
THE INSPECTOR GENERAL'S MESSAGE

This Semiannual Report of the Office of Inspector General (OIG) details some of our most significant accomplishments for the period October 1, 1998, through March 31, 1999. During this period, the OIG focused its audit and investigative resources on activities that support accomplishment of the goals established in our strategic plan. The OIG goals reflect my vision to provide the Department of Labor (DOL) and Congress with quality information, recommendations, and technical assistance. Particularly noteworthy during this reporting period have been our accomplishments in:

- Calling attention to weaknesses involving the administration of 35 Welfare-to-Work grants totaling \$147 million that could potentially undermine the success of the program in helping welfare recipients obtain employment and self-sufficiency;
- Identifying opportunities for savings and questioning over \$5 million in inappropriate grant costs charged to the Department by an Older Workers Program grantee;
- Identifying best practices used by States in conducting field audits to improve the collection of Unemployment Insurance (UI) tax contributions from employers and ways to improve the detection of UI overpayments through cross matches with employer records;
- Collaborating with the Department to address remaining Y2K compliance issues affecting DOL operations, and helping DOL to assist States and business partners to ensure their own compliance;
- Providing consultation assistance to DOL agencies in their implementation of the Government Performance and Results Act;
- Uncovering complex fraud schemes against DOL unemployment and disability compensation programs;
- Combating labor racketeering in unions and the workplace through successful indictments and convictions in the areas of employee benefit plans, labor-management relations, and internal union affairs, as well as utilizing Civil RICO actions to establish long-term stability in unions; and
- Calling attention to legislative changes needed to improve aspects of pension, workers' compensation, and program evaluation functions of the Department.

My staff and I are committed to effecting positive change, reducing vulnerabilities, and contributing to the achievement of DOL strategic goals. I look forward to continuing to work effectively with the Secretary, management, and departmental staff at all levels in our common goal of ensuring the effectiveness, efficiency, and integrity of the programs that serve and protect American workers and retirees.

Charles C. Masten
Inspector General

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SIGNIFICANT CONCERNS

QUALITY OF PROGRAM RESULTS DATA

Important initiatives are under way to improve the results of Federal programs and operations. With passage of the Government Performance and Results Act (GPRA), Congress created a management process whereby Federal agencies develop strategic plans, articulate program goals, allocate Federal resources to meet desired performance levels, and measure and report program results. Similarly, new Federal accounting standards implemented in fiscal year 1998 are aimed at ensuring reliable and timely accounting for the full cost of Federal programs and activities. It will be very important for DOL to ensure that the performance and cost information generated be accurate and auditable in order for DOL's March 2000 performance reporting to be credible. The OIG plans to continue to provide oversight and assistance to this end. Our current and future work in this area is detailed in the Departmental Management section of this report. However, the Department faces the following challenges in achieving the full accountability envisioned through the GPRA and the new accounting standards.

Linking Financial and Performance Data

To determine the success of government programs, financial and performance information is needed. By linking this type of information, the Department and Congress can determine the value and future direction of Federal programs and achieve the accountability demanded by the public. However, most Federal agencies, including DOL, have not yet achieved this linkage. The Department is currently developing a cost accounting system; however, even with the best effort, it will take a few years before DOL will be able to link its financial and performance data.

Complications From Allocating Costs and Results Among Participating Agencies

A significant feature of the Workforce Investment Act (WIA) of 1998 is the establishment of one-stop delivery systems within each local workforce investment area. However, cost sharing presents special problems in a one-stop environment. It increases

the administrative burden of accounting for costs and benefits in a system in which it is increasingly difficult to discern to which program the participants belong and who should be paying the cost of services. This is further complicated by a key principle of Federal grant accounting: that costs may be charged to a program only to the extent that benefits are received by that program. The Employment and Training Administration (ETA) will need to continue its efforts to reduce the administrative burden while ensuring meaningful accounting for program costs by benefits received. Notably, these same difficulties will be faced by other job training programs as organizations attempt to portray the achievements associated with their respective investments.

Data Limitations

Another challenge is the Department's limited ability to control the quality and accuracy of program data that will be used to determine whether its strategic goals were achieved. For example, the myriad of data provided by States and other sources below the Federal level presents challenges to ensuring that adequate internal controls exist over DOL financial and performance data systems.

In addition, two important tenets of GPRA are the requirements that agencies conduct program evaluations to determine program effectiveness and validation of performance data. In the employment and training area, it is particularly important to know whether programs have resulted in individuals becoming self-sufficient by obtaining long-term, unsubsidized employment at livable wages. Two key sources of information that may be used to this end are Unemployment Insurance and Social Security wage records of individual program participants. However, the Department is limited in its ability to obtain such data for program evaluation and validation purposes. To enhance its ability to conduct program evaluation and validation in this and other equally important areas, the Department needs to have statutory authority to easily obtain and utilize these types of records as a way to determine or validate the results achieved for the substantial investment of taxpayer dollars.

SIGNIFICANT CONCERNS

YEAR 2000 (Y2K) COMPLIANCE

In the past couple of years, considerable attention has been given to the impact the Y2K problem may have on the delivery of services by the Federal government. The ultimate impact of the Y2K problem on DOL is still uncertain. As such, DOL must be persistent and timely in ensuring that it adequately converts, implements, and verifies its systems so that they will not be affected by this problem. To focus greater attention on effectively addressing this problem, the Chief Information Officer named a Y2K director to manage efforts throughout the Department. The OIG and the new Y2K management team have been collaborating to address issues and problems of mutual concern.

On March 31, 1999, the Department reported that its 61 mission-critical systems are Y2K compliant. However, based on our ongoing Y2K audit work, the OIG has continuing concerns related to three specific areas: independent verification and validation (IV&V), business continuity and contingency plans (BCCPs), and State Employment Security Agencies (SESAs).

First, in order for DOL to meet the looming December 31, 1999, deadline it must verify, validate, test, and retest its systems. While the Department is doing much to complete the IV&V work (within the established June 1999 time frame), we continue to have concerns with respect to the overall quality of DOL's IV&V process. During the remaining months of 1999, management oversight must be intensified to ensure that IV&V is thorough, complete, and, above all, certain. The Department also needs to ensure that any issues identified as a result of IV&V be immediately addressed. Agencies should develop an action plan to resolve each issue and follow through to ensure that the plan is implemented and tested. If issues are not resolved promptly, DOL runs the risk of not providing the necessary assurances that the systems are, in fact, compliant.

Second, we are also concerned about DOL's BCCPs. These are the plans that ensure the continuity of an agency's core business functions and are the action plans an agency will follow on a short-term and/or long-term basis. If the BCCPs are not fully developed

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and tested, and Y2K failures occur, there is a risk that agency core business functions would be disrupted. Our review of DOL's BCCPs found that they were incomplete, were not scheduled for testing, relied heavily on disaster recovery plans, were prepared by information technology staff (as opposed to knowledgeable program staff), lacked sufficient detail in relation to identifying resources to the plans, and did not always provide alternative solutions for identified problems.

Third, based on our audit findings, we have some concerns with regard to implementation and management of the Y2K problem by the SESAs. For example, we found that two States had late projected completion dates that impact their overall progress, three had inadequate testing documentation, two had delays in scheduling SESA testing, and two had staffing problems that could potentially affect their Y2K compliance. We also found that a number of States had either deficient BCCPs or did not have a plan at all. Moreover, we found weakness in ETA's assessments and onsite monitoring of Y2K compliance progress in several States. While the Department has made good progress in the management of this problem, in the few months remaining, it will need to redouble its efforts to ensure that the SESAs become fully Y2K compliant.

The Department's ability to provide effective training and employment services to help individuals transition from welfare dependency to self-sufficiency will be key to the success of welfare reform. The WtW program has been added to the arsenal of DOL services available to help disadvantaged individuals change their lives. The success of the program will hinge not only on the effectiveness of the Department's stewardship and the quality of services provided, but also on its ability to capture and report the results of its efforts on behalf of eligible individuals. In addition, with billions of dollars invested in this initiative, it will also be critical for the Department to provide effective monitoring of the substantial dollars awarded to grantees for employment and training services. This is an area of major concern because of

EFFECTIVENESS OF THE WELFARE-TO-WORK (WtW) INITIATIVE

SIGNIFICANT CONCERNS

continued weaknesses that we have identified in DOL's management of grants.

To assist the Department in ensuring accountability over WtW grant funds, we conducted surveys of 35 of the 51 grantees that were awarded funds in the first round of WtW's competitive grant process. Based on our audit findings, which are detailed in the Prepared Workforce section of this report, we are concerned that weaknesses in key areas may undermine the success of the program.

SECURITY OF PENSION ASSETS

The security of pension assets is a priority of the Department and of the OIG. This includes ensuring that weaknesses, vulnerabilities, and criminal activity are identified and addressed. The following are two areas that continue to be of concern to the OIG.

Pension Plan Audits

The Pension and Welfare Benefits Administration (PWBA) carries out activities aimed at protecting 6 million private-sector benefit plans controlling more than \$3.5 trillion in pension plan assets. For the past several years, through audits and our Semiannual Reports, the OIG has raised a concern regarding the way pension plans are audited under the Employee Retirement Income Security Act (ERISA). Specifically, ERISA exempts from audit coverage all pension plan assets that have been invested in institutions (such as savings and loans, banks, and insurance companies) that are already regulated by Federal or State governments. Because of this scope limitation, independent public accountants (IPAs) conducting audits of pension plans cannot render an opinion on the plans' financial statements in accordance with professional auditing standards. Nearly half of all pension plan audits receive a disclaimer of opinion as a result of the limited-scope exemption, which we believe should be repealed. The OIG has also recommended that IPAs and plan administrators be required to report serious ERISA violations directly to the Department to enhance oversight of plan assets.

Abuses by Pension Plan Service Providers

Private pension plans serve as an attractive target to organized crime elements, corrupt pension plan officials, and individuals who influence the investment activity of the pension assets. Recently, labor racketeering investigations involving the investment of pension plan monies that are jointly administered by labor union representatives and management representatives (Taft-Hartley plans) have elevated the OIG's concern over the security of the assets in this segment of the pension plan universe.

The OIG's investigations have uncovered many criminal enterprises perpetrated by financial and investment service providers on the nation's pension plans. These investigations have revealed abuses by sophisticated investment advisors and pension plan administrators who have the opportunity and ability to structure complex financial schemes to conceal their criminal activity. The OIG is concerned that abuses by financial investment service providers can result in great dollar losses because they typically provide investment or financial advice to more than one plan. Based on recent investigative results and the fact that service providers typically control the investment of hundreds of millions of dollars of pension monies, we are concerned that this aspect of the pension arena is especially vulnerable to organized crime activity and abuse.

As with any multi-billion-dollar Federal benefit payment program, there are those who benefit from the program illegally. Unfortunately, many States do not have the capability to effectively detect and investigate individual fraud schemes, let alone the growing number of increasingly complex interstate UI fraud schemes. Because of the large number of single-claimant cases, many States elect to direct their investigative resources into this area. That focus may ultimately increase a State's vulnerability to other expansive and complex fraud schemes.

**CONTINUED
PROLIFERATION OF UI
FRAUD SCHEMES**

SIGNIFICANT CONCERNS

In addition, a number of systemic weaknesses pose problems for the UI System (UIS). These include loss of contributions due to the inability of States to search for hidden wages by employers who misclassify workers as independent contractors; potential vulnerability due to the diverse telephone initial-claims systems being used by a number of States; loss of contributions due to the inability of States to audit large interstate companies; "shell" leasing companies, which circumvent the payment of UI contributions; the selection process States use to audit employers; and the structural integrity in the reporting system of UI data from the States to UIS.

Through oversight of the UI program, we have identified a number of schemes used to defraud the program, including fraudulent employer schemes, internal embezzlement schemes, and the fraudulent collection of UI benefits by illegal aliens using counterfeit or unissued Social Security numbers. These investigations have identified schemes that have resulted in substantial losses to the UI Trust Fund. The OIG is very concerned about the continued proliferation of these types of schemes. We believe there is a need for increased training of State employees in fraud detection techniques, improved internal program controls, and improved enforcement.

**SELECTED STATISTICS
ISSUED BY THE OIG**

Reports Issued on DOL Activities	62
Total Questioned Costs	\$8.3 million
Dollars Resolved	\$9.8 million
Allowed	\$6.1 million
Disallowed	\$3.7 million
Recommendations That Funds Be Put to Better Use	\$5.4 million
Cases Opened	267
Cases Closed	355
Cases Referred for Prosecution	188
Cases Referred for Administrative/Civil Action	14
Indictments	188
Convictions	175
Debarments	45
Recoveries, Cost Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Action	\$26,486,408

NOTE: The Office of Investigations conducts criminal investigations of individuals which can lead to prosecutions ("convictions") by criminal complaints, warrants, informations, indictments, or pre-trial diversion agreements. Successful prosecutions may carry sentences such as fines, restitutions, forfeitures, or other monetary penalties. The Office of Investigations' financial accomplishments which also include administrative and civil action, are further detailed and defined on page 108 of this report.

EMPLOYMENT AND TRAINING AUDITS

WELFARE-TO-WORK PROGRAM

The Balanced Budget Act of 1997 (Act) authorized the Secretary of Labor to provide WtW grants to States and local communities to move hard-to-employ welfare recipients into unsubsidized jobs and economic self-sufficiency. The Act authorized \$3 billion for WtW grants in fiscal years 1998 and 1999. Of this amount, 25 percent (\$711.5 million) will be awarded through a competitive grant process, and 75 percent (\$2.2 billion) is being distributed to the States. The first round of \$199 million (announced on May 27, 1998) was awarded to 51 competitive grant recipients. A second round of \$273 million (announced November 28, 1998) was awarded to 75 competitive grant recipients. The Employment and Training Administration (ETA) administers the WtW program.

Policy Guidance and Technical Assistance Needed to Improve WTW Grant Administration

The OIG performed an early assessment of program implementation for 35 of the 51 grants (totaling \$146,936,164) awarded during the first round of WtW competition. We found that the grantees generally possessed the capability to deliver services under their WtW competitive grants. However, we identified weaknesses in key areas related to the administration of the grants that may undermine the success of the program. Specifically, we are concerned with a number of areas, including financial management, policies and procedures, and programmatic compliance.

Summary Matrix of Findings for the 35 Grantees

Financial Management			Policies and Procedures			Programmatic Compliance			
Finding 1			Finding 2			Finding 3	Finding 4	Finding 5	Finding 6
Inadequate Internal Controls Over Cost Limitations	Incomplete/Inadequate Management Information Systems	Inadequate Internal Controls Over Financial Reporting	Lack of Formal Agreement With TANF Agencies	Lack of Formal WtW Eligibility Procedures	Lack of Written WtW Policies and Procedures	Potential Violations of the Fair Labor Standards Act	Non-compliance With the "Work-First" Requirement	Start-up Costs and Venture Capital Appear Improper	Single Unit Billings Circumvent Administrative Cost Limitations
22	11	16	14	12	27	3	5	2	1
63%	31%	46%	40%	34%	77%	9%	14%	6%	3%

The **Summary Matrix of Findings** depicts the following: (1) areas of concern, (2) finding number in the audit report, (3) specific issue(s) within each finding, (4) number of grantees (out of 35) associated with each issue, and (5) percentage of grantees (out of 35) associated with each issue.

We believe that immediate attention to the issues identified above is critical to the successful implementation of the WtW program. Our review identified several issues that need to be addressed, including compliance with the Fair Labor Standards Act (FLSA), noncompliance with the WtW "work-first" requirement (the requirement that participants be working prior to receiving educational skills and training), use of WtW funds for business start-up operations/venture capital, and conformity to cost limitations. Adequate internal controls must be exercised over grantee financial and management information systems. Further, because these issues also pertain to the \$2 billion State formula program -- a program three times the size of the competitive grant set-aside program -- the potential impact of our findings and recommendations could be magnified. To improve the administration of the WtW competitive grants, we recommended that ETA:

(1) Issue policy guidance and provide technical assistance that fully address WtW program's cost limitations and its applicability to the financial reporting requirements to ensure compliance with reporting requirements;

A PREPARED WORKFORCE

(2) Advise WtW grantees to develop formal written memoranda of understanding with local Temporary Assistance for Needy Families (TANF) agencies to ensure that each agency's roles and responsibilities are clearly defined;

(3) Revise the WtW regulations to specifically require grantees to adhere to the minimum wage provisions of the FLSA to ensure that participants are properly compensated;

(4) Issue specific policy guidance to fully define and illustrate WtW's work-first requirement;

(5) Issue policy that prohibits the use of WtW funds as start-up costs for businesses and capital ventures; and

(6) Require WtW grantees to report Federal expenditures, on an actual cost basis, against the prescribed cost categories on the Quarterly Financial Status Report.

ETA generally agreed with our findings and recommendations and was pleased with our overall assessment that the grantees we reviewed possess the capability to deliver services under their WtW grant. ETA also stated that the postaward surveys were helpful in identifying issues needing attention, such as the use of WtW funds for start-up costs and venture capital. ETA initiated an action that resulted in one of the WtW grantees being directed to terminate its inappropriate contracts and to reprogram approximately \$3.5 million into new projects that meet WtW requirements.

The OIG concurs with the corrective actions being planned and considers all but two of our recommendations to be resolved, but not closed, pending implementation of corrective action plans. The two exceptions are our recommendations to include FLSA wage provisions in the grant solicitations and approved grant agreements, and the need to define work-first requirements.

ETA believes the grantees with FLSA issues (3 of the 35 grantees surveyed) are exceptions to an otherwise well-informed group. With respect to the work-first issue, ETA disagreed with our assertion that its policy guidance suggests that the number of work hours a grantee establishes should be consistent with local TANF work requirements. We believe that, in order to meet the program's legislative intent and ensure successful program implementation, there is a need to define WtW's work-first requirement and to incorporate, into program guidance, a suggested number of work hours as the basis for meeting the work-first criteria.

