETA	UIS	03-83-203-03-315	UI EXPERIENCE RATING <sup>5</sup>	1	0
ETA	SESA	04-87-030-03-325	SESA INVESTMENT OF UI FUNDS <sup>6</sup>	3	0
ETA	JTPA	05-89-077-03-340	WISCONSIN JTPA FUNDS WASTED <sup>7</sup>	2	\$33,801
ETA	JTPA	06-89-002-03-340	HOUSTON JTPA GRANT FUNDS <sup>7</sup>	7	\$718,668
ESA	OFCCP	04-86-079-04-410	EFFECTIVENESS & EFFICIENCY <sup>8</sup>	1	0
PWBA	ADMIN	09-89-001-12-001	PWBA DISCLOSURE OFFICE <sup>8</sup>	2	0
OASAM	OPS	17-89-005-07-754	STERLING INSTITUTE <sup>9</sup>	3	\$6,808
MULTI	ALLDOL	05-89-083-50-598	MISSOURI DIV. OF EMPLOYMENT <sup>10</sup>	1	\$120
MULTI	ALLDOL	05-89-084-50-598	INDIANA DEPT. OF EMPLOYMENT <sup>10</sup>	2	\$764
<b>TOTAL AUDIT EXCEPTIONS:</b>				<u>96</u>	<u>\$17,787,180</u>

Notes are located on the following page.

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**Notes to "Unresolved Audits Over 6 Months Precluded From Resolution"**

<sup>1</sup>In March 1989, the OIG requested that GAO's Office of General Counsel clarify State responsibilities under the DVOP statute, P.L. 96-466. Pending a response, resolution is being held in abeyance.

<sup>2</sup>In August 1984, the OIG issued an audit report on Detroit's indirect costs under CETA. The city appealed and, almost 6 years later, the ALJ might make a final determination by May 31, 1990.

<sup>3</sup>OMB Circular A-50 does not require resolution within 180 days.

<sup>4</sup>Documentation to resolve the three remaining recommendations is expected to be provided by ETA by April 27, 1990.

<sup>5</sup>Resolution of the August 1985 report is contingent upon ETA's development of a method to validate the accuracy of SESA-reported Experience Rating Index data. Resolution will occur in tandem with the January 25, 1990, report issued to ETA on improving SESA Unemployment Trust Fund accounting and reporting activities, which are directly related to the system's capability to provide validation data.

<sup>6</sup>Without passage of the Cash Management Improvement Act of 1989, agreement between the OIG and ETA is unlikely. See Chapter 1 for further discussion.

<sup>7</sup>The States have 180 days to issue a final decision on these audits. ETA and the OIG have an additional 180 days to accept State-level decisions.

<sup>8</sup>The OIG is unable to agree with final agency management action; therefore, a request for a final determination was elevated to the Deputy Secretary, the Audit Followup Official. See further discussion in Chapter 1.

<sup>9</sup>The OIG, unable to accept proposed agency management action, has returned it with comments to the agency. Negotiations toward resolution continue.

<sup>10</sup>The report should have been issued to both the program agency and the contracting officer. It was issued first just to program officials. It has now been issued to the contracting officer who will be given appropriate time in which to address recommendations relating to the contracting area.

## Summary of Final Action Activity October 1, 1989-March 31, 1990

Agency Program	Oct. 1, 1989 Balance No Final Action		Resolved (Increases)		Final Action (Decreases)		March 31, 1990 Balance No Final Action	
	Reports	Disallowed	Reports	Disallowed	Reports	Write-Offs	Reports	Dollars
OSEC	0	0	0	0	0	0	0	0
VETS	1	\$2,685	7	0	6	0	2	\$2,685
ETA:								
ADMIN	4	0	5	\$28,761	3	0	6	\$28,616
OFAM	1	\$46,719,112	1	\$129,099	0	0	2	\$46,848,211
UIS	12	\$113,805,590	3	0	3	\$22,773,549	12	\$90,941,289
SESA	23	\$9,612,987	6	\$2,033,032	2	0	27	\$11,646,019
OTAA	1	\$1,911,839	0	0	0	0	1	\$1,911,839
JIPA	24	\$7,691,077	20	\$6,538,907	11	0	33	\$12,980,104
CETA	72	\$64,001,769	5	\$4,427,516	3	\$105,847	74	\$67,899,309
OSIP	22	\$6,123,948	1	0	2	\$12,558	21	\$6,111,390
DINAP	93	\$11,435,575	93	\$744,125	76	0	110	\$12,163,082
DOWP	4	\$496,543	14	\$11,840	12	0	6	\$508,383
DSFP	45	\$7,871,970	28	\$125,058	26	0	47	\$7,997,018
OJC	22	\$855,821	82	\$984,888	76	0	28	\$1,678,712
BAT	0	0	0	0	0	0	0	0
OSPPD	3	\$422,025	4	\$8,787	5	0	2	\$410,373
ESA	9	0	6	0	7	0	8	0
OLMS	1	0	0	0	1	0	0	0
MSHA	2	\$155	8	0	9	0	1	0
OASAM	15	\$162,734	10	\$183,980	9	0	16	\$309,886
SOL	1	0	0	0	1	0	0	0
OIG	0	0	1	0	1	0	0	0
OSHA	10	\$789,805	9	\$7,899	10	\$222,094	9	\$173,902
BLS	1	0	1	0	1	0	1	0
PWBA	1	0	0	0	0	0	1	0
Multi-Agency	0	0	31	\$138,700	14	0	17	\$138,700
Other Agency	0	0	14	0	13	0	1	0
<b>TOTAL</b>	<b>367</b>	<b>\$271,903,635</b>	<b>350</b>	<b>\$15,362,592</b>	<b>291</b>	<b>\$23,114,048</b>	<b>426</b>	<b>\$261,748,688</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, beginning April 30, 1990, for the period October 1, 1989, through March 31, 1990, the Secretary of Labor report semiannually on the status of final actions on OIG recommendations for which management decisions have been made.

Beginning this period, the OIG will report its ending balance of reports for which management decisions have been made, but for which final action has not yet occurred. The OIG has modified its tracking system to accommodate the requirements placed upon the Department and has provided identical information to the Department so that its beginning balance of resolved reports (350) and disallowed dollars (\$15,362,592) reconciles to the OIG's ending balance of resolved reports and disallowed dollars.

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.

## Final Audit Reports Issued October 1, 1989 - March 31, 1990

Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
02-89-277-03-340*	ETA	JTPA	23-OCT-89	Puerto Rico EC Opportunity Office
02-90-229-03-340	ETA	JTPA	30-MAR-90	Puerto Rico Title IIA Trng Costs
02-84-083-03-345	ETA	CETA	17-JAN-90	Municipality of Ponce A-128
02-84-116-03-345	ETA	CETA	30-OCT-89	Passaic County CETA A-128
02-85-005-03-345	ETA	CETA	20-FEB-90	Paterson, NJ CETA Grants A-128
02-90-207-03-345	ETA	CETA	29-NOV-89	City of Lowell, MA A-128
02-89-201-03-355*	ETA	DINAP	16-OCT-89	Delaware Valley Powhatans A-128
02-89-202-03-355*	ETA	DINAP	19-OCT-89	Powhatan-Renape Nation A-128
02-89-279-03-355*	ETA	DINAP	18-OCT-89	Powhatan-Renape Nation A-128
02-89-285-03-355*	ETA	DINAP	06-OCT-89	American Indians for Dev A-128
02-90-210-03-355	ETA	DINAP	20-FEB-90	Saint Regis Mohawk Tribe A-128
02-90-211-03-355	ETA	DINAP	20-FEB-90	Saint Regis Mohawk Tribe A-128
02-90-231-03-355*	ETA	DINAP	21-MAR-90	American Indians for Dev A-128
02-90-206-03-360	ETA	DOWP	05-DEC-89	Connecticut Dept. on Aging A-128
02-90-215-03-365*	ETA	DSFP	24-JAN-90	New England Farm Wrkrs Cncl A-128
02-90-216-03-365	ETA	DSFP	02-MAR-90	Cntrl Vermont Comm Act Cncl A-128
02-90-209-04-431	ESA	FECA	30-MAR-90	FECA Data Base Analysis
02-89-286-10-101*	OSHA	OSHAG	05-OCT-89	Maine AFL-CIO Triscan A-128
02-89-234-50-598	MULTI	AL/DOL	24-OCT-89	State of New York A-128
02-90-201-50-598	MULTI	AL/DOL	04-DEC-89	City of New York A-128
02-90-202-50-598	MULTI	AL/DOL	04-DEC-89	New Jersey General Fund A-128
02-90-203-50-598	MULTI	AL/DOL	07-DEC-89	Cmmnwlth of Massachusetts A-128
02-90-204-50-598*	MULTI	AL/DOL	28-DEC-89	Connecticut DOL A-128
02-90-213-50-598	MULTI	AL/DOL	13-FEB-90	City of New York A-128
03-89-063-03-315	ETA	UIS	03-NOV-89	MD UI Experience Rating Followup
03-89-065-03-315	ETA	UIS	09-NOV-89	NJ UI Experience Rating Followup
03-89-066-03-315	ETA	UIS	03-NOV-89	WV UI Experience Rating Followup
03-89-067-03-315	ETA	UIS	17-OCT-89	UT UI Experience Rating Followup
03-89-068-03-315	ETA	UIS	16-OCT-89	DE UI Experience Rating Followup
03-90-024-03-315	ETA	UIS	14-FEB-90	Revenue Quality Control Design
03-90-086-03-315	ETA	UIS	25-JAN-90	Trust Fund Internal Controls
03-90-087-03-315	ETA	UIS	25-JAN-90	Trust Fund Acctg/Rptg Prototype
03-89-077-03-340*	ETA	JTPA	11-OCT-89	VA Gov.'s Empl. & Trng A-128
03-90-016-03-340*	ETA	JTPA	29-JAN-90	Mainstream, Inc. A-128
03-90-018-03-340*	ETA	JTPA	15-FEB-90	VA Gov.'s Empl. & Trng A-128
03-90-029-03-340*	ETA	JTPA	03-MAR-90	Human Resource Dev. Institute A-128
03-90-030-03-340*	ETA	JTPA	03-MAR-90	Epilepsy Fdtn of America A-128