(Report No. 05-99-008-03-386; issued March 24, 1999)

The adult training grant program (part of the Job Training Partnership Act, Title II) is formula-funded and State-operated and provides training, related education, and employment services to economically disadvantaged adults. Training and supportive services are designed to provide these individuals with marketable skills leading to productive, lasting, and unsubsidized employment.

ADULT TRAINING
PROGRAM

We performed a financial and compliance audit of the Job Training Partnership Act (JTPA)-funded activities administered by the Colorado Springs/EI Paso County Service Delivery Area (SDA) for program years (PYs) 1995 and 1996.

Audit of Colorado Springs/
EI Paso County Identified
Financial and Internal Control
Problems

We found that the SDA included purchase orders outstanding at the end of PY 1996, as accrued expenditures in PY 1996, instead of reporting them as obligations in PY 1996 and expenditures in PY 1997. In addition, the SDA had numerous internal control weaknesses that need to be addressed.

Further, in the middle of PY 1995, the SDA modified contracts with two service providers to add funding for a project. However, the types of services that were to be performed under the new project were already covered in the original contracts, essentially providing additional funding without an increase in services.

A PREPARED WORKFORCE

We also determined that some JTPA Title II (Training Services for the Disadvantaged) participants were held in the case management activity, apparently to avoid negative terminations. With regard to Title III (Employment and Training Assistance for Dislocated Workers), there were questions about the eligibility of many of the participants. We found that participants received minimal or no training from the program, and there were problems with a number of the terminations and outcomes claimed.

We recommended that financial and internal controls be strengthened, that financial documentation be improved, and that there be no contract modifications without appropriate changes in service. The SDA generally agreed with the financial administrative findings and indicated that our recommendations would be implemented. Regarding participant case file management, the SDA indicated changes are being made to ensure that case management is done properly. The SDA disagreed with our determination regarding Title III eligibility and did not respond to the other Title III performance issues.

(Report No. 06-99-006-03-340; issued March 19, 1999)

NATIVE AMERICAN PROGRAM

This program is designed to improve the economic well-being of Native Americans by providing training, work experience, and opportunities designed to aid the participants in securing permanent, unsubsidized jobs. The Department of Labor (DOL) allocates formula grants to Native American groups whose eligibility for such grants is established in accordance with DOL regulations.

Turtle Mountain Band of Chippewa Indians (TMBCI) Exceeded Cost Limitations in JTPA Contract

In response to a request from ETA, the OIG conducted a financial and compliance audit of costs claimed under a grant to TMBCI. ETA awarded TMBCI a grant to provide training and other services to Native Americans living in Rollette County, North Dakota, who are facing serious barriers to employment. This grant is for 2 years, with 2 1-year options (ETA exercised both option years).

We determined that the TMBCI Tribal Council, elected in 1996, had taken control of hiring and placing JTPA participants, thus affecting the JTPA staff's ability to perform its work. Further, the JTPA staff was improperly charging expenses. When we properly allocated the costs, TMBCI exceeded the 20 percent limitation for administrative costs for all 3 years that we audited. We are concerned that these cost overruns will make it difficult for TMBCI to administratively operate the program and that nongrant funds will be needed to cover the shortfall caused by prior overspending. In addition, we found a dramatic decline in the number of participants served since PY 1995, a reduction in the number of placements, and a lack of effectiveness of the training program.

As a result of our draft report, the Tribal Council returned grant operations to the JTPA staff hired to administer the program. We also recommended that ETA monitor the program to ensure TMBCI follows through with its corrective action plans. In its response, TMBCI provided documentation that resolved two of the five findings, and indicated that it is correcting the documentation problem. TMBCI also indicated that it will make every effort to ensure that the training provided will allow enrollees to compete in the job market.

(Report No. 18-99-005-03-355; issued January 20, 1999)

The Migrant and Seasonal Farmworker Program is designed to serve members of economically disadvantaged families whose principal livelihood is derived from migratory and other forms of seasonal farm work. Through training and other development services, the program seeks to prepare eligible seasonal farmworkers and their family members for stable, year-round employment. The goal of this program is to increase the self-sufficiency of these farmworkers through increasing earnings and employability.

MIGRANT AND SEASONAL
FARMWORKER PROGRAM

A PREPARED WORKFORCE

OIG Questions \$193,976 and Reports Grantee Engages in Questionable Personnel Practices

The OIG audited Midwest Farmworker Employment & Training, Inc. (MFET), a nonprofit corporation, that administered employment and training programs for migrant and seasonal farmworkers in the States of Minnesota, North Dakota, and South Dakota. We performed a financial and compliance audit of the \$11.5 million in costs MFET claimed for reimbursement for a 4-year period (1992-96) and questioned a total of \$193,976 (\$62,584 in direct costs, and \$131,392 in improper charges to the indirect cost pools). We also concluded that MFET's management engaged in questionable personnel practices.

The direct costs were questioned primarily because the MFET board of directors' travel costs were incorrectly charged to the DOL grant. Improper charges to indirect cost pools were questioned because of the executive director's unreasonable increases in salary, fringe benefits, and personal travel expenses, and for office renovation work that was not done. The OIG also found MFET's management engaged in personnel practices designed to coerce, threaten, and intimidate employees into making involuntary contributions to a fund to lobby lawmakers. MFET's management also placed unnecessary restrictions over employees' use of earned leave. The personnel practices violated MFET's grant agreements, its own policies and procedures, OMB Circular No. A-122, and the JTPA regulations. MFET disagreed with each of our findings.

(Report No. 18-99-001-03-365; issued October 9, 1998)

OIG Questions \$54,170 of Idaho Migrant Council, Inc., (IMC), Grant Expenditures

The IMC provides job training and placement services to low-income farmworkers residing in Idaho. The OIG performed a financial and performance audit of the \$1.7 million of grant funds IMC claimed for reimbursement during the audit period of July 1, 1995 through December 31, 1997. We questioned \$54,170 of improper charges because:

(1) Costs were charged almost exclusively to the DOL grant rather than being allocated to all benefitting programs and activities;

(2) Certain IMC legal fees that were charged were unrelated to the grant; and

(3) Unallowable travel expenses were charged.

The OIG also determined that approximately 40 percent of IMC's placements were in seasonal employment that lasted approximately 6 months per year with wages below the poverty level. IMC generally agreed with our findings and has initiated corrective action.

(Report No. 18-99-002-03-365; issued October 13, 1998)

This program finances grants to public and private nonprofit national-level organizations and States. These grants subsidize part-time work opportunities in community service activities for unemployed low-income persons aged 55 and older. Program participants generally work 20-25 hours per week in a wide variety of locations and activities, such as day care centers, schools, hospitals, senior citizen centers, facilities for people with disabilities, nutrition programs, and conservation/restoration projects.

**SENIOR COMMUNITY
SERVICE EMPLOYMENT
PROGRAM (SCSEP)**

As one of the private nonprofit national-level organizations, the NCSC has received a grant as a sponsor of the SCSEP for over 20 years. DOL awards NCSC grants of over \$62 million a year to provide subsidized part-time employment and training to about 9,000 individuals (senior aides). Our audit of NCSC questioned over \$5.7 million in costs, including over \$335,000 in indirect costs. We also identified an additional \$1.1 million in costs that can be avoided without adversely affecting program operations. Details on the questioned direct costs follow:

**National Council of Senior
Citizens (NCSC) Audit
Questions Over \$5.7 Million
and Identifies an Additional
\$1.1 Million in Costs That Can
Be Avoided**

A PREPARED WORKFORCE

-NCSC provides its senior aides with Hospital Indemnity Plan (HIP) insurance. The entire premium is charged to the DOL grant. At the end of each year, the underwriter of the insurance plan advises NCSC of any refunds due. For the 3 years of this audit, NCSC had a favorable claims experience, and earned substantial insurance premium refunds. However, NCSC failed to credit these refunds to the DOL grant (\$3.8 million).

-NCSC performs certain administrative functions for the HIP. To compensate NCSC for its costs, the underwriter pays it a percentage of earned premiums, which it shares with the intermediary of the plan. NCSC credited the amount it received to membership promotion income rather than applying these amounts as an offset credit to the DOL grant (\$309,825).

-The administrative fee is shared 72 percent/28 percent, intermediary/NCSC. After reviewing the administrative functions performed, it is our opinion that NCSC performed at least 66 percent of the work. Therefore, excess payments were made to the intermediary that should have been credited to the DOL grants (\$438,920).

-NCSC purchased general liability insurance from an insurance company with which it shares management and executive personnel. In soliciting price quotations from prospective companies, NCSC failed to follow prescribed competitive procurement procedures. These premiums greatly exceeded the premium paid by other SCSEP national sponsors with comparable insurance (\$580,000).

-NCSC salaries for some employees were charged both as direct costs to the SCSEP and as indirect, general, and administrative costs (\$221,254).

-NCSC made year-end cost adjustments to reduce excessive pension plan costs charged to various programs. However, NCSC failed to credit the SCSEP with its share of the excessive costs (\$92,274).

We questioned over \$335,000 in indirect costs because of unallowable costs for conferences and meetings, and adjustments for the District of Columbia subrecipient's payroll services that NCSC charged directly to the DOL grant. This amount also includes all corresponding effects on the indirect cost pools. We also found that NCSC could avoid \$1.1 million in costs by altering its monitoring process.

We recommended that ETA disallow and recover the questioned direct costs and:

- (1) Require NCSC to credit all refunds from the HIP insurance premium to the DOL grant;
- (2) Ensure that all future payments received from the underwriter for performing HIP administrative functions are allocated properly;
- (3) Require that NCSC use acceptable competitive solicitation procedures when procuring major cost items (e.g., general liability insurance);
- (4) Require NCSC to make the proper pension plan cost adjustments, and to properly record the reductions that should have been made in the amount of pension costs charged to the DOL senior aides program; and
- (5) Require NCSC to terminate the current payroll processing agreement with its District of Columbia subrecipient.

In addition, we recommended that ETA disallow the questioned indirect costs.

In its response, NCSC said it did not agree with the findings pertaining to the HIP refunds, the insurance plan administrative fees, and the amounts it paid for general liability insurance. NCSC also disagreed with the OIG's findings on excessive and duplicative fiscal and program monitoring.

(Report No. 18-99-007-07-735; issued February 3, 1999)

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JOB CORPS

Job Corps is a nationwide network of 115 residential facilities that provide a comprehensive and intensive array of training, job placement, and support services to at-risk youths and young adults. Participation in the program is voluntary and is open to economically disadvantaged youths aged 16-24 who are unemployed and out of school. The mission of Job Corps is to attract eligible participants, teach them the skills they need to become employable and independent, and either place them in meaningful jobs or help them obtain further education.

Connecticut Job Corps Center (CJCC)'s Insufficient Documentation Causes Questioned Costs

At the request of the Office of Job Corps, we performed a financial audit of specific operating costs reported by ITT Federal Services Corporation under contract to operate the CJCC from November 1995 to October 1997. The audit was requested because CJCC exceeded planned expenses.

Due to missing or insufficient ITT documentation and accounting errors, our audit questioned costs of \$297,892 in nonpersonnel and personnel costs (\$176,385 in nonpersonnel costs, \$98,880 in personnel costs, and \$22,627 in general administrative expenses). We also found that the ITT accounting system did not provide accurate, current, and complete financial information because it lacked effective budgetary controls. As a result, CJCC and Job Corps officials did not have reliable information to properly evaluate CJCC's financial operations throughout the 2-year contract period with ITT.

We recommended that ETA collect questioned costs from ITT. We did not recommend any other actions, since the ITT contract was not ITT responded to our draft report and disagreed with the questioned costs. Based on additional documentation that ITT provided, we reduced questioned costs by \$27,068.

(Report No. 02-99-201-03-370; issued March 12, 1999)

In response to a former employee's complaint that alleged students' vocational training records had been falsified, the OIG conducted a limited-scope audit at the Mississippi Job Corps Center (Center). The Center is operated by Adams and Associates through a contract with the Office of Job Corps. The audit focused upon the questionable practices that were alleged to have occurred between July 1997 and January 1998.

Mississippi Job Corps Center Misrepresented Vocational Completions

Our review of 67 student records found that 28 student records (42 percent) were improperly altered, inaccurate, or incomplete. Consequently, the number of students the Center reported as "vocational completers" was inflated and students were improperly paid training completion bonuses. Further, the altered records gave false assurances that the affected students received vocational training. We recommended that ETA ensure that the contractor:

(1) Performs frequent, in-depth monitoring of the Center's activities and develops and implements a corrective action plan to ensure proper completion, maintenance, and review of students' training records; and

(2) Establishes a thorough training program for vocational staff that emphasizes proper completion of students' training records, supporting documentation, and ethics. The training should be mandatory for managers and instructors.

We also recommended that ETA recover \$7,000 in completion bonuses paid to the students whose training records were questioned.

In response to our draft audit report, Adams and Associates sought acknowledgment that it had detected the problems addressed in the audit report and had reported those problems to

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Job Corps before this audit began. While we agree that the issues were identified during its oversight reviews, we disagree that the matter was fully disclosed in the contractor's report to Job Corps.

(Report No. 04-99-001-03-370; issued February 4, 1999)

Audit Finds Inaccurate Federal Employees' Compensation Act (FECA) Charges to Job Corps' Budget

At the request of ETA, we conducted an audit of the FECA Special Benefit Fund reimbursements, totaling \$3,662,369, that the Departments of Agriculture and Interior charged to the Job Corps in PYs 1996, 1997, and 1998. The audit was conducted to ensure that the FECA charges made against the Job Corps appropriation were necessary, reasonable, and supported by proper documentation. We also evaluated the budget process used by the Department of Agriculture (U.S. Forest Service) and the Department of Interior (Bureau of Reclamation) to ensure that these agencies were not receiving reimbursement for the FECA charges through their own budget requests, as well as charging the Job Corps appropriation.

We found no indication that either Agriculture or Interior included the Job Corps program charges in their own agency congressional budget requests. However, we found:

- (1) The Bureau of Reclamation staff consistently reported the FECA costs for the wrong year;
- (2) The Forest Service staff did not submit required documentation to Job Corps;
- (3) Both Bureau of Reclamation and Forest Service staffs reported unallowable costs for non-Civilian Conservation Center (CCC) staff (Bureau of Reclamation, \$13,442 and Forest Service, \$76,670);
- (4) The Forest Service claimed unallowable costs for CCC staff injured while fighting forest fires (\$114,990); and

(5) The Forest Service claimed costs for CCC staff not identified on its supporting documentation (\$187,088).

Without a reconstruction of records from 1989 forward, it is not possible to quantify the amount of FECA charges over-or underreported against Job Corps. We believe that the process involved to quantify errors identified over the last 10 years would be labor intensive and the results would be immaterial relative to the \$107 million spent annually on Job Corps by each agency. However, with minor effort, we believe these inaccuracies can be prevented in the future.

We recommended the Office of Job Corps take specific actions to ensure its policy of reimbursing FECA costs for CCCs is implemented properly and amounts charged to the Job Corps budget are accurate. ETA officials agreed with the recommendation and intend to follow up with these programs as soon as possible.

(Report No. 09-99-200-03-370; issued March 16, 1999)

The One-Stop program was designed to transform a fragmented array of employment and training programs into an integrated service delivery system. The One-Stop Career Centers deliver a number of services to adult customers. With One-Stop resources, the States and their local partners provide investments in infrastructure while also integrating employment and training programs into an effective and flexible system.

ONE-STOP

At ETA's request, we conducted an audit of the direct costs claimed by the NEC under its One-Stop Career Centers grant. NEC was also under contract to two DOL-funded grantees: the National Alliance of Business (NAB) and the South Carolina Employment Security Commission. In addition, we also audited NEC's claims under those contracts. The time period audited extended from July 1, 1994 to June 30, 1998.

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DOL awarded NEC a one-year grant to provide employers with information regarding the benefits of the One-Stop system. NAB awarded NEC two contracts to develop and distribute informational products and services that would assist employers in understanding the employment and training system, while the South Carolina Employment Security Commission awarded NEC a contract to design a process and products to inform employers about available employment and training services.

Our audit disclosed that NEC had greatly exceeded budget authority without first obtaining ETA's approval -- as required in the One-Stop Career Centers grant. In addition, we found that NEC was unable to provide documentation for certain consulting service costs, travel costs, and telephone charges. NEC also claimed the purchase of alcohol and paid a contractor an amount that exceeded the contractor's recorded costs. The total costs questioned were \$60,063, which we recommended for disallowance.

We noted that NEC had claimed more in the grant and one of the contracts than it had been reimbursed. As a result, ETA should take this into consideration when deciding the amount to recover. In its response, NEC acknowledged it had not requested prior approval for expenses, but NEC believes the costs are reasonable and allowable. NEC said it is still looking for documentation to support costs and indicated it would repay the costs of the alcoholic beverages.