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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>
03-90-001-03-360*	ETA	DOWP	06-NOV-89	Am. Assn of Retired Persons A-128
03-90-003-03-360*	ETA	DOWP	25-OCT-89	Nat'l Cncl of Senior Citizens A-128
03-90-007-03-360*	ETA	DOWP	31-OCT-89	Green Thumb, Inc. A-128
03-90-022-03-360	ETA	DOWP	15-FEB-90	VA Dept. for the Aging A-128
03-90-025-03-360	ETA	DOWP	29-MAR-90	Allegheny County, PA A-128
03-90-004-03-365*	ETA	DSFP	31-OCT-89	Nat'l Cncl/Ag Life/Labor Res. A-128
03-90-005-03-365*	ETA	DSFP	31-OCT-89	Nat'l Cncl/Ag Life/Labor Res. A-128
03-90-006-03-380*	ETA	OSPPD	30-JAN-90	Job Opps for the Blind Fund A-128
03-90-028-04-001	ESA	Admin.	30-MAR-90	ESA FY 1989 Financial Statements
03-90-012-04-432	ESA	DLHWC	30-MAR-90	FY 1989 L/Shore H/Wrks Fin Stmt
03-90-013-04-432	ESA	DLHWC	30-MAR-90	FY 1989 DC Workmen's Fin. Stmt
03-90-014-04-432	ESA	DLHWC	30-MAR-90	FY 1989 L/Shore Internal Controls
03-90-015-06-001	MSHA	Admin.	26-MAR-90	FY 1989 Fin. Systs Intrnl Control
03-90-027-06-001	MSHA	Admin.	30-MAR-90	FY 1989 Financial Statements
03-90-026-06-601	MSHA	Grantees	01-MAR-90	VA Mines, Minerals & Energy A-128
03-90-008-07-751	OASAM	OFMS	02-FEB-90	Fin. Mgt Office Intrnl Controls
03-90-009-10-101*	OSHA	OSHAG	15-NOV-89	VA Labor & Industry A-128
03-89-078-50-598*	Multi	AL/DOL	02-NOV-89	D.C. Dept. of Empl. Services A-128
03-89-082-50-598	Multi	AL/DOL	16-NOV-89	State of Delaware A-128
03-90-010-50-598*	Multi	AL/DOL	22-FEB-90	VA Employment Commission A-128
03-90-017-50-598	Multi	AL/DOL	03-MAR-90	State of Maryland A-128
03-89-080-98-599*	Other	NO/DOL	25-OCT-89	Kanawha County, WV A-128
03-89-015-98-599*	Other	NO/DOL	02-OCT-89	Washington County, PA A-128
04-90-015-02-210*	VETS	VETSPM	06-NOV-89	Broward Empl. & Trng A-128
04-90-042-02-210*	VETS	VETSPM	07-MAR-90	Broward ETA A-128
04-90-048-02-210*	VETS	VETSPM	02-MAR-90	Gulf Coast Business Svc. A-128
04-90-049-02-210*	VETS	VETSPM	08-MAR-90	Gulf Coast Business Svc. A-128
04-90-005-03-001	ETA	Admin.	01-NOV-89	Regional Reserve Acct. Procurement
04-90-002-03-325	ETA	SESA	25-JAN-90	DOL Equity/State-Owned Real Property
04-90-008-03-325	ETA	SESA	03-NOV-89	Arkansas SESA Real Property
04-90-009-03-325	ETA	SESA	03-NOV-89	Utah SESA Real Property