EMPLOYMENT AND TRAINING INVESTIGATIONS

An OIG investigation disclosed that Cecilia Hand, who was employed by Opportunities, Inc., as a JTPA counselor and program monitor, did not actually perform any work for the agency from August 1993 through December 1995. During this period, she was the only employee permitted to work from her home, and was not required to attend the mandatory monthly staff meetings. When co-workers were interviewed, they revealed that they had not seen her in several years. No work product or records were found to indicate that Hand had performed any work for Opportunities, Inc., during the period from 1993 through 1995, and her gross wages during this period were \$59,394, plus fringe benefits. Hand was charged in November 1998 with theft of JTPA funds. In March 1999, Hand was sentenced to five months' probation and was ordered to pay \$59,394 in restitution to ETA. *U.S. v. Hand* (W.D. of Oklahoma)

Oklahoma Job Training
Partnership Act (JTPA)
Counselor Charged With
Defrauding the Government

On January 20, 1999, Bernadine Wallace was sentenced to 5 years' probation and was ordered to pay \$60,000 after having been convicted of theft of JTPA funds. At the time of her guilty plea on misappropriation of funds, Wallace had already repaid about \$40,000. Wallace was the director of the Montana United Indian Association (MUIA), a JTPA-funded nonprofit association that supports off-reservation Native American Indians with job training, education, and work placement assistance. An OIG investigation determined that over a four-year period, Wallace willfully diverted JTPA grant funds destined for the MUIA to cover certain expenses associated with the Montana Big Sky Pow-Wow. As a result, the MUIA ran out of funds each of those years and was forced to lay off employees. During her court appearance, Wallace said the diversion of MUIA funds to cover Pow-Wow

Association Director
Sentenced for Diverting
Federal Funds

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diversion of MUIA funds to cover Pow-Wow expenses had started prior to her being named director in 1992, and she only continued the practice. *U.S. v. Wallace* (D. of Montana)

FOREIGN LABOR CERTIFICATION FRAUD

**H-2A Program Defrauded
by a Kentucky Employment
Agency**

Matthew Sheldon was sentenced on February 16, 1999, to six months' home confinement and three years' probation on wire fraud charges. Sheldon is part owner of the Murray Employment Agency, which acts as an agent for tobacco farmers that hire Mexican laborers under the H-2A program. Under this program, the farmers or their agents are required to pay DOL a fee of \$100 for each labor certificate requested, plus \$10 for each foreign worker that they intend to hire. Sheldon's agency was approximately \$40,000 behind on its fee payments to ETA and was advised by ETA that it could no longer approve certificates from the agency until the bill was paid. The OIG found that Sheldon had faxed copies of several bogus canceled checks as proof of payment of the \$40,000. However, three of the allegedly canceled checks, which totaled about \$38,000, had been falsified to appear as though they had ETA endorsements. *U.S. v. Sheldon* (W.D. of Kentucky)

**Texas Attorney Indicted for
Visa Fraud Violations**

Justin Ong, a Houston, Texas, attorney whose practice included representing aliens seeking immigration visas and permanent residence in the United States, was indicted in February 1999. The 16-count indictment charges mail fraud, encouraging an alien to remain in the United States unlawfully, visa fraud, and aiding and abetting. It is alleged that Ong defrauded the aliens, DOL, and the Immigration and Naturalization Service (INS) by submitting false DOL Foreign Labor Certificates and INS forms that misrepresented aliens' qualifications, prior work experience, and the

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nature of the sponsoring employer's business. For example, many of Ong's clients were alleged to have worked in the international wholesale trades industry, but these businesses did not exist.
U.S. v. Ong (S.D. of Texas)

QUALITY WORKPLACES

WORKPLACE BENEFITS AUDITS

UNEMPLOYMENT INSURANCE SYSTEM (UIS)

Adopting Best Practices Can Improve the Effectiveness of the State Unemployment Insurance (UI) Field Audit Program

The OIG conducted an audit to help ETA and the States identify ways to improve the effectiveness of the field audit program and to examine how ETA measures and evaluates the program's effectiveness. Our audit (of 12 States) placed States into high, medium, and low categories with respect to "net tax contributions returned per audit hour." The audit found that the field audit programs in the top-performing States employed significantly different strategies than the programs in lower-ranked States, and performance measures needed improvement.

COMPARISON OF FIELD AUDIT BEST PRACTICES

BEST PRACTICE	NUMBER OF STATES VISITED BY STRATA												
	HIGH (5 STATES)				MIDDLE (3 STATES)			LOW (4 STATES)					
1. Managing for Results	X	X			X								
2. Selective Process Using SIC Codes	X	X	X	(*)	X	X	X	X					
3. Blocked Claims Audits	X	X	X	X									
4. Follow-up on Change Audits		X	X	X									
5. IRS 1099-MISC Analysis	X												
6. 10% or Less Random Sample	X		X		X	X	X	X					
1997 NET CONTRIBUTIONS RETURNED PER AUDIT HOUR													
Return per Audit Hour (\$) (**)	241	75	37	24	18	8	6	5	3	2	(2)	(8)	

(*) One State uses a 90 percent random sample and 10 percent selective process. However, 80 percent of the State's net contributions resulted from the 10 percent selective process.

(**) Source of this data was UIS.

The primary objective of the field audit program is to promote and verify employer compliance with State laws, regulations, and policies. We found that program management in the most successful States focused on achieving the best possible results per audit hour spent by designing ways to select employers that had the greatest likelihood of noncompliance. These States often combined strategies to improve the field audit programs' effectiveness, such as selecting employers based on SIC codes, performing blocked claim audits, and performing follow-up audits of employers that had a history of prior audit exceptions. One State successfully used IRS Form 1099 to identify misclassified workers. Also, four of five States had effective blocked claim audit programs that resulted in approximately \$8.5 million in contributions from noncompliant employers.

The low-performing States focused only on achieving a yearly production goal of auditing 2 percent of the contributory employer population. Further, a significant portion of their audits was randomly selected, or they used methods unrelated to the probability of noncompliance.

We also found that improvements were needed in measuring the field audit program's effectiveness. The UIS has developed three computed measures for the field audit program:

- (1) Percentage of change in total wages resulting from audit;
- (2) Percentage of contributory employers that were audited; and
- (3) Percentage of total wages audited (annualized).

However, only one measure, percentage of contributory employers audited, has an established desired level of achievement. A majority of the States we visited were using only this measure as the measure of program effectiveness.

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We recommended that ETA encourage the State Employment Security Agencies (SESA) to implement the best practices identified in our report and, in addition, that ETA should modify the existing performance measures. We also recommended that ETA develop and implement an agreement with the IRS to provide SESAs with access to IRS Form 1099 and develop a software program to analyze this form.

UIS has taken action to resolve five of the eight audit recommendations. These unresolved recommendations will be addressed in the formal resolution process.

(Report No. 03-99-006-03-315; issued March 22, 1999)

UI Overpayments Are Missed Because Employers Fail to Respond to the States' Data Requests

Our audit of the UI benefit/wage record cross-match process in seven States showed there are inherent weaknesses in using the cross match as an overpayment detection method. The cross-match process compares claimants' weekly UI benefit payments to employers' wage payments reported quarterly to the States. When this cross match identifies claimants with both UI benefits and wages for the same quarterly period, a universe of potential UI overpayment cases is developed. Employers are then asked for detailed wage information to confirm whether an overpayment has occurred.

One of the weaknesses we found was the failure of employers (including large national corporations and service providers) to respond to the States' requests for detailed wage information. As a consequence, millions of dollars in UI overpayments are going undetected.

We found that six of the seven States that we audited had a 25 percent or higher nonresponse rate to the States' request for detailed wage information. An estimated \$17 million of overpayments was not detected in four of the seven States we audited because employers did not return detailed wage information. Employers and their service providers often did not

return wage information because they did not understand the purpose of the wage request, nor who should respond.

Our audit also showed that a potentially more effective overpayment detection and prevention tool may be available through use of reports required by the recently enacted Personal Responsibility and Work Opportunity Reconciliation Act of 1996. This new law requires employers to report new hires within 20 days after their hiring date. This information will help States in their efforts to identify individuals who are working and also receiving UI benefits.

To improve overpayment detection and to help States carry out effective new-hire detection programs, we recommended ETA provide direction to States with respect to:

- (1) Reminding employers and their service providers of their responsibility to respond to wage requests;
- (2) Tracking and contacting employers that routinely fail to respond, and focus follow-up efforts on those claims with the highest potential for overpayment;
- (3) Refining cross-match operations, analyzing follow-up results, and considering imposing penalties on employers that do not respond to wage requests; and
- (4) Obtaining timely access to the State and National Directories of New Hires, ensuring that these data are used in their UI Benefit Payment Control operations.

UIS was in general agreement with the findings and recommendations and stated that the problems we cited appear to be widespread. UIS also agreed with our recommendations and assessments of the potential benefits of the New Hire Reporting System. UIS further acknowledged the need to improve the administration of the wage/benefit cross-match process

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through obtaining a higher response rate from employers. However, UIS said nothing about initiating a corrective action plan. It stated that it will distribute copies of the final report to the States and urge them to take appropriate action. Since the States cannot correct these issues alone, we believe much more is needed. UIS must provide the leadership, coordination of resources, and regulatory assistance required to make the necessary improvements in the system.

(Report No. 05-99-005-03-315; issued March 18, 1999)

STATUS OF THE PENSION AND WELFARE BENEFITS ADMINISTRATION (PWBA)'S SYSTEM DEVELOPMENT EFFORTS

Over the last several years, the OIG has reported on PWBA's system development efforts, including the development of the Employee Retirement Income Security Act Filing and Acceptance System (EFAST) to streamline retirement plan reporting requirements. As part of this development effort, the Form 5500 series is being revised for more efficient and expeditious filings. In a separate project, PWBA is developing an internal Enforcement Management System (EMS) to improve information collection and reporting on enforcement outcomes. Our most recent review examines the status of EFAST, Form 5500 series revisions, and EMS system development efforts.

Under dual competitive contract awards, efforts to develop an EFAST prototype system have proceeded on schedule. Major milestones, such as final specifications for system design, electronic filing, scannable forms, and risk assessment, have been accomplished. The system will begin to be tested in August 1999.

OMB granted conditional approval to use scannable Form 5500s to process information required by PWBA, the IRS, the Pension Benefit Guaranty Corporation, and the Social Security Administration. OMB also gave conditional approval to use the new Form 5500 (pursuant to the Paperwork Reduction Act).

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Congress granted a one-time increase of \$4,535,000 in FY 1999 to offset DOL's share of the costs related to processing Form 5500 series report filings for PY 1999 in the new EFAST system.

Although the DOL Solicitor cleared the way for a mandated, phased-in, electronic filing of Form 5500s, PWBA has not made any progress in promoting mandated electronic filing.

PWBA implemented phase one of the Enforcement Management System at the end of FY 1998 and discontinued use of its Case Management System. Phase two of the three-phased approach to system development began in October 1998 and is expected to result in a correction to systemic problems encountered during phase one.

WORKPLACE BENEFITS INVESTIGATIONS

DOL administers several programs and enforces statutes designed to provide and protect the benefits of workers and retirees. These include the Federal Employees' Compensation Act (FECA), the Longshore and Harbor Workers' Compensation Act (LHWCA), the Unemployment Insurance programs, and key provisions of the Employee Retirement Income Security Act (ERISA) program.

WORKER DISABILITY BENEFITS

DOL, through the Office of Workers' Compensation Programs (OWCP), administers three major disability compensation programs under the Employment Standards Administration (ESA) that provide benefits to workers who experience work-related injuries or diseases. These include FECA, LHWCA, and the Coal Mine Workers' Compensation Act (Black Lung Trust Fund) programs. Service providers to these programs provide medical treatment and supplies and receive payment for these services from the different programs. Examples of over-billing schemes and other types of fraud by providers that birk the OWCP are

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highlighted below. These are followed by the significant cases involving claimants who have been identified as defrauding the OWCP.

DOL also administers the UI program, which assists workers who lose their jobs through no fault of their own. Significant investigative resources have also been devoted to the detection of fraud and abuse in the UI program.

OWCP MEDICAL PROVIDER FRAUD

Texas Doctor Sentenced in Billing Scheme

In December 1998, Dr. Bernard Dolenz and his daughter, Brenda Dolenz Helmer, were sentenced for fraud after Dolenz's five-day trial and his daughter's guilty plea on mail fraud charges in connection with false billings to OWCP. Dolenz owned and operated the Dolenz Clinic in Dallas, Texas, which treated workers' compensation patients from 1988 to 1994. He worked only one day a week, yet claimed that he treated 30 to 40 patients per week. He would then bill each patient's insurance carrier and OWCP for a 45- to 50-minute psychotherapy session and a 40-minute medical exam. The investigation revealed that most patients saw the doctor for less than 15 minutes per visit. From 1990 to 1994, Dolenz billed insurance carriers for over \$3 million. Dolenz was sentenced to 90 months in prison and three years' probation, and was ordered to pay restitution of \$1,680,000. For her part in the scheme, Helmer, who acted as her father's billing clerk, received four years' probation. This investigation was conducted jointly with the FBI and the Texas Workers' Compensation Commission. *U.S. v. Dolenz, Helmer* (N.D. of Texas)

Rehabilitation Services Owner Sentenced in Fraudulent Billing

John E. Mills, a vocational counselor and former owner of United Counseling Services, Inc., was sentenced on October 22, 1998, after a jury found him guilty of charges of mail fraud and false claims as part of a scheme to defraud OWCP. Mills was sentenced to six months in prison, six months' home confinement,

three years' probation, and was ordered to pay \$37,655 in restitution. The OIG investigation found that from 1991 until 1997, Mills submitted false and fraudulent bills to OWCP for counseling services that Mills reportedly provided to injured Federal workers. *U.S. v. Mills* (D. of Columbia)

A joint investigation with the Defense Criminal Investigative Service found that Jeffrey Scott Marmer, Jerry Rodney Rogers, and Wendy Hardenbrook, through their employer, Independent Medical of America (IMA), fraudulently marketed and sold durable medical equipment to people with disabilities. The investigation disclosed that their practice was to purchase lists of individuals with disabilities from State driver's license offices. Using that information, they would contact individuals with disabilities, including OWCP recipients, and advise them that IMA could provide an electric (three-wheeled) scooter at no cost to the recipient since OWCP (or another health care plan) would pay the full cost of the scooter. They would then obtain the identity of the recipient's physician and prepare a certificate of medical necessity for the physician to sign. They falsified the certificates of medical necessity by indicating that IMA would provide an electric wheelchair. IMA then billed and received payment from OWCP (and other health plans) for providing electric wheelchairs costing \$5,500 to \$7,800 each. However, IMA substituted electric scooters that cost much less than the wheelchairs, thereby fraudulently obtaining \$4,000 to \$6,200 per scooter. OWCP, Civilian Health and Medical Program of the Uniformed Services (CHAMPUS), and private medical insurers paid IMA in excess of \$2 million in 1994 and 1995. Rogers, Marmer, and Hardenbrook were charged with Federal criminal violations. Rogers and Marmer pled guilty on October 8, 1998, and December 3, 1998, respectively. *U.S. v. Marmer, et al.* (D. of South Carolina)

OWCP Defrauded in Medical
Equipment Scam

On March 25, 1999, a federal grand jury handed down a five-count indictment against Paul D. Adkins, charging him with money laundering in connection with financial transactions involving funds illegally obtained from the Black Lung Trust Fund and the West

West Virginia Man Indicted for
Black Lung Trust Fund Fraud

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Virginia Workers' Compensation Black Lung Program. Adkins had previously been indicted in January 1999 and charged with 13 counts of wire fraud concerning his fraudulent receipt of these funds. An OIG investigation disclosed that Adkins, through his company, Mountain Respiratory Diagnostic Services, Inc., over a four-year period, had billed the Federal and State Black Lung programs almost \$2 million for allegedly providing arterial blood gas studies and respiratory therapy to Black Lung claimants. In fact, Adkins provided few, if any, services to the claimants and even billed both programs for services he reportedly provided to claimants, some of whom were deceased, and for services allegedly provided during an entire one-year period that he was incarcerated in prison for an unrelated crime. As part of this investigation, on March 23 and 24, 1999, consent orders for forfeiture of property seized in this case were entered in U.S. District Court for the Southern District of West Virginia, and the government took control of some of Adkins' property, valued in excess of \$400,000, including 18 vehicles, a baby grand piano, trailers, mobile homes, tools, and cash. This investigation was conducted in conjunction with the West Virginia State Police, the FBI, and the IRS. *U.S. v. Adkins* (S.D. of West Virginia)

Private Assets Seized After Virginia Doctor Charged with Fraud

On January 22, 1999, Dr. Vasu Arora was arrested and charged with distributing controlled substances without a legitimate medical purpose, mail fraud, and health care fraud. It is alleged that Arora was seeing many patients on a bi-weekly basis, without any real medical reason and only to generate revenue for his clinics. These patients were covered under various Federal health care programs, including those of OWCP, and numerous private insurance companies. Arora also faced additional charges involving money laundering for diverting payments totaling \$180,000 from various accounts in efforts to conceal his illegal activity. A forfeiture count based on the money-laundering charges allowed agents to seize Arora's private assets, including a commercial building, an automobile, and several bank accounts. This investigation was conducted with assistance from the FBI, the IRS, and the Virginia State Police. Arora is the first physician to be charged in this joint effort to address fraudulent billing

practices, unnecessary medical care, and prescription drug abuse in the Appalachian region of Virginia. *U.S. v. Arora* (W.D. of Virginia)

Doris Jean McConnell and Marsha Lynn McConnell, owners of Independent Home Medical Rentals, Inc. (IHMR), pled guilty on October 30, 1998, to mail fraud charges. The McConnells' guilty pleas stem from their indictment on charges that they submitted fraudulent bills to OWCP's Division of Coal Mine Workers' Compensation. In a related matter, Gertrude Burdine, formerly of IHMR, also pled guilty to a mail fraud charge for submitting fraudulent bills to OWCP. The McConnells, Burdine, and Burdine's business partner, Yolanda Yates, were indicted in March 1998 and charged with defrauding the Black Lung Trust Fund by submitting inflated bills for gaseous oxygen and supplies furnished to claimants. In a joint investigation with the IRS and the Virginia State Police, the defendants are alleged to have obtained about \$1.2 million from the Black Lung Trust Fund. *U.S. v. McConnell, et al.* (W.D. of Virginia)

Health Care Providers Plead
Guilty to Fraud

In addition to the schemes perpetrated by the health care service providers, some of the claimants and/or their families were found to have provided falsified submissions to obtain benefit payments.

OWCP CLAIMANT FRAUD

On November 18, 1998, in U.S. District Court, Pennsylvania, Arlin E. Scheib, Jr. received a sentence of 12 months' imprisonment and two years' probation and was ordered to pay \$62,882 in restitution to OWCP. Scheib, a U.S. Postal Service letter carrier, had been receiving Federal workers' compensation benefits since a 1990 automobile accident. An investigation disclosed that from August 1995 to March 1998, Scheib was employed in his brother's home improvement business and had engaged in strenuous work such as painting, wallpapering, dry walling, and roofing. During this period, he received approximately \$62,000 in disability benefits to which he was not entitled. As part of his guilty plea, Scheib resigned from the U.S.

Ex-Postal Employee Ordered
to Pay Over \$62,000 in
Restitution

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Postal Service and voluntarily withdrew his Federal workers' compensation claim. Scheib's half-brother, Randall Scheffler, was sentenced to a one-year probation and four months' house arrest for his role in the scheme to defraud OWCP. Scheffler admitted to conspiring with Scheib to defraud OWCP by agreeing to pay him "under the table" and not submitting W-2 and 1099 forms to the IRS. *U.S. v. Scheib, Scheffler* (M.D. of Pennsylvania)

Spouse of Texas Claimant
Sentenced for FECA Fraud

Lewis C. Bremer was sentenced on December 4, 1998, to 30 months' imprisonment followed by 36 months' probation, and was ordered to pay restitution of \$32,955 as a result of his guilty plea to charges filed in the Western District of Texas. Bremer had previously been charged with one count of forging an endorsement on a U.S. Treasury check and with possession of a firearm after a felony conviction. Bremer was the spouse of FECA claimant Jo Dee Watson, who died in February 1997. A joint investigation disclosed that after Watson's death, Bremer devised a scheme to continue receiving her FECA compensation checks by preparing a fictitious medical report, forging the doctor's signature, and forwarding the report to OWCP. Based on this false information, OWCP believed Watson was still alive and continued to issue FECA compensation checks to her. Bremer then forged Watson's signature on the checks and cashed them. This investigation was a joint effort with the U.S. Postal Inspection Service, the Department of Veterans Affairs OIG, the Secret Service, and the Bureau of Alcohol, Tobacco, and Firearms. *U.S. v. Bremer* (W.D. of Texas)

Former Security Police Officer
Sentenced

Ralph A. Trujillo, former security police officer at the Toole Army Depot in Utah, was sentenced on January 14, 1999, to one year in prison and 36 months' probation and ordered to pay restitution totaling \$133,737 for FECA fraud. Trujillo was receiving benefits for a work-related injury that he suffered in 1979. The OIG worked with a U.S. Army civilian workers' compensation investigator from the Toole Army Depot and discovered that Trujillo had been working at various unreported jobs since 1988, including running a lawn care service and snow removal business,

operating a Christmas tree lot, and selling tamales that his wife prepared. After Trujillo was convicted in a jury trial, his FECA benefits were terminated. OWCP estimated that a cost savings of \$119,000 will be realized due to the termination of benefits.
U.S. v. Trujillo (D. of Utah)

A joint investigation with the TVA OIG, with assistance from the Ft. Meade, Florida Police Department, found that Royce Futrell, a former steamfitter with TVA who was receiving total disability FECA benefits for a work-related injury, was working as a truck driver at Futrell Trucking, Inc., a Florida trucking firm he operated jointly with his wife, Elizabeth. Both Royce and his wife were convicted in July 1998 for conspiracy to conceal material facts and making false statements in connection with Royce's continued receipt of FECA benefits. In January 1999, Royce was sentenced to 15 months' imprisonment and three years' probation and is jointly responsible with his wife for payment of approximately \$100,000 in restitution. Elizabeth Futrell received a sentence of three years' probation for her part in the scheme. *U.S. v. Futrell* (M.D. of Florida)

Former Tennessee Valley
Authority (TVA) Steamfitter
and His Wife Are Responsible
for Over \$100,000 in
Restitution

In an investigation conducted jointly with the U.S. Postal Inspection Service, the OIG discovered that Deborah Robinson, a former temporary postal employee, was the owner and operator of Grandview Roofing and Siding in Peoria, Illinois, while also receiving FECA benefits. Robinson did not report her earnings or activities to OWCP as required. Robinson received FECA benefits for a back injury that occurred in March 1994 while she was working in an Illinois post office. Robinson was indicted in September 1997 and pled guilty in June 1998. In November 1998, Robinson was sentenced for making false statements and FECA fraud, received six months' home confinement and five years' probation, and was ordered to pay \$70,572 in restitution. OWCP estimates that cost savings are approximately \$100,000. Robinson's temporary postal employment was terminated.
U.S. v. Robinson (C.D. of Illinois)

Former Postal Employee
Sentenced in Illinois

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Ex-National Park Service Employee Sentenced

Patrick A. Reary, a former heavy equipment operator employed with the National Park Service in Utah, was sentenced in February 1999 after pleading guilty to mail fraud in connection with his fraudulent receipt of FECA benefits. Reary was sentenced to 10 months' incarceration and 31 months' supervised probation and was required to pay restitution of \$82,000. The case resulted from an OIG/FBI investigation that disclosed that Reary owned and operated a trucking firm while he received FECA benefits and had failed to report his employment or earnings to OWCP. Reary had been medically cleared to obtain a commercial truck driver's permit after telling his doctor that he no longer suffered from his back injury. Prior to his sentencing, OWCP estimated a \$200,000 cost savings after the termination of Reary's FECA benefits.

U.S. v. Reary (D. of Utah)

Ex-EPA Employee Pleads Guilty to FECA Fraud

Rochel Blehr was employed by the U.S. Environmental Protection Agency (EPA) as a computer data technician when her claim in May 1985 for occupational disease due to exposure to formaldehyde was accepted. In July 1988, Blehr stated in reports to OWCP that she was self-employed as a publisher for an environmental newspaper but that she did not receive any pay. Blehr said that the paper was more of a hobby than a business and that volunteers helped produce it. A joint OIG/EPA investigation found that Blehr sold advertising and was also involved in the editing, production, and distribution of the newspaper. In October 1998, Blehr was indicted and charged with FECA fraud for making false statements about her involvement with the newspaper. On January 5, 1999, Blehr pled guilty to FECA fraud, and her benefits were terminated as of that date. The OWCP estimates that cost savings resulting from her benefits being terminated will be over \$150,000.

U.S. v. Blehr (D. of Georgia)

Former letter carrier Lydia Carpio was sentenced on March 16, 1999, to six months' imprisonment, followed by four months' home detention and three years' probation. Carpio was also ordered to pay restitution of \$40,143 to OWCP as a result of her guilty plea to charges of FECA fraud. This investigation, conducted jointly with the U.S. Postal Inspection Service, found that she was operating a pallet recovery, repair, and resale business out of her home. The investigation disclosed that she was having the business-related payment checks made out to her son or grandson. Carpio received over \$40,000 in OWCP benefits from 1995 through 1998. Previously in 1990, Carpio had pled guilty to making false statements regarding a FECA claim she had filed after an OIG investigation determined that she had failed to report her employment and earnings at that time. Based on that investigation, although Carpio remained on the FECA rolls, OWCP determined an overpayment in her case and began recovering that amount through regular deductions from her continuing compensation payment. However, with recent legislation that now allows OWCP to immediately terminate the FECA benefits of anyone found guilty of FECA fraud, and with her December 1998 guilty plea to the current case, OWCP took immediate action and terminated Carpio's benefits. *U.S. v Carpio* (C.D. of Illinois)

Former Letter Carrier Pleads
Guilty to FECA Fraud

Robert E. Reed, Sr., a former civilian employee with the U.S. Navy, pled guilty for a second time on January 4, 1999, to charges of making false statements in reference to his receipt of FECA benefits. Reed had previously been convicted in Arkansas in 1987 after an investigation determined he failed to report his employment and earnings to OWCP as required. Shortly after the 1987 conviction, Reed moved to Missouri, where he continued to receive FECA benefits after OWCP offset his payments with deductions to collect the overpayment determined in that case. In May 1998, however, Reed was again charged with FECA fraud after another investigation worked jointly with the Naval Criminal Investigative Service disclosed that he had been working at

Former Federal Employee
Pleads Guilty a Second Time

QUALITY WORKPLACES

several different businesses in Missouri during the period of 1991 to 1995 and was not reporting this activity or his earned income to OWCP. Sentencing is pending. *U.S. v. Reed* (W.D. of Missouri)

Daughter of OWCP Recipient
Charged with Defrauding Black
Lung Trust Fund

Darsie A. Sparks was indicted on November 12, 1998, and charged with making false statements to OWCP concerning her mother's receipt of Black Lung survivor benefits, after an OIG investigation alleged that Sparks had withheld notice of her mother's death from OWCP so that Sparks could be named as her mother's representative payee for lump-sum and continued Black Lung benefits. In attempting to obtain her mother's Black Lung entitlement, Sparks made statements indicating that she was caring for her ill mother, when in fact her mother had died in August 1998. OWCP estimates that with the termination of the Black Lung benefits, a cost savings of \$54,600 will be achieved. *U.S. v. Sparks* (W.D. of Virginia)

Virginia Woman Defrauds
OWCP and Social Security
Programs

Peggy Ann Milam pled guilty in March 1999 to charges of mail fraud and making false statements as a result of her fraudulent receipt of Black Lung and Social Security Supplemental Income benefits. A joint investigation with the Social Security Administration (SSA) disclosed that Milam was awarded Black Lung survivor benefits in 1979. At that time, however, Milam failed to notify officials that she had already remarried and was, therefore, ineligible for such benefits. In addition to concealing her remarriage, Milam also hid her work experience and correct dependant status and fraudulently received over \$162,700 in Black Lung benefits. She further concealed her receipt of Black Lung benefits from SSA in order to receive maximum SSI benefits as well as other assistance from other Federal assistance programs. *U.S. v. Milam* (W.D. of Virginia)

Claimant's Brother Collects
Over \$100,000 in Forgery
Scheme

On March 25, 1999, a Federal grand jury indicted Jewel Delanders Blake for mail fraud and making false statements. The indictment alleges that from March 1985 to June 1997, Blake knowingly devised a scheme to defraud DOL and Travelers

Insurance. Blake's brother, Vernel Blake, was being paid Longshore and Harbor Workers' Compensation benefits since his on-the-job injury in 1962. Vernel died in May 1985. Thereafter, Blake fraudulently negotiated Vernel's benefit checks by forging Vernel's signature on the checks. As part of the scheme, Blake also forged Vernel's signature on 11 DOL LS-200 forms required for the continuation of the benefits. The amount of disability benefits that Blake allegedly collected from DOL and Travelers Insurance was over \$115,000. *U.S. v. Blake* (C.D. of California)

On January 13, 1999, Edward M. Chehovich, a construction worker employed at the Newport News Naval Shipyard, pled guilty to defrauding the Longshore and Harbor Workers' Compensation program. Chehovich had been indicted in October 1998 based on an OIG investigation alleging that he was employed as a bus driver while receiving compensation benefits for an injury he received working at the shipyard. *U.S. v. Chehovich* (E.D. of Virginia)

Longshore Compensation
Recipient Pleads Guilty to
Fraud

During this semiannual period, we have increased our involvement in various types of fraud against the UI program. Cases illustrative of our efforts in this area follow.

UNEMPLOYMENT
INSURANCE FRAUD

Four defendants were individually sentenced for their participation in a fictitious employer scheme that defrauded the Ohio Bureau of Employment Services (OBES). In February 1999, the State of Ohio handed down sentences against Peter Velasquez, Tammy Acevedo, Dennis Acevedo, and Erin Rickard. A fifth defendant, Gilbert Acevedo, has yet to be sentenced because he failed to appear at his sentencing hearing. They had all previously pled guilty in November 1998 to charges of mail fraud, wire fraud, and making false claims, all in relation to various schemes to defraud OBES. The Acevedos engaged in construction activities in Ohio using a series of rapidly changing business names, often paying employees in cash and keeping few and generally inaccurate records. Through this method, the three were able to avoid paying

Ohio Defendants Sentenced in
Complex Fraud Scheme

QUALITY WORKPLACES

income taxes, payroll taxes, and unemployment insurance taxes. The Acevedo family was linked to over 40 business names operating in northeast Ohio during the last 10 years. When a particular contract was finished, their workers were laid off and claimed UI benefits. By then, the Acevedos had gone on to a new contract under a new name, and OBES was either unable to find the Acevedos or was unable to obtain wage records when they did find them. Often, by falsifying their UI application forms to deny that they were owners and operators of the various businesses, Dennis and Gilbert were able to claim UI benefits themselves, supplying false W-2 forms and false check stubs as proof of employment. OBES lost over \$100,000 in UI premiums, penalties, and unverified claims in connection with three of the "companies" selected for prosecution based on the records and evidence gathered by the investigators. OBES paid a total of \$34,921 in fraudulent UI benefits to Gilbert and Dennis Acevedo.

U.S. v. Acevedo, et al. (N.D. of Ohio)

Ex-Serviceman Sentenced for Fraud in South Carolina

Bradley Holmes was sentenced in October 1998 to 15 months' imprisonment and three years' probation, and was ordered to pay restitution of \$6,000 for defrauding the South Carolina Employment Security Commission (SCESC). Holmes pled guilty in July 1998 to an indictment charging him with theft of Federal funds. The indictment was based on an OIG investigation that on February 7, 1994, Holmes filed illegally for ex-service members unemployment compensation (UCX) benefits from SCESC in Charleston, South Carolina. When he filed for benefits, Holmes knowingly used a fraudulent DD Form 214, Certificate of Release for Discharge from Active Duty, that indicated he had been honorably discharged from the Navy in January 1994. It was established that on the day in February that Holmes filed for UCX benefits, he had not been honorably discharged from the Navy but was on leave, in an active-duty status, during the appeals process of his court-martial conviction that took place in June 1993. *U.S. v. Holmes* (S.D. of South Carolina)

In October 1998, a St. Louis County judge sentenced Milton Williams, Jr., to four months' imprisonment and five years' probation, and ordered him to pay restitution. Williams is one of 11 UI claimants who had been indicted on felony stealing-by-deceit charges for fraudulently obtaining UI benefits from the Missouri Department of Labor, Division of Employment Security (MDES). Historically, the MDES has had limited success in the prosecution of fraudulent UI claims in St. Louis County, and this project was initiated through a request for assistance from the MDES. Investigation has focused on 14 of the most egregious UI fraud cases in St. Louis County. The fraud overpayments for the 14 claimants totals approximately \$51,000. To date, 11 indictments and six convictions have resulted from this project.

State of Missouri v. Williams

St. Louis Project Yields First
Sentencing for UI Fraud

QUALITY WORKPLACES

WORKPLACE SAFETY, HEALTH, AND STANDARDS INVESTIGATIONS

MINE SAFETY AND HEALTH ADMINISTRATION (MSHA)

Wyoming Man Sentenced for Falsifying Training Certificates

Richard M. Davis was sentenced to one year unsupervised probation and fined \$5,100 on November 5, 1998. He had previously pled guilty to one count of false certification of Federal Mine Safety and Health Training forms in violation of the Federal Mine Safety Act (MSA) of 1977. Davis admitted to falsely certifying on forms that 24 hours of training had been received when, in fact, the individuals had not received training. Davis also admitted that he did not provide training under an MSHA-approved training plan and did not cover many of the mandatory safety and health requirements. Davis's criminal activity placed the miners in grave danger by falsely certifying that they were prepared to work in mine sites when the individuals had not received proper training. As part of the plea agreement, Davis's instructor certification has been revoked. Davis's conviction is the result of a joint investigation with MSHA. *U.S. v. Davis* (D. of Wyoming)

Miner Training Documents Falsified by MSHA-Approved Instructors

A joint OIG and MSHA special investigation revealed that Philip Levi Hoy, owner, and Deidre K. Parsons, former employee, of Philip's Welding Service and Powder Basin Power Wash, willfully made false statements on MSHA training certificates. Because his company employed workers at the mine sites, Hoy became an MSHA-approved instructor so that he could provide the necessary and required training for his employees. Hoy and Parsons devised a scheme that included backdating, cutting, pasting, and photocopying miners' signatures on MSHA training certificates and then faxing the forms to various mine sites for the purpose of causing miners to enter and work on the mine site without

completing the mandatory health and safety training as required by the Mine Safety Act. Parson was sentenced in November 1998 to 2 years' supervised probation and 200 hours of community service. In addition, Parson was fined \$500 and ordered to participate in mental health counseling and in a substance abuse rehabilitation program. Hoy was sentenced in January 1999 to 3 months' incarceration and probation and was fined \$3,000.

U.S. v. Hoy, et al. (D. of Wyoming)

The Davis-Bacon Act mandates that prevailing wages and benefits be given to laborers and mechanics of contractors and subcontractors engaged in Federal construction. This Act applies to contracts over \$2,000 for construction, alteration, and/or repair of Federally funded work projects.

DAVIS-BACON ACT

The "Anti-Kickback" section of the Copeland Act prohibits a contractor or subcontractor from inducing employees--in any manner--to give up any part of their compensation to which they are entitled under their contract of employment. This Act and implementing regulations require a contractor and subcontractor to submit a weekly statement of the wages paid to each employee performing the covered work during the preceding payroll period.

COPELAND
"ANTI-KICKBACK"
ACT

The OIG was asked by the U.S. Attorney's Office to look into the criminal aspects of reported Davis-Bacon violations by a subcontractor, Ascanio "Gus" Rossetti, of A. Rossetti Construction, Inc. Rossetti's company was hired to repave the walkways at the Independence National Historical Park in Philadelphia, Pennsylvania, a Federally funded construction project. Rossetti had failed to pay the prevailing wage, required under the Davis-Bacon Act, to seven of his employees from August through December 1996. In February 1997, the general contractor, Craft-Century Construction, Inc., provided Rossetti with seven checks made out to the employees for the back wages. Rossetti distributed the checks but instructed the employees to cash them and then give the money to him, saying that the money

Subcontractor Sentenced in
Kickback Scheme

QUALITY WORKPLACES

actually belonged to him. Rossetti threatened to fire the employees if they did not do as he instructed, so three of the employees complied.