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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
04-90-010-03-325	ETA	SESA	03-JAN-90	Florida SESA Real Property
04-90-011-03-325	ETA	SESA	29-NOV-89	California SESA Real Property
04-90-003-03-340	ETA	JTPA	26-JAN-90	MS SDA Fixed Unit Price Contract
04-90-032-03-340	ETA	JTPA	06-FEB-90	Nat'l Conference/Black Mayors A-128
04-90-047-03-340	ETA	JTPA	01-MAR-90	Alcorn State University A-128
04-90-001-03-355*	ETA	DINAP	13-OCT-89	Guilford Native American Assn A-128
04-90-020-03-355*	ETA	DINAP	21-NOV-89	FL Gov.'S Cncl/Indian Affairs A-128
04-90-023-03-355	ETA	DINAP	08-DEC-89	Poarch Band of Creek Indians A-128
04-90-024-03-355	ETA	DINAP	03-JAN-90	Mississippi Band of Choctaws A-128
04-90-040-03-355	ETA	DINAP	20-FEB-90	Eastern Band of Cherokees A-128
04-90-045-03-355*	ETA	DINAP	28-FEB-90	Cumberland Co. Assn/Indian People A-128
04-90-051-03-355*	ETA	DINAP	22-MAR-90	Guilford Native American Assn A-128
04-90-018-03-365*	ETA	DSFP	17-NOV-89	Centro Campesino A-128
04-90-019-03-365*	ETA	DSFP	20-NOV-89	Kentucky Farmworker Programs A-128
04-90-035-03-365*	ETA	DSFP	08-FEB-90	Wil-low Nonprofit Housing A-128
04-90-037-03-365*	ETA	DSFP	15-FEB-90	Florida Nonprofit Housing A-128
04-90-041-03-365*	ETA	DSFP	27-FEB-90	Telamon Corp. A-128
04-90-004-06-601	MSHA	Grantees	17-OCT-89	Walker State Tech. College A-110
04-90-029-06-601	MSHA	Grantees	29-JAN-90	GA Bd of Postsecondary Voc. Ed. A-128
04-90-006-10-101	OSHA	OSHAG	06-DEC-89	Florida AFL/CIO, United Labor Agy
04-90-007-10-101*	OSHA	OSHAG	25-OCT-89	FY 1986-88 GA Inst. of Tech. A-128
04-90-017-10-101*	OSHA	OSHAG	14-NOV-89	FY 1989 GA Br Agc of America A-128
04-90-022-10-101*	OSHA	OSHAG	27-NOV-89	SC Dept. of Labor A-128
04-90-026-10-101*	OSHA	OSHAG	10-JAN-90	SC Dept. of Labor A-128
04-90-038-10-101*	OSHA	OSHAG	14-FEB-90	Orlando Bldg/Constr. Trades A-128
04-90-012-50-598	Multi	AL/DOL	31-OCT-89	State of Tennessee A-128
04-90-013-50-598	Multi	AL/DOL	01-NOV-89	State of North Carolina A-128
04-90-014-50-598	Multi	AL/DOL	13-NOV-89	State of Kentucky A-128
04-90-025-50-598*	Multi	AL/DOL	08-JAN-90	AL Dept. of Ec. & Comm. Affairs A-128
04-90-028-50-598*	Multi	AL/DOL	29-JAN-90	SC Office of the Gov. A-128
04-90-030-50-598	Multi	AL/DOL	31-JAN-90	State of Mississippi A-128
04-90-031-50-598*	Multi	AL/DOL	01-FEB-90	AL Dept. of Ind. Rel. A-128
04-90-033-50-598*	Multi	AL/DOL	08-JAN-90	SC Empl. Sec. Comm. A-128
04-90-016-98-599*	Other	NO/DOL	14-NOV-89	Alamance Co., Inc. A-128
04-90-027-98-599*	Other	NO/DOL	30-JAN-90	Greenville, SC A-128
04-90-034-98-599*	Other	NO/DOL	08-FEB-90	Davidson County, NC A-128
04-90-036-98-599*	Other	NO/DOL	13-FEB-90	Onslow County, NC A-128
04-90-039-98-599*	Other	NO/DOL	14-FEB-90	Volusia County, FL A-128
04-90-044-98-599*	Other	NO/DOL	27-FEB-90	Cumberland County, NC A-128