Rossetti had pled guilty in September 1998 to charges of receiving kickbacks from public works employees, making false statements, and mail fraud. On January 21, 1999, Rossetti was sentenced to 1 year and 1 day in prison and 3 years' probation, and was ordered to pay restitution of \$19,648.16. *U.S. v. Rossetti* (E.D. of Pennsylvania)

Buffalo Contractor Sentenced in Davis-Bacon Case

In October 1998, Gabriel Shareef, principal officer and owner of Shareef Enterprises, was sentenced to 30 months' incarceration, followed by 3 years' probation and was ordered to jointly pay \$52,403 in restitution with his co-conspirator, James Nelson. Nelson, the project supervisor for Shareef Enterprises, had been sentenced in August 1998 to 30 months' incarceration, followed by 3 years' probation, and was ordered to jointly pay \$52,403 in restitution. In February 1998, Shareef and Nelson were convicted of conspiracy, extortion, and mail fraud charges. A jury found Shareef and Nelson guilty of all three counts in a previous May 1995 indictment charging that, starting in 1991 and continuing through at least April 1992, Shareef and Nelson had swindled workers on a New York State contract to demolish the interior of a public housing apartment complex owned by the Buffalo Municipal Housing Authority. The contract required that each employee, classified as a laborer under the prevailing wage rate schedule, be paid at a rate of \$21.89 per hour. The OIG investigation revealed that the two defendants conspired to pay employees in cash at a substantially lower hourly rate, ranging from \$6 to \$10 per hour. It was also discovered that Shareef's company was receiving kickbacks when the employees were required to endorse the back of their paychecks and return them to the company. Employees were not given the opportunity to see the front of the checks, and those employees who attempted to see the front of the checks were told they would be fired. This investigation was conducted jointly with the FBI. *U.S. v. Shareef, Nelson* (W.D. of New York)

On November 18, 1998, four Queens businessmen and two companies were indicted by a Federal grand jury in Brooklyn on charges related to failing to pay employees the wages required on Federally funded construction projects. All four men were charged with conspiring to falsely report that employees were receiving the prevailing wage rate while working on Federally financed projects in Queens and Brooklyn. On March 17, 1999, Lee Esbin pled guilty to charges of conspiracy. Richard Esbin, Barry Esbin, Lee Esbin, and James DiPalma were indicted on charges that between January 1995 and June 1998, the Esbins, DiPalma, Edward Esbin & Sons, Inc., and Impulse Plumbing Corporation submitted falsely certified payrolls. From January 1995 to June 1998, Edward Esbin & Sons and Impulse Plumbing obtained contracts to perform plumbing work on more than 20 projects funded by the U.S. Department of Housing and Urban Development and the U.S. Department of Veterans Affairs. The total underpayment to the employees on these contracts amounts to approximately \$700,000 in wages and benefits. This was a joint investigation with the U.S. Department of Veterans Affairs and the FBI. *U.S. v. Esbin, et al.* (E.D. of New York)

New York Contractors
Charged in Brooklyn Court

Robert Bucci, Anthony Bucci, Cheryl Bucci, and Frank Aquila were all indicted in Cleveland, Ohio, in November 1998 and charged with conspiracy and tax-related charges. The joint investigation with the IRS found that the Buccis were allegedly bribing officials to obtain paving contracts, falsifying certified payroll records, manipulating business contractor status, and diverting materials and labor. Frank Aquila, Anthony Bucci's brother-in-law, assisted the Buccis in concealing assets from the IRS and, as a result, was indicted in the conspiracy to evade taxes. *U.S. v. Bucci, et al.* (N.D. of Ohio)

Cleveland Asphalt Company
Owner Indicted

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SAFETY AND HEALTH EVALUATION

Evaluation of MSHA Safety Devices

At the request of MSHA, the OIG conducted an evaluation of two similar complaints involving MSHA's regulation and procurement of self-contained self-rescuer devices (SCSRs) that miners wear to generate oxygen when the air becomes toxic. The first complaint raised concerns that MSHA had exercised favoritism in entering into a sole-source procurement contract for SCSRs. The second complaint alleged mishandling and favoritism in MSHA's regulation of mining equipment.

Neither our review of MSHA's procurement of SCSRs nor our evaluation of the SCSR recall found any evidence indicating collusion or favoritism. However, we identified issues pertaining to sole-source procurement, certification, and recall of SCSRs that merit attention by MSHA. With respect to MSHA's sole-source procurement, we concluded that its use of the sole-source process was not fully justified, and we have recommended that procurement practices be reviewed with the objective of expanding the use of competitive bids and ensuring conformance with DOL regulations.

We also concluded that the timeliness and consistency of MSHA communications with stakeholders could be improved to increase the confidence of the mining community in the regulation of SCSRs. Specific communication-related issues warranting MSHA's attention include timely and accurate notification of product defects and better dissemination of information. In addition, MSHA needs improved management of communications with other Federal agencies on SCSR regulation.

Our review identified other MSHA opportunities for implementing programmatic improvement in quality assurance, collecting mine information, revising regulatory standards, and improving procurement practices. Additionally, an amended memorandum of understanding will provide clarification of Federal agency cooperation to ensure manufacturer compliance with quality

assurance. This clarification offers significant promise in reducing the number of SCSR recalls. An additional opportunity for MSHA improvement exists in increasing the frequency of data collection regarding SCSR usage. Furthermore, revisions to standards for certification, audit, and training could reduce the number of recalls, improve surveillance, and ensure that miners receive adequate SCSR training for improved mine safety.

DEPARTMENTAL MANAGEMENT FOCUS

DEPARTMENTAL MANAGEMENT AUDITS

FY 1998 CONSOLIDATED FINANCIAL STATEMENTS

The Chief Financial Officers Act of 1990 (CFO Act) requires agencies to report annually to Congress on their financial status and any other information needed to fairly present the agencies' financial position and results of operations. DOL prepares annual financial statements that the OIG audits. DOL also has additional financial management reporting requirements under the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act of 1996 (FFMIA).

FY 1998 Financial Statements

DOL financial statements for FY 1998 reflect \$31.2 billion in net costs, of which approximately 89 percent are "pass through" funds. The States expended \$19.7 billion for unemployment insurance benefit payments, and State and local governments that operate State Unemployment Insurance, employment service, and JTPA programs expended another \$8 billion. The balance of the expenses (\$3.5 billion) was for benefit payments and services provided directly by DOL.

Report on the Financial Statements

The Department has received a "clean" opinion on its consolidated financial statements for the second straight year, and our report on internal control reflects no material weaknesses. However, we continue to note many reportable conditions that need management's attention. Our report on compliance with laws and regulations reflects five subsidiary systems that do not meet one or more of the criteria for Federal accounting systems referenced in the FFMIA. Two of the seven systems noted in the FY 1997 audit are now in compliance with FFMIA.

We issued an opinion on the consolidated financial statements, taken as a whole, and the individual financial statements of the Unemployment Trust Fund.

Report on Internal Control

As previously stated, our report on internal control did not disclose any material weaknesses. However, we did note several reportable conditions, most of which were initially identified in prior years, including:

- (1) Inadequate or nonexistent documentation;
- (2) Lax security;
- (3) Not regularly reconciling differences with Treasury; and
- (4) Not recording transactions in an accurate, complete, and timely manner.

Report on Compliance With Laws and Regulations

To obtain reasonable assurance that the financial statements are free of material misstatement, and because noncompliance could have a direct and material effect on the determination of financial statement amounts, we performed tests of DOL's compliance with certain provisions of laws and regulations. We also performed tests of other laws and regulations specified in OMB Bulletin No. 98-08, as amended, including the requirements referred to in FFMIA.

1. FFMIA

Under FFMIA, we are required to report whether DOL's financial management systems substantially comply with (1) the Federal financial management systems requirements, (2) applicable accounting standards, and (3) the U.S. Standard General Ledger (SGL) at the transaction level. To meet this requirement, we performed tests of compliance using the implementation guidance for FFMIA included in Appendix D of OMB Bulletin No. 98-08, as amended.

DEPARTMENTAL MANAGEMENT FOCUS

Our FY 1997 audit disclosed that seven subsidiary DOL financial management systems did not substantially comply with one or more of the three requirements discussed above. This year's audit disclosed that five of the seven systems remain noncompliant:

- Wage and Hour's Back Wage System
- Wage and Hour's Civil Monetary Penalties System
- Job Corps' Real Property System
- Job Corps' Personal Property System
- MSHA's Penalty Tracking System

The noncompliance issues include the following:

- Complete, timely, reliable, and consistent information is not being provided.
- Financial information is not being processed effectively and efficiently.
- Complete and adequate audit trails are not being provided.
- Transaction detail supporting SGL accounts is not readily available.

DOL has established plans to bring three of the five systems into compliance. Acceptable plans must be established for the other two systems.

2. Grant Closeout Process

JTPA grants were not closed out in accordance with applicable regulations and departmental policy, and current closeout practices did not provide an adequate final accounting of JTPA grants. The closeout process is untimely, and there is a backlog of old grants and contracts. Although ETA has revised its grant closeout tracking system, several areas remain to be corrected. These areas include notifying grantees of DOL's intent to close a grant, and ensuring that DOL obtains final cost reports from grantees.

3. Wage and Hour's Back Wage Program

Although significant progress has been made in reverting funds to the U.S. Department of Treasury, as of September 30, 1998, approximately \$800,000 on deposit that has not been distributed to employees should have reverted to the U.S. Treasury.

4. Debt Management

Eight DOL agencies have not submitted all receivables that have been delinquent for a period of 180 days to the U.S. Department of Treasury for collection as required by the Debt Collection Improvement Act of 1996.

5. Reestablishment of Advisory Council

During FY 1997, we noted that the Advisory Council on Unemployment Compensation (ACUC), required by the Social Security Act, has not been reestablished. During the current audit, we found that a new ACUC had still not been established, nor had there been discussion concerning a new council.

(Report No. 12-99-002-13-001; issued February 26, 1999)

Our March 16, 1999, audit report provides the implementation status of the benefit and payment systems and follows up on the baseline information described in our audit report from this past summer. The OIG found that the five mission-critical benefit and payment systems, within three departmental agencies, were in various stages of implementing Y2K solutions. Based on recent audit work, the OIG believes DOL should continue to focus attention on specific areas of concern.

Y2K Progress

Based on OMB's Y2K targets for completion, the validation phase should have been completed by the end of January 1999 and the

Y2K ACTIVITIES

Y2K Progress Report: DOL
Benefit and Payment Systems
Have Not Completed Y2K
Implementation

DEPARTMENTAL MANAGEMENT FOCUS

implementation phase by March 31, 1999. As of the end of January, two (of the five) benefit and payment systems had not been implemented. DOL increased its monitoring of these two systems, and since February 16, 1999, DOL required weekly reports on the progress of all systems not yet Y2K compliant. (As of March 31, 1999, DOL reported all 61 mission-critical systems as compliant.)

Independent Verification and Validation (IV&V)

IV&V is an important step in assuring that DOL's systems are likely to function properly and carry out the Department's core business functions. Although some agencies have independently obtained IV&V contractors, most agencies are using a departmentwide contractor to perform the IV&V steps. DOL has established June 30, 1999, as an internal milestone for completing all IV&V work. The March 1999 audit highlighted some concerns, such as delays in resolving open IV&V issues. However, DOL is making a concerted and well-organized effort to ensure the independence of the IV&V work and to complete this task, departmentwide, within the established time frame.

Business Continuity and Contingency Plans (BCCPs)

Both the OIG and the Chief Information Officer (CIO) recognized that the initial BCCPs needed to be revised in order to provide assurance that benefits and payments will continue to be made beyond December 31, 1999. Overall, the BCCPs for four of the five systems (within three agencies) contained the following problems:

- (1) They were incomplete.
- (2) They were not scheduled for testing or had not been tested.
- (3) They relied heavily on disaster recovery plans.

- (4) They were prepared by information technology staff, not knowledgeable program staff.
- (5) They lacked sufficient detail in relation to identifying resources to the plan.
- (6) They did not identify alternative solutions for each known risk.

DOL has required agencies to revise the BCCPs. The Secretary issued guidance requiring that BCCP preparation involve staff who are knowledgeable in core business functions, and requiring agencies to ascertain the viability of the plans. Subsequent CIO-issued guidance stated that beginning early in 1999, DOL progress in completing the BCCPs will be tracked. The CIO also called for detailed testing plans during the March-May time frame and for the actual testing in the June-August time frame. The Y2K Director held a seminar on January 29, 1999, to establish time frames for BCCP revisions and testing.

The OIG believes the issues identified in the initial BCCPs can provide insight into specific areas of weakness that can be corrected during the next revision and testing phase.

Interfaces and Data Exchanges

DOL agencies depend on electronic data exchanges to execute programs and facilitate service delivery. For example, data exchanges are used to transfer funds to contractors and grantees and to process payments through the banking system. These data exchanges can be an integral part of a system's infrastructure and may be critical in supporting an organization's core business activity. The General Accounting Office (GAO) has issued guidelines for Y2K testing activities that include comprehensive testing of data exchanges.

One agency that initially had neither identified its system's critical interfaces and data exchanges nor solicited Y2K assurances has now identified the critical interfaces and data exchanges.

DEPARTMENTAL MANAGEMENT FOCUS

In addition, the agency has requested assurances and received confirmation from the various interface partners that the systems are Y2K compliant. The OIG remains committed to assisting DOL in reviewing agency systems and will continue to monitor the progress of Y2K efforts in the Department's Y2K high-priority areas.

(Report No. 17-99-007-07-001; issued March 16, 1999)

Y2K Challenge: State
Employment Security Agency
(SESA) Federal/State
Partnership Systems Continue
to Make Progress

The OIG audited ETA's Y2K efforts related to the SESA Federal/State partnership systems. In 13 States, the OIG examined the 4 main systems that make up the SESA system: Unemployment Insurance (UI) Benefits, UI Tax, Employment Service (ES), and Administrative. The UI Benefits system annually provides \$22 billion in payments to approximately 7 million people. The UI Tax system collects approximately \$24 billion in tax revenue. The ES system provides State and local job information, and the Administrative system provides office operational support.

To assist in addressing the SESAs' Y2K problems, ETA provided \$245 million in Y2K funding, guidance, technical assistance, and monitoring. We found that overall the 13 SESAs have made good progress, but there are still implementation and management concerns that need attention.

The UI Benefits Systems Are Working to Meet the Y2K Challenge

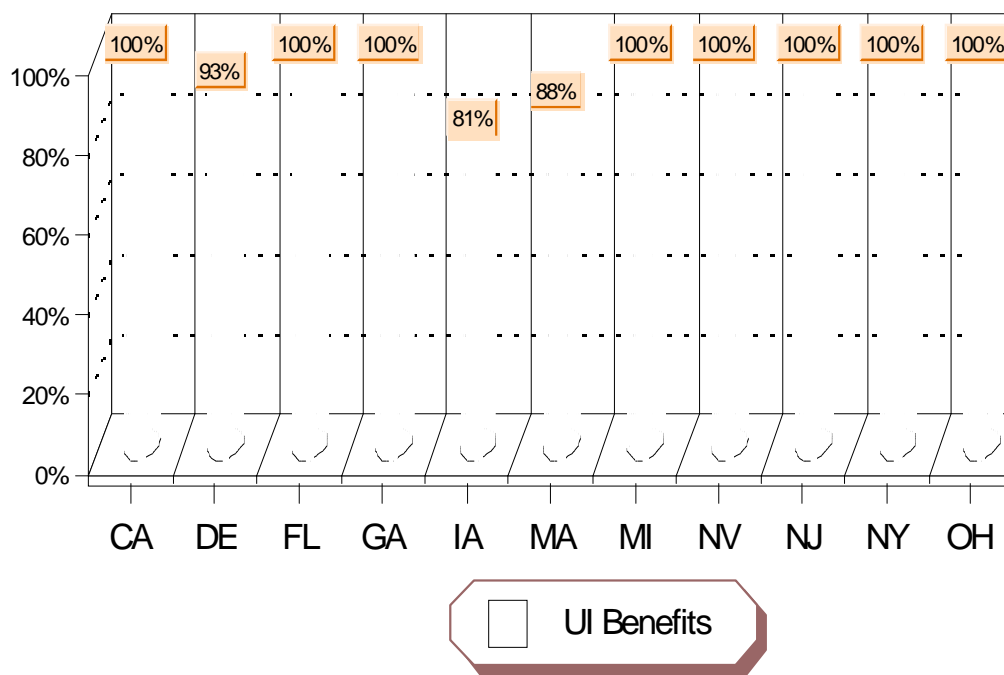
The UI Benefits systems protect the incomes of unemployed workers, and these systems were a top priority for both ETA and the SESAs. The benefit systems were also the first to experience a potential Y2K failure date because the benefit-year-ending (BYE) date calculation had to be Y2K compliant by January 1999. In early January, the SESAs successfully began processing new claims that calculated BYE dates into the year 2000. All SESAs were able to take claims and to make benefit payments with no disruption in service. While this exercise provides a basis for confidence in the SESAs' ability to address Y2K challenges,

DEPARTMENTAL MANAGEMENT FOCUS

the remaining workload and the findings of our visits indicate the need for continuing oversight to ensure that the SESAs are fully prepared to serve the nation's unemployed workers and employers into the next century.

On a positive note, the progress reflects the prioritization of systems, with the most important systems (i.e., UI Benefits) scheduled for completion first. Although the 13 SESAs have made good progress in the UI Benefits systems, there are still some areas of concern in the other systems that need management's attention to ensure the uninterrupted continuation of core business functions. As UI Benefits systems are completed, SESAs are moving resources to conversion efforts on their remaining systems. The chart below represents a snapshot of overall Y2K progress relating to the UI Benefits systems.

UI Benefit Systems Y2K Progress



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Based on our audit of the 13 jurisdictions, we identified the following concerns:

Y2K Implementation Concerns

- Late projected completion dates impacting overall progress (in two States).
- Inadequate testing documentation (in three States).
- Delays scheduling SESA testing in a Y2K environment (in two States).
- Limited staffing that may compromise assurances for success (in two States).

Y2K Management Concerns

- Deficient BCCPs (in eight States), no BCCP (in one State).
- Weakness in ETA's SESA assessments and onsite monitoring (in eight States).
- IV&V is not documented and SESA IV&V completion dates are not confirmed by statewide scheduler (in two States).