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04-90-046-98-599*	Other	NO/DOL	02-MAR-90	City of Louisville, KY A-128
05-90-016-02-201	VETS	CONTR	24-NOV-89	Milwaukee Co. Comm. Rel. Soc. Dev. A-128
05-90-023-02-201	VETS	CONTR	02-FEB-90	St. Paul, Minnesota A-128
05-90-014-03-325*	ETA	SESA	20-NOV-89	Ohio Bureau of Empl. Svcs A-128
05-90-031-03-325*	ETA	SESA	09-MAR-90	Michigan Empl. Comm. A-128
05-90-001-03-340	ETA	JTPA	30-MAR-90	Kansas City, MO Full Empl. Cncl
05-90-021-03-340	ETA	JTPA	15-MAR-90	JTPA Programs in Indiana
05-90-024-03-345	ETA	CETA	13-FEB-90	Missouri Office of Adm. A-128
05-90-003-03-355*	ETA	DINAP	24-OCT-89	Am. Indian Business Assn A-128
05-90-008-03-355	ETA	DINAP	20-NOV-89	Red Lake Band of Chippewas A-128
05-90-009-03-355	ETA	DINAP	20-NOV-89	Ottawa/Chippewa Gr. Trav. Bd A-128
05-90-010-03-355	ETA	DINAP	20-NOV-89	Bois Forte Reservation A-128
05-90-013-03-355	ETA	DINAP	21-NOV-89	Oneida Tribe of Wisconsin A-128
05-90-015-03-355	ETA	DINAP	24-NOV-89	Intertribal Cncl of Michigan A-128
05-90-025-03-355	ETA	DINAP	09-FEB-90	Wisconsin Winnebago Bus. Comm. A-128
05-90-026-03-355	ETA	DINAP	22-FEB-90	Leech Lake Reservation A-128
05-90-029-03-355	ETA	DINAP	27-FEB-90	Menominee Tribe of Wisconsin A-128
05-90-030-03-355	ETA	DINAP	01-MAR-90	Stockbridge-Munsee Community A-128
05-90-033-03-355	ETA	DINAP	01-MAR-90	Ottawa/Chippewa Grand Traverse Bd A-128
05-90-036-03-355*	ETA	DINAP	12-MAR-90	Nebraska Intertribal Dev. A-128
05-90-007-03-360	ETA	DOWP	15-NOV-89	City of Chicago A-128
05-90-011-03-360	ETA	DOWP	21-NOV-89	Nebraska Dept. on Aging A-128
05-90-012-03-360	ETA	DOWP	21-NOV-89	Kansas Dept. on Aging A-128
05-90-027-03-360	ETA	DOWP	22-FEB-90	Indiana Aging/Comm. Svcs A-128
05-90-002-03-365*	ETA	DSFP	19-OCT-89	Homes/Casas, Inc. A-128
05-90-004-03-365*	ETA	DSFP	25-OCT-89	Nebraska Farmworkers Assn A-128
05-90-019-03-365*	ETA	DSFP	26-DEC-89	MI Economics for Human Dev. A-128
05-90-020-03-365*	ETA	DSFP	26-NOV-89	MI Economics for Human Dev. A-128
05-90-032-03-365*	ETA	DSFP	28-FEB-90	Ser. Corp. A-128
05-90-022-03-380	ETA	OSPPD	02-FEB-90	Springfield, Missouri A-128
05-90-006-06-601	MSHA	Grantees	14-NOV-89	Iowa Public Instruction A-128
05-90-017-50-598	Multi	AL/DOL	14-DEC-89	State of Minnesota A-128
05-90-028-50-598*	Multi	AL/DOL	14-FEB-90	Nebraska DOL A-128
05-90-034-50-598	Multi	AL/DOL	08-MAR-90	State of Wisconsin A-128
05-90-038-50-598*	Multi	AL/DOL	26-MAR-90	Indiana DOL A-128
05-90-039-50-598*	Multi	AL/DOL	28-MAR-90	Michigan DOL A-128