The most prevalent concern relates to the quality of SESAs' UI Benefits BCCPs. The quality of each jurisdiction's plan was

SESA BENEFITS COMPONENT BCCP STATUS

ADEQUATE	CONCERN	ACTION MAY BE REQUIRED
California Nevada Ohio	Delaware Florida Georgia Iowa Massachusetts Michigan New Jersey Pennsylvania Texas	New York

assessed and the results are illustrated above. Of the 13 SESAs' BCCPs, 3 were adequate, 9 caused us concern, and 1 may require action.

DEPARTMENTAL MANAGEMENT FOCUS

ETA said that the \$243,000 in Y2K emergency funds will be used to complete the following steps and to address and correct some of these noted deficiencies:

-The UI Information Technology Support Center (ITSC) will convene a specialized training seminar for regional representatives to provide the guidance and tools necessary to conduct thorough reviews of SESAs' Y2K status, BCCPs, and IV&V efforts. (ITSC is a joint project between DOL, ETA/UIS, and the State of Maryland to establish a center to support the needs of the 53 SESAs in applying automation and technology solutions to meet the needs of the UI program.)

-ITSC technical staff will assist regional representatives in onsite Y2K compliance progress reviews and will assist regional offices in their review of BCCPs and IV&V certification reports.

Also, ETA Y2K staff said they have requested additional funding for the following Y2K-related activities:

- Regional office onsite SESA monitoring.
- SESA testing and rehearsing of BCCPs.
- ITSC development of a prototype PC-based contingency system for taking UI claims and ensuring the capability to make benefit payments. This will be an exportable system available to all SESAs.

After we issued the final audit report, ETA received \$817,000 in funding and indicated that the funds will be used for regional office onsite SESA monitoring and technical assistance support and for reviewing and testing of contingency plans.

(Report No. 17-99-006-03-315; issued March 24, 1999)

At the request of DOL, the OIG conducted an audit of the Bureau of Labor Statistics (BLS) Certification Laboratory. The lab has operated since 1997 as a separate BLS unit where the evaluation of commercial information technology software is performed prior to acceptance. The purpose of the audit was to provide DOL with

The Bureau of Labor
Statistics's Certification
Laboratory Reviewed for IV&V
Approval

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facts that would assist in deciding whether to officially allow the lab to proceed into the IV&V phase. The report identified two issues regarding the lab's independence and IV&V procedures:

(1) A potential risk exists for bias in judgment because the lab's IV&V staff works for a contractor that is currently working on BLS systems.

(2) DOL's benefit and payment systems and high-profile BLS systems, such as the Consumer Price Index, may warrant IV&V activities beyond a review of system documentation.

With respect to the first issue, the director of the Y2K Conversion Team and BLS officials concluded that the risk of judgment bias was limited since the lab's IV&V contract staff had no prior involvement with BLS systems and will work exclusively for the lab, which operates independently within the BLS. Consequently, on December 14, 1998, the CIO approved BLS's proposal for the lab to conduct IV&V assessments. Regarding the second issue, the OIG, the BLS, and the CIO agreed that final decisions regarding the need for, and nature of, additional IV&V activities should be postponed until the IV&V reports have been completed and analyzed by the three agencies. To avoid delaying Y2K readiness efforts in progress, all agreed that no additional IV&V testing should be scheduled prior to March 31.

(Report No. 17-99-005-11-001; issued December 4, 1998)

GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA)

GPRA requires agencies to develop strategic plans covering their major functions and include general goals and objectives, performance goals, annual performance plans, and an annual performance report. Although GPRA does not require each component agency to prepare a strategic and annual performance plan, DOL required all agencies to do so.

GPRA Review Plan

Last fall, congressional leaders requested that Inspectors General include a plan in their Semiannual Report to Congress to assess agency efforts to develop and use performance measures and to validate data that support agency strategic and performance plans and reports.

Since the enactment of GPRA, the OIG has taken many steps to facilitate its implementation in the Department. In the past year, we provided consultation assistance to the Department and all of the major departmental agencies, including reviewing the strategic and annual performance plans of 11 agencies and 1 major division. Through this process, we provided suggestions to the agencies on how their plans could better reflect their missions, planning, and performance goals.

Overall, we found that the Department and the agencies' strategic and annual performance plans generally complied with GPRA. However, we noted that all of the plans needed to address the elements of crosscutting issues, data capacity, management problems, and high-risk areas. A significant number of the agency plans needed to develop strategic goals that are outcome-based and measurable; show a relationship between the general goals in the strategic plan and the annual performance goals in the Annual Performance Plan; focus program evaluations on performance measures rather than on the internal strategic planning process; develop a target level of performance, indicators, and base line data for performance goals; link performance goals to the budget to determine return on investment, whenever possible; and provide a clear plan about the adequacy and the reliability of data and how measured values (performance measures) will be verified and validated.

In addition to consultation services, the OIG has supported the Department by serving on DOL's Cost Accounting Task Force. This task force is charged with developing a system to account for costs by agency functions and operations that will eventually be used, along with program results, to assess the return on invested resources.

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Current Work

During this period, we reviewed the strategic, performance, and information technology plans for DOL, the Employment Standards Administration (ESA), and the Office of the Assistant Secretary for Administration and Management (OASAM). These reviews were conducted to provide DOL with information on how these plans might be enhanced to better demonstrate to Congress and others how the Department is strengthening its competence and reliability in planning, budgeting, and managing for results. We designed our review criteria and process to be consistent with the criteria and process used by congressional and OMB reviewers. We reviewed the plans to determine whether they meet the specific requirements and intent of GPRA, the Information Technology Management Reform Act of 1996 (ITMRA), and the Office of Management and Budget Circular No. A-11, Parts 2 and 3.

We found that overall the plans generally comply with applicable requirements, and we offered suggestions to assist the agencies in developing plans that provide a better understanding of their mission and how they will manage for results.

DOL'S FY 1997-2002 Strategic and FY 2000 Annual Performance Plans

We believe that the plans could be enhanced to better reflect DOL's planning and performance goals, and we offered suggestions that we believe will benefit the Department as it manages for results and improves performance.

(Letter Report No. 17-99-003-01-001; issued October 27, 1998)

ESA's Strategic, Annual Performance, and Information Technology Plans

We believe the plans could be enhanced to better reflect the agency's strategic vision, planned performance, and accomplishment of performance goals. We suggested, for clarity

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and ease of reading, that ESA follow the departmental instructions dated July 14, 1998, and include the suggested headings in the strategic plan under the applicable departmental goals. In addition, we suggested that ESA ensure that the performance goals in the strategic plan are the same performance goals discussed in the annual performance plan.

(Letter Report No. 17-99-001-04-001; issued October 27, 1998)

OASAM's FY 1997-2002 Strategic and FY 2000 Annual Performance Plans

We believe the plans could be enhanced to assist the agency in refining its strategic direction, planning, and measuring of accomplishments. We suggested that goals be more measurable and outcome-based and that OASAM set customer service standards and focus on meeting standards rather than determining customer satisfaction. In addition, we suggested they develop a more in-depth approach for program evaluation.

(Letter Report No. 17-99-002-07-001; issued October 26, 1998)

Future Work

In the future, our work in this area will be focused on auditing the systems used to generate performance data to determine their adequacy in generating useful and valid program performance information that will then be reported to Congress. The number of systems selected for audit and the scope of the review will depend on the availability of resources.

Indian and Native American Programs

The OIG performed a financial and compliance audit of the BAIC for the period July 1995 through June 1997 and questioned \$43,834 in grant expenditures. The majority of the questioned costs resulted from on-the-job training (OJT) wage payments that the grantee, as employer, made to OJT participants. This practice

AUDIT RESOLUTION

Baltimore American Indian
Center (BAIC), Inc.

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is prohibited by the operating regulations for the Indian and Native American program. Costs were also questioned because wage payments were made to an ineligible participant, costs were improperly charged directly to the DOL grant, and travel expenses were not allocable to the DOL grant. The ETA grant officer disallowed \$41,077 of the questioned costs and has subjected the entire disallowed amount to debt collection.

(Report No. 18-98-010-03-355; issued July 28, 1998)

ETA Contracts

ETA Disallows Questioned
Direct Costs of \$89,357 and
Allows Questioned Indirect
Costs of \$12,111

The OIG performed a financial and compliance audit of DOL contracts held by Dau, Walker & Associates (DWA). For the audited period of September 1, 1991, through June 30, 1996, the OIG questioned \$89,357 in direct costs and \$12,111 in indirect costs. Direct costs were questioned primarily because the amount of DWA invoices that DOL paid exceeded the actual DWA costs. ETA disallowed all of these costs. The indirect costs were questioned because indirect costs that DWA claimed exceeded the contract ceiling rates for indirect costs. Based on the final indirect cost rates in the most recent Indirect Cost Negotiated Agreement between DOL and DWA, ETA allowed all of the questioned indirect costs.

(Report No. 18-96-023-03-370; issued September 10, 1996)

Job Corps

National Plastering Industry's
Joint Apprenticeship Trust
Fund--ETA Disallows
\$996,242

Under contract to Job Corps, the National Plastering Industry's Joint Apprenticeship Trust Fund provides plastering and cement masonry apprenticeship training at several Job Corps Centers. The OIG performed an audit of direct costs claimed by the trust fund for the contract period August 1993 through July 1996 and an agreed-upon-procedures review of a prior contract for the period July 1991 through July 1993. The OIG questioned a total of \$996,242 of direct costs claimed by the trust fund and the grant officer disallowed all of these questioned costs. ETA has established an amount that the trust fund owes to DOL. The trust fund

has appealed the grant officer's decision to the DOL Office of Administrative Law Judges.

(Report No. 18-97-014-03-370; issued March 28, 1997)

EMPLOYEE INTEGRITY INVESTIGATIONS

The OIG is charged with the responsibility for conducting investigations into possible misconduct of criminal activities involving DOL programs, of individuals providing services to the Department, and of DOL employees. To that end, the OIG conducted a number of investigations that reflect our commitment to this process. The following case is illustrative of our efforts in this area.

**DOL Employee and His Wife
are Charged in Theft of
Government Property**

Thurman London, a former Occupational Health and Safety Administration (OSHA) compliance officer in Denver, Colorado, and his wife, Cheryl, were indicted for theft of government property, including a new vehicle. Thurman London had been employed by OSHA for approximately 18 months before he allegedly went AWOL in an OSHA government-owned vehicle. OSHA subsequently discovered that eight camcorders and other office equipment were missing. London allegedly received his new government Visa card in the mail and used it to make approximately \$15,000 in unauthorized personal purchases of office equipment, clothes, meals in restaurants, and car rentals. On December 12, 1998, OSHA took administrative action and proposed London's removal from service for going AWOL, unauthorized removal of government equipment, negligence of duties, misuse of a government vehicle, and misuse of a Citibank VISA card. London resigned his employment with OSHA effective January 12, 1999. Several of the missing items were recovered by the Aurora Police Department, and the government vehicle was returned undamaged. *U.S. v. London* (D. of Colorado)

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LABOR RACKETEERING

The OIG is unique in that it is mandated by Congress to carry out a criminal enforcement program to combat organized crime and labor racketeering in the workplace. A union (or a benefit plan) is organized for the benefit of its members, not its leaders. When racketeers take over, that relationship is inverted, with the leadership reaping benefits by exploiting the members. Therefore, as a part of the OIG's Five-Year Strategic Plan, the OIG has established a specific goal to identify and reduce labor racketeering and corruption in employee benefit plans, labor-management relations, and internal union affairs.

The objectives under this goal are to:

- (1) Conduct investigations of labor racketeering activities of pension and welfare benefit plan officials, plan administrators, and service providers;
- (2) Conduct industry probes into organized crime's domination or influence over unions and employers operating in those industries; and
- (3) Conduct investigations of union corruption, including the use of all available enforcement tools to remove organized crime and to restore democratic procedures in unions.

EMPLOYEE BENEFIT PLANS (PENSION)

As part of the nationwide initiative to examine abuses of pension plan assets, the OIG worked jointly with the Pension and Welfare Benefits Administration (PWBA) on the following cases, which illustrate how task forces can help to end pension plan abuse.

Provider Embezzles \$1.6 Million from 401k Pension Plan

Gary D. Moore, former president of Moore Benefit Systems, Inc., pled guilty in June 1998 to charges of theft from an employee benefit plan and of filing false documents for the plan. A joint

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investigation of the PWBA and the FBI revealed that Moore had embezzled \$1.06 million from the Emergi-Lite, Inc., 401k Pension Plan between April 1988 and August 1997. On October 9, 1998, Moore was sentenced to 51 months' confinement, three years' probation, and 250 hours' community service, and was ordered to pay restitution of approximately \$1 million.

U.S. v. Moore (D. of Connecticut)

This joint investigation with PWBA and the IRS uncovered a scheme to steal millions from the pension plans of Lloyd's Shopping Centers, Inc. Robert J. McCarthy was charged in the Southern District of New York in December 1998 with embezzlement from an employee benefit plan, money laundering, conspiracy to create false documents under the Employee Retirement Income Security Act (ERISA), falsifying and filing false documents required by ERISA, and embezzlement of bankruptcy assets.

McCarthy is a certified public accountant who was retained by Lloyd's as a financial consultant in 1994. He had negotiated a contract with the majority stockholder of Lloyd's that would give him the stock voting rights to control the company if Lloyd's was able to emerge from bankruptcy. The contract also gave McCarthy stock options to purchase the majority of the outstanding shares of Lloyd's. The joint investigation found that McCarthy allegedly embezzled \$420,000 from Discount Harry, Inc., another client that is also in bankruptcy, to pay a tax lien of Lloyd's to bring it out of bankruptcy and thereby gain control of Lloyd's. After McCarthy gained control, he embezzled \$2.1 million from the Lloyd's pension plan and the 401k plan to pay corporate debts of Lloyd's in an attempt to increase the value of Lloyd's stock.

U.S. v. McCarthy (S.D. of New York)

New York Accountant
Charged for Theft of \$2.1
Million from Pension and
401k Plans

Anthony DiPace, an investment consultant from New York, was indicted on March 3, 1999, in Honolulu, Hawaii, and charged with

Investment Consultant
Indicted for Falsifying
Qualifications

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mail fraud in connection with efforts to become the monitor for the Hotel Union and Hotel Industry of Hawaii pension plan. The plan had assets in excess of \$170 million and was established pursuant to a collective bargaining agreement between Local 5 of the Hotel Employees and Restaurant Employees Union and certain hotels in Hawaii. The FBI, the Internal Revenue Service (IRS), and PWBA participated in this investigation, which found that from March through June 1996, DiPace allegedly represented his qualifications by overstating the number of Taft-Hartley fund clients and the total amounts of their assets. *U.S. v. DiPace* (D. of Hawaii)

Doctors Plead Guilty to Depleting Pension Plan Assets

In December 1998, Dr. Andrew T. Fanelli and his wife, Dr. Angela Fanelli, both entered guilty pleas in the Eastern District of Pennsylvania to conspiracy and money-laundering counts. Andrew and Angela Fanelli were charged in December 1997 with conspiracy to embezzle, steal, and unlawfully use funds from employee benefit plans; theft and embezzlement of employee benefit plan funds; and money laundering. Andrew Fanelli was a partner in a medical practice, Regional Gastroenterological Associates (RGA), with offices in Pennsylvania and New Jersey. Angela Fanelli also served as the business administrator of the practice. RGA maintained pension and profit-sharing plans for the physicians, nurses, and employees of RGA. Andrew Fanelli was a trustee of the pension and profit-sharing plans, and Angela Fanelli was authorized to make deposits and withdrawals from the accounts of the RGA pension and profit-sharing plans.

This joint investigation with the IRS and PWBA agents found that from September 1990 through December 29, 1992, the Fanellis made more than \$1 million of unauthorized withdrawals. These funds were allegedly used for business and personal expenses, including extraordinary expenses associated with their purchase of a house in Pennsylvania. The Fanellis continued to make these withdrawals from the plans' assets, despite being advised on at least two occasions by the plans' auditor that they needed to repay the money they had taken from the plans. *U.S. v. Fanelli* (E.D. of Pennsylvania)

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On March 30, 1999, Mulk Raj Dass and Chloe Peterson were convicted by a trial jury of all charges, including conspiracy to pay a kickback, conspiracy to commit wire fraud, wire fraud, and money laundering. Dass and Peterson are the investment brokers of the Infinity Investment Group, who along with Teamsters Local 875 attorney Sanford Pollack, engaged in a prime debenture scheme. Pollack was sentenced in April 1997, following his guilty plea in February 1997 for inducing the plan to divert the pension assets to high risk, off-shore investments in exchange for kickbacks from Dass and Peterson. Peterson and Dass were indicted in December 1997, on the above charges for fraudulently inducing pension fund representatives into transferring \$9.3 million of pension fund assets into a third-party account. The money was subsequently embezzled by transferring it to various accounts held by the defendants and others. This was a joint investigation with the FBI. *U.S. v. Peterson, Dass* (E.D. of New York)

Investment Brokers Convicted
in Kickback Scheme

Charles Klisser was sentenced on October 30, 1998, to 24 months' incarceration and three years' probation. Klisser's sentencing was based on his conviction for wire fraud. During an undercover sting conducted in cooperation with the FBI, Klisser agreed to invest \$10 million in bank guarantees that he believed was embezzled from a pension plan. *U.S. v. Klisser* (E.D. of New York)

International Investment Broker
Sentenced

Michael Hedges, David Friedmann, and Xavier Fazio were convicted in a jury trial on charges of conspiracy to commit wire fraud, wire fraud, and money laundering. Hedges, a former managing director of Bear Stearns Corporation; Fazio, an attorney practicing in Long Island; and Friedmann, a financial consultant, together hatched an elaborate scheme to defraud investors. Friedmann had opened an investment account at Bear Stearns in the name of Mercantile Investment Group, an international business company incorporated in the British Virgin Islands. Hedges was the account executive at Bear Stearns responsible for the Mercantile account.

Individuals Convicted in
Investment Scheme

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The defendants convinced investors to transfer money into the Mercantile account with false promises of substantial returns on invested capital and, in the case of one investor, promised that the money was to be used to obtain matching corporate funds which would benefit the investor's children's education. Based on these false promises, investors sent approximately \$200,000 to the Mercantile account. Rather than being invested, or applied to matching funds, the money was systematically transferred from the Mercantile account at Bear Stearns to accounts controlled by Fazio and Friedmann. Thereafter, Hedges, Fazio, and Friedmann shared the investors' money and used it for personal expenses and to purchase traveler's checks. This was a joint investigation with the FBI. *U.S. v. Hedges, et al.* (E.D. of New York)

Company and Its Principal
Sentenced for Defrauding
Pension Plan

Desmond Burke, principal of Firequench, Inc., was sentenced on February 25, 1999, to five months' incarceration and three years' probation, and was ordered to pay \$119,000 in restitution to the International Brotherhood of Electrical Workers (IBEW). Burke had pled guilty to charges of submitting false remittance sheets. This joint case with the U.S. Postal Service OIG found that Burke submitted remittance sheets to the IBEW pension plan that underestimated the number of employees that were eligible to participate; thus Firequench contributed less money to the plan than required. *U.S. v. Burke* (S.D. of New York)

Health Insurance Scam Nets
Millions

Paul J. Mangiardi was sentenced in December 1998 to 151 months' incarceration and 36 months' probation. Mangiardi had been found guilty in June 1998 of one count of conspiracy and 15 counts of mail fraud in connection with three unlicensed insurance companies he operated: PARCare, 1st Health, and West Branch Administrators. Assisted by PWBA and the U.S. Postal Inspection Service, OIG agents found that the Mangiardi companies offered bogus ERISA health coverage in Delaware, Indiana, New Jersey, North Carolina, Ohio, Pennsylvania, and West Virginia. Mangiardi sold these plans to over 125 employers covering over 5,000 participants. Mangiardi collected over \$4.4

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million in premiums between 1988 and 1990. Unpaid claims for that period exceeded \$2 million, and over \$1.2 million in unauthorized administrative fees were collected by Mangiardi. The judge found that restitution of \$2,417,807 was warranted; however, he did not impose restitution under the guidelines, finding that Mangiardi was insolvent and that the imposition of restitution would unduly prolong and complicate sentencing. Mangiardi was also served with a debarment notice that banned him from participating in ERISA plans for 13 years. *U.S. v. Mangiardi* (M.D. of Pennsylvania)

In January 1998, Clarke Lasky pled guilty to one count of embezzlement and one count of mail fraud. Lasky acknowledged having embezzled approximately \$590,000 worth of premium payments. The original indictment charged that Lasky, as a broker for Employee Health Plan Administrators (EHPA), was designated as administrator and collective bargaining representative on behalf of hundreds of employers that had entered into associate membership agreements with Local 119, Brotherhood of Industrial Workers (BIW). EHPA represented these employers with respect to matters of health benefit coverage under the BIW Health & Welfare Fund of Local 119. In this joint investigation with the U.S. Postal Inspection Service, agents found that on two separate occasions Lasky, after having collected monthly contributions from employers, failed to remit the money to the BIW Health & Welfare Fund and converted those funds to his own use. Thus the employees of these small companies were stuck with unpaid medical claims because premiums for coverage had never been paid. In October 1998, Lasky was sentenced to 27 months' imprisonment and was ordered to pay \$365,000 in restitution. As a condition of his plea agreement, Lasky agreed to never again have fiduciary involvement with any labor organization and/or its related employee health benefit fund. This was a joint investigation with DOL's PWBA and the U.S. Postal Inspection Service. *U.S. v. Lasky* (E.D. of New York)

Plan Administrator Embezzles
Funds From Health and
Welfare Plans

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EMPLOYEE BENEFIT PLANS (HEALTH INSURANCE)

Individuals Indicted for Health Care Fraud

In October 1998, a Federal grand jury returned a 19-count indictment in Houston, Texas, accusing two citizens of the Bahamas, George Wilson and Norwood Rolle, of conspiracy, fraud, and money laundering. In November 1998, Wilson was arrested in Miami, but Norwood Rolle remains at liberty in the Bahamas' capital of Nassau. Wilson and Rolle were the principal officers of the Winston Hill Assurance Company, a Bahamas firm chartered in 1986. They promoted their enterprise in the United States by touting its supposed strength and stability, recommending Winston Hill as a reliable, well-established insurer with large reserves.

Wilson and Rolle allegedly told U.S. brokers that Winston Hill's assets in the Bahamas exceeded \$70 million when, in fact, the company's holdings consisted of worthless scrip: gold delivery certificates purchased from a part-time pizza delivery driver and some bogus CDs. Their sales campaign was very successful. Between 1989 and 1991, Winston Hill's agents collected a minimum of \$34 million in premiums from customers. The company insured a wide range of risks, including ERISA plan coverage in California and Texas. When it collapsed in October 1991, Winston Hill owed its claimants at least \$15 million. Wilson is scheduled to go to trial in June 1999. *U.S. v. Wilson* (S.D. of Texas)

Union Officials Plead Guilty to Theft of Welfare Plan Funds

On November 20, 1998, Joseph Girlando and Armando Ponce pled guilty to charges of conspiracy to embezzle funds from a union welfare plan. They are due to be sentenced on May 3, 1999. Ponce and Girlando were business agents at Local 875 of the International Brotherhood of Teamsters (Teamsters) and co-administrators of Local 875 Teamsters Welfare Fund A. The investigation disclosed that from March 1995 through November 1996, Ponce and Girlando allegedly conspired to embezzle, unlawfully abstract, and convert to their own use and the use of

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others, money and funds of Local 875 Teamsters Welfare Fund A, totaling approximately \$100,000. The money was allegedly used for unauthorized salaries, two luxury cars, car insurance, and other incidentals. *U.S. v. Girlando and Ponce* (D. of New Jersey)

On December 7, 1998, Raymond G. Demilia and Albert Sainato, Jr., were sentenced in Newark, New Jersey. Demilia was sentenced to 12 months' house detention with electronic monitoring and 60 months' probation, ordered to pay restitution of \$50,000, and barred from holding any union or benefit fund position for 13 years and from holding a supervisory position in any business under an occupational bar. Sainato was sentenced to seven months' house detention with electronic monitoring and 60 months' probation, and was barred from holding any union position for 13 years.

Trustees Sentenced for
Embezzlement from
Teamsters Welfare Funds

Sainato, former secretary-treasurer of the Teamsters Local 1518 in Leonia, New Jersey, and a trustee of the Greater Metropolitan Health and Benefit Fund (Metrofund), had pled guilty in June 1998 to knowingly and willfully using the assets of the Metrofund for his own interest. As an example, OIG investigators found that during May 1993 Sainato Jr. authorized \$15,000 in medical payments on behalf of his mother, who was not entitled to the benefits. In July 1998, Demilia pled guilty to a one-count information charging that from 1991 through December 1993 he knowingly and willfully embezzled approximately \$195,000 from the Teamsters Local 462 welfare plan. At the time, Demilia was the secretary-treasurer and principal officer of Local 462 in Paramus, New Jersey, and administrator of the Local 462 welfare plan. The Metrofund was created in 1989, when the welfare funds of Teamsters Locals 462 and 1518 merged. In June 1996, Albert Sainato, Sr., and Albert Sainato, Jr., also trustees of the Metrofund and officers of Locals 462 and 1518, were been indicted for conspiring to embezzle more than \$600,000 from the Metrofund and Locals 462 and 1518. *U.S. v. Demilia and Sainato* (D. of New Jersey)

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EMPLOYEE BENEFIT PLANS (PENSION AND HEALTH)

Organized Crime Boss and
Other Defendants Forfeit
\$6.9 Million

In February 1999, the OIG assisted the FBI in an investigation that resulted in the guilty pleas of Dennis C. Hickey; Andrew Russo, the acting boss of the Columbo organized crime family; and other defendants to charges of racketeering and other lesser charges, and agreed to a \$6.9 million forfeiture order. As part of a 20-year effort to rid the Long Island carting industry of organized crime, Dennis C. Hickey and Hickey's Carting were indicted in 1987 for bribing town of Islip officials to permit Hickey's garbage collection company to dump at the town's landfill without paying for this service. As a result of the conviction, Hickey's Carting was barred from collecting garbage in the town. Despite this, the investigation found that Hickey fraudulently retained the Islip garbage routes by using Grand Carting, Inc., as a front to obtain carting permits in Islip, representing itself as a separate company. Payments from Islip customers to Grand Carting, Inc., were funneled into the account of a shell corporation, Grand East, Inc., and then transferred to Hickey Carting. In September 1996, Hickey, Russo, and others were charged with racketeering, mail fraud, money laundering, and insurance fraud. According to a collective bargaining agreement, the employees of Hickey Carting and all related companies were required to be members of Teamsters Local 813, and the companies were required to contribute to the benefit funds of Local 813, which provided life insurance; medical coverage; and pension, severance, and retirement benefits based on a percentage of the gross wages earned. The total loss to the funds, as the result of nonpayment of contributions to the funds, was about \$110,000. This investigation was conducted by the FBI, with significant assistance from the U.S. Marshal's Service, the IRS, and the DOL OIG. *U.S. v. Hickey, et al.* (E.D. of New York)

Union Employee Benefit Plans
Defrauded

On January 26, 1999, a 10-count superseding indictment was filed against John Kraemer, ex-consultant; Frances Fitzpatrick, ex-plan administrator; and Judith Kalb Kraemer, John Kraemer's wife, charging them with conspiracy to embezzle and with

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embezzlement from an employee benefit plan. The investigation disclosed that they allegedly embezzled approximately \$150,000 from the Retail, Wholesale, Department Store Union (RWDSU) Local 29 affiliated benefit funds. Additionally, Fitzpatrick and Kraemer were charged with violating the 13-year disqualification imposed on Kraemer, in relation to his union and fund activities. Kraemer had been barred in 1987 as a result of a conviction for union embezzlement and tax evasion. On September 3, 1998, John Kraemer was indicted in the Eastern District of New York for receiving kickbacks from Thomas Leddy, CPA, in exchange for Leddy's retention as accountant to RWDSU Local 29 and its affiliated funds. Leddy was also indicted for his role in the kickback scheme. This investigation is being conducted in conjunction with the U.S. Attorney's Office and PWBA.

U.S. v. Kraemer, et al. (E.D. of New York)

LABOR-MANAGEMENT RELATIONS

This joint investigation with the FBI and the New York Police Department centered around the historical control of organized crime in New York's garment center. In December 1998, Joseph Defede, acting boss of the Luchese organized crime family, pled guilty to one count of conspiracy to extort money from garment center businesses from the early 1980s through April 1998. Defede directed the extortion of garment center businesses through threatened and actual use of physical injury and economic harm, the disruption of labor peace, and the control over labor unions, mainly Local 23-25 of the Union of Needletrades, Industrial and Textile Employees (UNITE, formerly ILGWU).

In April and November 1998, members of the Luchese, Gambino, and Genovese organized crime families were indicted on racketeering and extortion charges in the New York garment industry. All 12 defendants who were indicted for extortion and racketeering have pled guilty to the charges. The cash proceeds derived from the conspiracy total approximately \$2.5 million. In March 1999, the following defendants were sentenced: Joseph Defede, Irwin Schlater, Michael Vuolo, Oscar Ansourian, and

Organized Crime Boss Pleads
Guilty in Task Force Probe of
Garment Industry

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John Murno. Defede was sentenced to five years' imprisonment and fined \$15,000. Sentences of the other defendants ranged up to 41 months. *U.S. v. Defede, et al.* (S.D. of New York)

INTERNAL UNION AFFAIRS

Former Union Official Convicted in Florida

On March 26, 1999, Joseph Gagne, former vice president and business manager of the International Union of Operating Engineers - Local 675, was convicted on charges of racketeering and conspiracy. In May 1997, Gagne was indicted on charges that he threatened or actually incited violence and economic injury to Local 675 members who opposed him and others in union elections. This included threats of harm to the union members and their families, physical beatings, and shootings at union members. The threatened and actual economic injury included causing union members to be demoted or fired from operating engineer jobs, denial of work referrals through the union hiring hall, and punitive actions using the power of the local to discipline, fine, suspend, and expel union members.

Gagne was also indicted for causing employers to be subject to threatened and actual physical and economic injury, if such employers refused to enter into collective bargaining agreements with Local 675 or opposed the defendants in any matter related to Local 675. The threatened and actual physical injury included threats of harm to employers and physical beatings of employers. Economic injury included damage to employers' machinery, which was accomplished by fire, explosives, shooting, with firearms, and the placing of sand, graphite, or other abrasive material in the oil or hydraulic fluid, causing great damage to the machinery.

Gagne was elected to the position of business manager in July 1992. The union removed Gagne from office after his indictment in May 1997. This case was conducted jointly with DOL's Office of Labor-Management Standards and the FBI. *U.S. v. Gagne, et al.* (S.D. of Florida)

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In October 1998, Carmella “Chickie” Garofalo was sentenced to 10 months’ imprisonment and three years’ probation, and ordered to pay restitution of approximately \$30,000 to the Philadelphia Building and Construction Trades Council (BCTC) and \$118,000 to the Allied Trades Assistance Program (ATAP), for a total of over \$148,000.

Former Union Bookkeeper
Sentenced for Embezzlement

In April 1998 Garofalo, the former bookkeeper of BCTC, pled guilty to charges of embezzlement of union funds. At her arraignment, Garofalo admitted cashing single checks as large as \$10,000. Most of these checks were made payable to other union officials. Garofalo endorsed the checks and cashed them at the union’s bank. Garofalo had complete control of the BCTC’s bank account, as well as an account for ATAP. The investigation was triggered after a BCTC business agent received notification of the withdrawal of \$31,220 from his pension account. The investigation revealed that from December 1993 through April 1995, Garofalo stole \$177,177 from the BCTC account and \$280,514 from the ATAP account, for a total loss of \$457,691. *U.S. v. Garofalo* (E.D. of Pennsylvania)

Joseph P. Abate, former president of Laborers Local 225, was convicted in January 1999 in Cook County Circuit Court of syndicated gambling. During this joint investigation with the FBI, agents seized evidence, including betting sheets, sports schedules, sports wagers, tally sheets, water-soluble paper, cellular phones, and pagers. The investigation revealed that Abate was running a gambling operation that brought him \$12,000 a week, while he was employed as a union officer and earning \$90,000 in an annual salary. *State of Illinois v. Abate*

Former Union Local President
Convicted in Chicago

On February 2, 1999, Michael Gochis, former shop steward for the Teamsters Local 705 was convicted on all three counts of an information that charged him with deprivation of union rights by violence. The conviction was the result of a two-week jury trial in

Former Union Shop Steward
Convicted of Intimidating
Members

A SECURE WORKFORCE/ QUALITY WORKPLACES

Federal District Court in Chicago, Illinois. Gochis was a Teamsters Local 705 shop steward for Air Express International (AEI), an air freight company in suburban Chicago.

The investigation, conducted with the assistance of the FBI, revealed that during contract negotiations between AEI and Local 705 in the spring of 1995, Gochis engaged in a consistent pattern of physical threats to and intimidation of fellow union members. Gochis' threats and acts of intimidation were designed to force the union membership at AEI to accept a contract that the majority of them did not want. These threats and intimidation culminated in Gochis physically assaulting a Local 705 member at AEI. The assaulted union member had spoken out in protest of the intimidating tactics of Gochis during a public union meeting with Local 705's leadership. The assaulted union member was sent to the hospital with a rib fracture and a lumbar strain to his back.

U.S. v. Gochis (N.D. of Illinois)

Union Secretary Guilty of False Grand Jury Testimony

In August 1998, Terrence Freeman, secretary-treasurer of Teamsters Local 507, was found guilty of falsely testifying before a federal grand jury. Freeman had denied meeting with Anthony Rego of Riser Foods, Inc., to allow Riser Foods to underpay contributions, amounting to \$1.6 million, to the Cleveland Bakers and Teamsters pension and health and welfare funds in return for election campaign help. Freeman was sentenced to five months' imprisonment and five months' home confinement. In March 1999, in a separate action, after determining that Freeman's perjury conviction brought sufficient reproach upon the union, the Teamsters Joint Council of Cleveland removed Freeman from his union office and barred him from membership in the Teamsters for life. This was a joint case conducted with DOL's PWBA.

U.S. v. Freeman (N.D. of Ohio)

A SECURE WORKFORCE/ QUALITY WORKPLACES

In January 1999, Alexander C. Cullison, a former national president of District 1 of the Marine Engineers Beneficial Association/National Maritime Union (MEBA/NMU), was sentenced for his conviction in July 1995 on Racketeer Influenced and Corrupt Organizations (RICO), extortion and mail fraud charges. The sentencing had been postponed pending the results of his cooperation agreement subsequent to his conviction. Cullison had participated in a mail fraud scheme to solicit members' ballots during officer elections that occurred during a 1988 referendum on a merger between MEBA and NMU. Union members were induced to surrender their ballots to union officials (whether they had voted or not), to gain favorable treatment, or to avoid problems with the officials. This is a violation of the union's rules requiring ballot secrecy.

Former Maritime Union Official
Sentenced

Cullison was also convicted of extorting retiring members into paying 1 percent of their lump-sum pension benefits, as much as \$5,000, to the union's political action fund. Cullison received a sentence of one year of unsupervised probation and was ordered to pay restitution of \$114,520. *U.S. v. Cullison* (D. of Columbia)

It began as a complaint filed in March 1982 against the officers of the International Brotherhood of Teamsters (Teamsters) Local 560 of Union City, New Jersey, known as the Provenzano Group, based on the civil provisions of the RICO statute. This was the first time that the government used the civil provisions of RICO to launch a comprehensive attack upon a severe corruption problem within a labor organization in an effort to restore union democracy. The complaint named former Local 560 officers Anthony and Nunzio Provenzano, Steven and Thomas Andretta, and Gabriel Briguglio, and alleged that the Provenzano Group committed a series of racketeering violations using their positions of authority within the local throughout 30 years.