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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
06-89-003-03-340	ETA	JTPA	31-OCT-89	New Orleans Fail to Provide Records
06-90-105-03-340*	ETA	JTPA	22-JAN-90	Assn for Retarded Citizens A-128
06-90-106-03-340*	ETA	JTPA	22-JAN-90	Assn for Retarded Citizens A-128
06-90-107-03-340*	ETA	JTPA	09-JAN-90	Denver Indian Center A-128
06-90-108-03-340*	ETA	JTPA	09-JAN-90	Denver Indian Center A-128
06-90-110-03-340	ETA	JTPA	08-MAR-90	Montana United Indian Assn A-128
06-90-111-03-340*	ETA	JTPA	22-JAN-90	Assn for Retarded Citizens A-128
06-90-117-03-340*	ETA	JTPA	16-MAR-90	Northwest Cap of Wyoming A-128
06-90-122-03-340*	ETA	JTPA	30-MAR-90	WY Job Training Admin. A-128
06-90-264-03-340	ETA	JTPA	16-NOV-89	New Mexico Agy on Aging A-128
06-90-100-03-355*	ETA	DINAP	25-OCT-89	United Urban Indian Council A-128
06-90-109-03-355*	ETA	DINAP	09-MAR-90	Oklahoma Tribal Assistance A-128
06-90-119-03-355*	ETA	DINAP	26-MAR-90	Louisiana Intertribal Council A-128
06-90-251-03-355	ETA	DINAP	22-NOV-89	Northern Cheyenne Tribe A-128
06-90-254-03-355	ETA	DINAP	26-JAN-90	Chickasaw Nation of OK A-128
06-90-255-03-355	ETA	DINAP	25-OCT-89	Chippewa Creek Tribe A-128
06-90-256-03-355	ETA	DINAP	26-OCT-89	Jicarilla Apache Tribe A-128
06-90-257-03-355	ETA	DINAP	24-OCT-89	Kaw Tribe of Oklahoma A-128
06-90-258-03-355	ETA	DINAP	03-JAN-90	Oglala Sioux Tribe A-128
06-90-259-03-355	ETA	DINAP	27-OCT-89	Otoe-Missouri Tribe A-128
06-90-260-03-355	ETA	DINAP	30-OCT-89	Ponca Tribe A-128
06-90-261-03-355	ETA	DINAP	20-OCT-89	Al Coughatta Reservation A-128
06-90-263-03-355	ETA	DINAP	08-MAR-90	Pueblo of Zuni A-128
06-90-265-03-355	ETA	DINAP	03-JAN-90	Eight Northern Pueblos Cncl A-128
06-90-266-03-355	ETA	DINAP	05-JAN-90	Three Affiliated Tribes A-128
06-90-267-03-355	ETA	DINAP	09-JAN-90	Choctaw Nation A-128
06-90-269-03-355	ETA	DINAP	06-FEB-90	Chippewa Turtle Mountain Bd A-128
06-90-270-03-355	ETA	DINAP	09-FEB-90	Osage Tribe of Oklahoma A-128
06-90-271-03-355	ETA	DINAP	09-FEB-90	Pueblo of Zuni A-128
06-90-274-03-355	ETA	DINAP	15-FEB-90	Pueblo of Laguna A-128
06-90-275-03-355	ETA	DINAP	15-FEB-90	Alamo Navajo School Board A-128
06-90-279-03-355	ETA	DINAP	15-MAR-90	Yselta del sur Pueblo A-128
06-90-280-03-355	ETA	DINAP	19-MAR-90	Sisseton-Wahpeton Sioux A-128
06-90-281-03-355	ETA	DINAP	19-MAR-90	United Tribes Ed./Tech. Cntr A-128
06-90-282-03-355	ETA	DINAP	29-MAR-90	Pueblo of Acoma A-128
06-90-283-03-355	ETA	DINAP	29-MAR-90	Devils Lake Sioux Tribe A-128
06-90-284-03-355	ETA	DINAP	30-MAR-90	Mescalero Apache Tribe A-128
06-90-276-03-360	ETA	DOWP	08-MAR-90	WY Health/Social Svcs A-128
06-90-277-03-360	ETA	DOWP	08-MAR-90	WY Health/Social Svcs A-128
06-90-101-03-365*	ETA	DSFP	28-DEC-89	San Patricio Comm./Youth A-128
06-90-102-03-365*	ETA	DSFP	27-NOV-89	San Patricio Comm./Youth A-128
06-90-114-03-365*	ETA	DSFP	06-MAR-90	Tierra del Sol Housing A-128
06-90-116-03-365*	ETA	DSFP	08-MAR-90	Rural Employment Opportunities A-128

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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>
06-90-120-03-365*	ETA	DSFP	27-MAR-90	Arkansas Human Dev. Corp. A-128
06-90-272-06-601	MSHA	Grantees	14-FEB-90	ND State Voc. Ed. Board A-128
06-90-121-11-111*	BLS	BLSG	29-MAR-90	Arkansas Workers' Comp. Comm. A-128
06-90-103-50-598	Multi	AL/DOL	29-NOV-89	State of Utah A-128
06-90-104-50-598	Multi	AL/DOL	14-DEC-89	State of Texas A-128
06-90-112-50-598*	Multi	AL/DOL	30-JAN-90	North Dakota Job Service A-128
06-90-113-50-598	Multi	AL/DOL	01-MAR-90	State of South Dakota A-128
06-90-115-50-598	Multi	AL/DOL	07-MAR-90	State of Colorado A-128
06-90-118-50-598*	Multi	AL/DOL	16-MAR-90	Arkansas Empl. Sec. Div. A-128
06-90-252-50-598	Multi	AL/DOL	25-OCT-89	Cherokee Nation of Oklahoma A-128
06-90-268-50-598	Multi	AL/DOL	30-JAN-90	Southern Ute Cap, Inc. A-128
06-90-273-50-598	Multi	AL/DOL	06-FEB-90	State of Oklahoma A-128
06-90-278-50-598	Multi	AL/DOL	12-MAR-90	Santa Clara Indian Pueblo A-128
09-90-500-03-325*	ETA	SESA	22-DEC-89	Coop Personnel Services A-128
09-90-550-03-325*	ETA	SESA	22-FEB-90	Idaho Employment A-128
09-90-531-03-340	ETA	JTPA	02-FEB-90	Pacific Islands Trust Terr. A-128
09-90-537-03-350	ETA	OSTP	12-FEB-90	Los Angeles County A-128
09-89-609-03-355*	ETA	DINAP	01-OCT-89	Kawerak, Inc. A-128
09-89-618-03-355	ETA	DINAP	01-OCT-89	Hoopa Valley Tribe A-128
09-90-501-03-355*	ETA	DINAP	05-JAN-90	So. California Indian Center A-128
09-90-504-03-355*	ETA	DINAP	24-DEC-89	California Indian Manpower A-128
09-90-506-03-355*	ETA	DINAP	14-NOV-89	United Indian Nations A-128
09-90-510-03-355	ETA	DINAP	22-DEC-89	Tlingit and Haida Cncl A-128
09-90-511-03-355	ETA	DINAP	15-DEC-89	Metlakatla Indians A-128
09-90-512-03-355	ETA	DINAP	15-DEC-89	Tohono O'Odhan Nation A-128
09-90-513-03-355	ETA	DINAP	22-DEC-89	The North Pacific Rim A-128
09-90-517-03-355	ETA	DINAP	15-DEC-89	White Mountain Apache Tribe A-128
09-90-518-03-355	ETA	DINAP	18-DEC-89	Warm Springs Reservation A-128
09-90-519-03-355	ETA	DINAP	22-DEC-89	Aleutian/Pribilof Island Assn A-128
09-90-523-03-355	ETA	DINAP	15-NOV-89	Lummi Business Council A-128
09-90-525-03-355*	ETA	DINAP	15-DEC-89	American Indian Comm. Ctr A-128
09-90-526-03-355*	ETA	DINAP	29-DEC-89	Candelaria Am. Indian Cncl A-128
09-90-528-03-355	ETA	DINAP	29-JAN-90	Tahana Chiefs Conference A-128
09-90-529-03-355	ETA	DINAP	29-JAN-90	Hoopa Valley Tribe A-128
09-90-530-03-355	ETA	DINAP	24-JAN-90	Salt River Pimas-Maricopas A-128
09-90-532-03-355	ETA	DINAP	24-JAN-90	Colville Confed. Tribes A-128
09-90-533-03-355	ETA	DINAP	29-JAN-90	Shoshone-Paiute Tribes A-128
09-90-535-03-355	ETA	DINAP	02-FEB-90	Gila River Indian Community A-128

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09-90-541-03-355*	ETA	DINAP	02-FEB-90	The Forgotten American A-128
09-90-542-03-355*	ETA	DINAP	12-FEB-90	United Indian Nations A-128
09-90-543-03-355*	ETA	DINAP	02-FEB-90	Las Vegas Indian Center A-128
09-90-544-03-355*	ETA	DINAP	15-FEB-90	California Indian Manpower A-128
09-90-545-03-355*	ETA	DINAP	22-FEB-90	Candelaria Am. Indian Council A-128
09-90-547-03-355*	ETA	DINAP	22-FEB-90	Indian Human Resource Center A-128
09-90-551-03-355	ETA	DINAP	22-FEB-90	Village Council Presidents A-128
09-90-552-03-355	ETA	DINAP	22-FEB-90	Village Council Presidents A-128
09-90-553-03-355	ETA	DINAP	09-MAR-90	Colorado River Indian Tribes A-128
09-90-554-03-355	ETA	DINAP	09-MAR-90	Pascua Yaqui Tribe A-128
09-90-558-03-355*	ETA	DINAP	28-MAR-90	Phoenix Indian Center A-128
09-90-507-03-360*	ETA	DOWP	14-NOV-89	Assn Nacional Pro Persones A-128
09-90-524-03-360	ETA	DOWP	24-NOV-89	Marshall Islands Republic A-128
09-90-502-03-365*	ETA	DSFP	08-DEC-89	Proteus Trng and Empl. A-128
09-90-514-03-365	ETA	DSFP	22-DEC-89	Comm. Housing Improvement A-128
09-90-515-03-365	ETA	DSFP	22-DEC-89	Comm. Housing Improvement A-128
09-90-527-03-365*	ETA	DSFP	12-JAN-90	Central Valley Opp. Center A-128
09-90-536-03-365	ETA	DSFP	12-FEB-90	Maui Economic Opportunity A-128
09-90-538-03-365*	ETA	DSFP	12-FEB-90	Rural and Farmworker Housing A-128
09-90-549-03-365*	ETA	DSFP	15-FEB-90	Central Valley Opp. Center A-128
09-90-555-03-365	ETA	DSFP	09-MAR-90	Marion County Housing Auth. A-128
09-90-559-03-365	ETA	DSFP	23-MAR-90	Santa Cruz Housing Authority A-128
09-90-001-12-001	PWBA	Admin.	09-NOV-89	Changes Needed in IPA ERISA Reports
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09-90-508-50-598*	Multi	AL/DOL	12-DEC-89	City of Los Angeles A-128
09-90-520-50-598	Multi	AL/DOL	15-DEC-89	State of Washington A-128
09-90-521-50-598	Multi	AL/DOL	22-DEC-89	Guam A-128
09-90-522-50-598	Multi	AL/DOL	17-NOV-89	American Samoa A-128
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09-90-546-98-599*	Other	NO/DOL	22-FEB-90	Hawaii County A-128
12-90-009-03-001	ETA	Admin.	30-MAR-90	FY 1989 ETA Financial Statements
12-89-087-03-370	ETA	OJC	19-OCT-89	Federal Electric Corp.
12-90-001-03-370	ETA	OJC	21-MAR-90	Cost Invested in Job Corps
12-90-010-03-370	ETA	OJC	28-MAR-90	JC Screener Reports Summary
12-89-071-07-001	OASAM	Admin.	16-OCT-89	Booz, Allen and Hamilton, Inc.

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12-90-003-07-710	OASAM	COMP	30-MAR-90	Creative Associates, Inc.
12-90-005-07-735	OASAM	OPGM	16-OCT-89	The Urban Institute
12-90-011-09-001	OIG	Admin.	30-MAR-90	FY 1989 OIG Financial Report
17-90-011-02-001	VETS	Admin.	30-MAR-90	Homeless Vets Reintegration Project
17-90-010-07-001	OASAM	Admin.	30-MAR-90	Procured Goods & Services
18-90-001-02-210	VETS	Contractor	23-FEB-90	Blinded Veterans Assn
18-90-004-03-355	ETA	DINAP	17-NOV-89	Candelaria American Indian Cncl
18-90-011-03-355	ETA	DINAP	30-MAR-90	National Indian Business Cncl
18-90-019-03-355	ETA	DINAP	30-MAR-90	Boston Indian Council
18-90-002-03-370	ETA	OJC	01-NOV-89	Phoenix CM Learning Gains
18-90-012-03-380	ETA	OSPPD	02-FEB-90	Hudson Institute Book Sales
18-90-008-04-420	ESA	WH	21-NOV-89	Federal Contractor Follow Up
18-90-003-07-735	OASAM	OPGM	02-FEB-90	Texas Educational Foundation
18-90-006-07-735	OASAM	OPGM	14-FEB-90	U.S. Human Resources Corporation
18-90-007-07-735	OASAM	OPGM	02-FEB-90	Minact, Inc.
18-90-009-07-735	OASAM	OPGM	30-MAR-90	Mgmt & Trng Corporation
19-90-001-03-001	ETA	Admin.	14-MAR-90	Eastern Computers, Inc.
19-90-002-03-001	ETA	Admin.	18-JAN-90	RFD Associates
19-90-004-07-001	OASAM	Admin.	30-MAR-90	Dept. IRM Acquisition Process
19-90-003-07-720	OASAM	DIRM	30-MAR-90	DOLAR\$ Management Needs Improvement
19-90-006-07-720	OASAM	DIRM	30-MAR-90	Pilot/Prototype Automation Projects

\*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 or transmitted based on the type of funding and the agency/program responsible for resolution. Multiple-agency reports with a designation of "50-598" relate to Single Audit reports only.

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