Civil RICO Trusteeship Lifted
in New Jersey Teamsters
Local

As a result of the joint investigation with the FBI, the complaint sought injunctive relief to prevent associates of the Provenzano Group from committing further racketeering violations and sought

A SECURE WORKFORCE/ QUALITY WORKPLACES

the appointment of one or more trustees to control and audit the assets of the union and benefit funds and conduct a general election for officers under free and democratic conditions. The Provenzano Group had maintained control of Local 560 through a pattern of racketeering activity, under the influence of organized crime, involving murder and systematic use of extortion. Interviews of Local 560 members revealed that due to the fear and repression engendered by such a regime, the Provenzanos and their associates dominated the union and its affairs without opposition for over 16 years. The trusteeship was imposed on March 15, 1984, but the District Court stayed the order pending appeals. On December 26, 1985, the Court of Appeals for the Third Circuit affirmed the judgment of the District Court, and on May 27, 1986, the Supreme Court denied a petition for certiorari. In June 1986, the District Court lifted the stay and implemented the trusteeship of Teamsters Local 560.

Even after the trusteeship period began, the Provenzano Group continued to dominate Local 560, specifically through two of its officers, Michael Sciarra and Joseph Sheridan. Local 560 elections were scheduled for December 1988, so in September 1988, additional relief was obtained to enjoin Sciarra and Sheridan before they were nominated for office in October. From October 1984 until the trusteeship began in June 1986, Sciarra was president and Sheridan was vice-president of the local. Each, along with the rest of the executive board, had been found to have aided and abetted the Provenzano-induced racketeering conspiracy. Despite the government's actions, Daniel Sciarra, Michael's brother, was elected, and he appointed Michael as the business agent. Thirteen months later, the government again went to court, alleging that Michael Sciarra continued to control the local. After the trial, he was barred from holding any office or position of trust. This was the first time that an individual was enjoined from holding any union position based upon a civil finding that his continued involvement with a La Cosa Nostra family posed a danger to the welfare of the union.

A SECURE WORKFORCE/ QUALITY WORKPLACES

After the court-appointed trustee of the local, Edwin Stier brought suit again; the settlement resulted in Daniel Sciarra's resignation as president, leaving that office vacant and with a new executive board.

Edwin Stier spent 11 years in a role that he compares to bringing democracy to an Eastern Bloc country. His goal was to change the culture by transforming Local 560 from an institution run by fear to an institution run by rules. The local's members are now a mix of truckers, warehouse workers, janitors and custodians, and others, and the membership has dwindled down to 4,318. The trusteeship cost the local over \$2 million, but the pension fund has more than \$450 million in assets. Stier vows he will not leave until the pension fund is "in good hands," and he ordered an election to conclude in December 1998. The election was held, and on February 12, 1999, Stier announced that the newly elected officers, headed by President Whitney P. Brown, are now corruption free. Although the trusteeship has ended, the pension is still being monitored by Stier. *U.S. v. Local 560* (D. of New Jersey)

LEGISLATIVE RECOMMENDATIONS

Strengthen Audit and Enforcement of the Employee Retirement Income Security Act of 1974 (ERISA)

Continue to recommend the repeal of limited scope audit provision of ERISA to require full-scope audits of all pension plan assets required to be audited under ERISA.

The limited-scope provision results in inadequate auditing of pension plan assets because it exempts from audit all pension plan funds that have been invested in institutions such as savings and loans, banks, or insurance companies already regulated by Federal or State governments. At the time ERISA was passed two decades ago, it was assumed that all of the funds invested in those regulated institutions were being adequately reviewed. Unfortunately, as we have found from the savings and loan crisis, that is not always the case.

Currently, because of this provision, independent public accountants (IPAs) conducting audits of pension plans cannot render an opinion on the plans' financial statements in accordance with professional auditing standards. It is important to note that the disclaimer of any opinion on the financial statements includes even those assets that are not held by financial institutions. These "no opinion" audits provide no substantive assurance of asset integrity to benefit participants or the Department.

Require that independent public accountants and plan administrators be required to report serious ERISA violations directly to the Department.

This requirement will enhance oversight of pension plan assets, ensure the timely reporting of violations, and involve accountants in the kind of active role that they are supposed to play in the safeguarding of pension assets. The requirement will provide a first line of defense to plan participants through their timely and direct reporting of potential problems with employee benefit plans.

Address the bogus union problem by defining what constitutes a bona fide union.

Under ERISA, health plans that are part of a union's collective bargaining agreements are exempt from State regulation. For years, many unions have run completely legitimate health plans under this exemption. However, our investigations have shown that fraudulent plans have been misusing this exemption as a "safe harbor" from state regulation in order to sign up small businesses for benefits that they may never see. These bogus unions generally fail to do the kinds of things that typically define a union, such as truly providing representation to members with respect to labor-management issues. In 1995, the Department issued draft regulations that attempted to address the bogus union problem by clarifying what constitutes a bona fide union for the purpose of providing health insurance. The regulatory language was incorporated into the early drafts of the Health Insurance Portability and Accountability Act of 1996. However, the regulatory language never became law, and the bogus union problem still remains.

There are three areas in this program in which legislative changes would result in significant savings for the government. These issues include changing benefits for older beneficiaries, returning a three-day waiting period to the beginning of the claims process, and providing the OIG and the Office of Workers' Compensation Programs (OWCP) the authority to access the Social Security Administration's wage records in order to identify claimants defrauding the program.

Move people into a form of retirement (FECA annuity or OPM retirement) after a certain age if they are still injured.

Currently, FECA beneficiaries are not required to retire at any age. Consequently, a large percentage of FECA beneficiaries have effectively retired on workers' compensation and continue to receive tax-free compensation beyond the normal retirement age.

**Ensure the
Integrity of the Federal
Employees'
Compensation Act
(FECA)**

LEGISLATIVE RECOMMENDATIONS

GAO has reported that 60 percent of the approximately 44,000 long-term beneficiaries receiving compensation benefits in 1995 were age 55 or older, and 37 percent were age 65 or older. Moreover, of the \$1.28 billion in compensation benefits paid in 1995, about \$611 million went to those age 55 and over.

The OIG is concerned that there is an unintended incentive for claimants to remain on the disability rolls because their tax-free benefits may be greater than their taxed benefits in a Federal retirement program. The OIG concurs with GAO's recommendation to either convert injured workers from FECA benefits to retirement benefits at the normal retirement age or to convert FECA wage loss compensation benefits to a FECA annuity benefit. This type of legislative change would ultimately deter beneficiaries from "retiring" on FECA and result in cost saving measures for the government.

Require a three-day waiting period before the continuation of pay period begins following injury.

FECA currently has a provision that allows employees who sustain disabling job-related traumatic injuries to receive continuation of their regular pay for a period not to exceed 45 calendar days after the injuries. This continuation of pay (COP) period was included in the statute in order to overcome any temporary income loss due to delays in adjudication of their claims. Prior to 1974, FECA required employees to use accrued sick leave or leave without pay for a period of three days before the COP period would begin. This three-day period was established in order to limit the number of frivolous claims coming into the Office of Workers' Compensation Program. Currently, the three-day period is at the end of the COP period. The FECA statute should be changed back to requiring a three-day waiting period at the beginning of the compensation process.

LEGISLATIVE RECOMMENDATIONS

Obtain access to Social Security records, in order to verify income (and therefore be able to identify those who need to be removed or whose benefits need to be reduced).

This is fully discussed under the proposal to authorize the Department to access Unemployment Insurance and Social Security wage records for purposes of program evaluation.

The OIG conducted an audit of two of the Department's foreign labor certification programs: the employment-based permanent program and the temporary H-1B Labor Condition Application immigration program. These programs, which cost the Government some \$50 million in appropriated funds, were found in an OIG audit to be ineffective in meeting their legislative intent of protecting U.S. workers' jobs or wages. Overall, we concluded that while the Employment and Training Administration (ETA) was doing all it could within its authority, the permanent program was little more than a paper exercise and that the H-1B program amounted to a rubber stamp of employers' applications.

In addition, the OIG conducted an audit of the effectiveness of DOL's certification procedures regarding the H-2A temporary agricultural guest worker program. The OIG audit found the H-2A certification process administered by ETA was ineffective. We also found that the State Employment Security Agencies (SESA)s' efforts to recruit U.S. workers for H-2A jobs were often passive, resulting in few referrals of such workers to employers. Finally, we found that enforcement responsibilities for the H-2A program's provisions are presently fragmented between ETA and ESA's Wage and Hour Division. We found little evidence of coordination between the two entities in matters related to H-2A investigations. Based on our audit work, we made the following recommendations:

**Ensure the
Effectiveness of DOL's
Foreign Labor
Certification Programs**

LEGISLATIVE RECOMMENDATIONS

a) Eliminate the Department's employment-based permanent program and the temporary H-1B Labor Condition Application immigration program as they currently exist. If a decision is made to continue such programs, the Department should replace these with others that are designed to effectively protect American workers' jobs and wages.

b) Require that the costs of DOL's activities be fully recovered by charging user fees to the employers that benefit from the program if DOL has a continuing role in the redesigned program(s).

c) Consolidate DOL enforcement responsibility within the Wage and Hour Division for examination of employer compliance with H-2A program recruitment, wage, and working condition assurances.

d) Require employers to maintain evidence of their efforts to recruit U.S. workers.

e) Ensure that work contract provisions continue to be required to ensure wage and working condition protections for H-2A workers.

Authorize the Department to Access Unemployment Insurance and Social Security Wage Records for Purposes of Program Evaluation

The Department needs the authority to access wage records for various purposes, including measuring the long-term impact of employment and training services on job retention and earnings, and identifying individuals who are receiving disability benefits from the Department but who are actually working. With respect to measuring the long-term impact of DOL employment and training programs, we have been concerned with the Department's inability to provide critical outcome information: What actually happened to that program participant *in the long run*? Did that person keep the job? Is that person making a living wage? Is that person self-sufficient?

LEGISLATIVE RECOMMENDATIONS

Our experience has been that outcome information is very difficult to track, especially if agencies cannot access UI and Social Security Administration (SSA) wage records. To effectively measure the outcomes of program participants, ETA needs the authority to access UI records and Social Security wage data. By the same token, as part of our oversight role, the OIG often needs to have access to SSA wage records. Although the OIG has statutory access to UI records through its subpoena authority, this authority is often time-consuming and difficult to utilize. Like the Department, the OIG does not have statutory access to SSA wage records. The lack of access has caused problems for us in the past and has proven to be a major impediment in our ability to assess long-term program impact.

APPENDICES

REPORTING REQUIREMENTS

Requirement Under the Inspector General Act of 1978

Section 4(a)(2) - Review of Legislation and Regulation	75
Section 5(a)(1) - Significant Problems, Abuses, and Deficiencies	ALL
Section 5(a)(2) - Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	ALL
Section 5(a)(3) - Prior Significant Recommendations on Which Corrective Action Has Not Been Completed	89-99
Section 5(a)(4) - Matters Referred to Prosecutive Authorities	x
Section 5(a)(5) and Section 6(b)(2) - Summary of Instances Where Information Was Refused	NONE
Section 5(a)(6) - List of Audit Reports	100-108
Section 5(a)(7) - Summary of Significant Reports	ALL
Section 5(a)(8) - Statistical Tables on Management Decisions on Questioned Costs	86
Section 5(a)(9) - Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	84-85
Section 5(a)(10) - Summary of Each Audit Report Over Six Months Old for Which No Management Decision Has Been Made	89-99
Section 5(a)(11) - Description and Explanation for Any Significant Revised Management Decision	NONE
Section 5(a)(12) - Information on Any Significant Management Decisions with Which the Inspector General Disagrees	NONE

Senate Report No. 96-829

Resolution of Audits	100-106
Money Owed to the Department	88

Note: This table cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, and Senate Report No. 96-829 (Supplemental 1980 Appropriations and Rescissions Bill) to the specific pages where they are addressed. The amount of "delinquent debts" owed to the Department can be found in the annual Consolidated Financial Statement Audit.

Semiannual Report to the Congress October 1, 1998 - March 31, 1999

EXPLANATION OF AUDIT SCHEDULES

Questioned Costs

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

Disallowed Costs

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

Recommendations that Funds Be Put to Better Use

These schedules depict the activity during the six-month reporting period for those funds that were recommended by the auditor to be put to better use. These schedules are included in the OIG Semiannual Report to demonstrate the flow of information to the Secretary's Semiannual Management Report, which is issued by the Secretary as required by Section 5(b)(3) of the Inspector General Act, as amended.

Unresolved Audits Over Six Months

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

Reports Issued by the OIG

This schedule is a listing, subdivided according to subject matter, of all reports that were issued by the OIG during the six-month reporting period, as required by Section 5(a)(6) of the Inspector General Act, as amended. This listing also provides for each report, where applicable, the total dollar value of questioned costs and the total dollar value of recommendations that funds be put to better use.

Note: The schedule that lists the significant audit recommendations which have not been resolved for over one year and on which corrective action has not been completed is reported in the Secretary's Semiannual Management Report.

**Semiannual Report to the Congress
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FUNDS PUT TO BETTER USE
(Agreed to by DOL)

	Number of Reports	Dollar Value (\$ millions)
A. For which no management decision had been made as of the commencement of the reporting period	6	7.3
B. Which were issued during the reporting period	<u>3</u>	<u>5.4</u>
Subtotals (A + B)	9	12.7
C. For which a management decision was made during the reporting period	3	1.6
• Dollar value of recommendations that were agreed to by management		1.3
• Dollar value of recommendations that were not agreed to by management		<u>0.3</u>
D. For which no management decision had been made as of the end of the reporting period	<u>6</u>	<u>11.1</u>
E. For which no management decision has been made within six months of issuance	<u>3</u>	<u>5.7</u>

FUNDS PUT TO BETTER USE
(Implemented by DOL)

	Number of Reports	Funds Recommended for Better Use (\$ millions)
A. For which final action had not been taken as of the commencement of the reporting period	4	23.5
B. On which management decisions were made during the reporting period	<u>2</u>	<u>1.3</u>
Subtotals (A + B)	6	24.8
C. For which final action was taken during the reporting period	2	9.8
• Dollar value of recommendations that were actually completed		9.8
• Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		<u>0.0</u>
D. For which no final action had been taken by the end of the period	<u>4</u>	<u>15.0</u>

**RESOLUTION ACTIVITY RELATED TO
INSPECTOR GENERAL ISSUED AUDIT
REPORTS
(QUESTIONED COSTS)**

	Number of Reports	Questioned Costs (\$ millions)
A. For which no management decision had been made as of the commencement of the reporting period (as adjusted)	71	47.2
B. Which were issued during the reporting period	<u>12</u>	<u>8.3</u>
Subtotals (A + B)	83	55.5
C. For which a management decision was made during the reporting period	23	9.8
• Dollar value of disallowed costs		3.7
• Dollar value of costs not disallowed		<u>6.1</u>
D. For which no management decision had been made as of the end of the reporting period	<u>60</u>	<u>45.7</u>
E. For which no management decision has been made within 6 months of issuance	<u>48</u>	<u>37.4</u>

**AGENCY FINAL ACTIONS RELATED
TO INSPECTOR GENERAL ISSUED
AUDIT REPORTS
(DISALLOWED COSTS)**

	Number of Reports*	Disallowed Costs* (\$ millions)
A. For which final action had not been taken as of the commencement of the reporting period (as adjusted**)	105	25.3
B. On which management decisions were made during the reporting period	<u>17</u>	<u>3.7</u>
Subtotals (A + B)	122	29.0
C. For which final action was taken during the reporting period***		3.4
• Dollar value of disallowed costs that were recovered		2.2
• Dollar value of disallowed costs that were written off by management		<u>1.2</u>
D. For which no final action had been taken by the end of the reporting period	<u>99</u>	<u>25.6</u>

* Includes management decisions which are under appeal.

** Prior to fiscal year 1999, OIG reported the recovery/write-off of disallowed costs only when the entire amount had been recovered and/or written off. OIG is now reporting partial collection/write-off activity in the period the activity occurs. The beginning balance has been adjusted to account for collection/write-off of disallowed costs that occurred during prior periods.

*** Partial recovery/write-offs are being reported in the period in which they occur. Therefore, many audit reports will remain open awaiting final recoveries/write-offs to be recorded.

**DELINQUENT DEBTS OWED TO THE
DEPARTMENT OF LABOR
(As of March 31, 1999)**

Agency/Program	Accounts Receivable Current (\$)	Accounts Receivable Delinquent (\$)	Accounts Receivable Total (\$)
BLS	\$0	\$255,402	\$255,402
DOL Management	2,292	899	3,191
ESA:			
Black Lung	35,654,219	4,062,893	39,717,112
FECA	21,149,281	13,832,719	34,982,000
Longshore	882,578	1,180,184	2,062,762
Back Wage	2,621,003	4,083,994	6,704,997
CMP	952,116	5,302,634	6,254,750
ETA	8,435,530	7,771,130	16,206,660
MSHA	436,543	8,793,869	9,230,412
OSHA	11,562,698	36,730,398	48,293,096
PWBA	<u>313,000</u>	<u>12,064,000</u>	<u>12,377,000</u>
Total	\$82,009,260	\$94,078,122	\$176,087,382

Disclaimer: These figures have been provided by DOL agencies, have not been audited by the OIG, and may represent estimates. Amounts due to the Unemployment Trust Fund (interagency receivables, state unemployment taxes, and benefit overpayments) are not included. Amounts due from other Federal agencies for FECA workers' compensation benefits paid are not included.

UNRESOLVED AUDITS OVER SIX MONTHS

AGENCY/PROGRAM	DATE ISSUED	NAME OF AUDIT REPORT NUMBER	NUMBER OF RECOMMENDATIONS	QUESTIONED COSTS
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NONMONETARY RECOMMENDATIONS AND QUESTIONED COSTS

Management Decision Being Evaluated by OIG:

OASAM/ADMIN	09/02/94	FY93 DOL CONSOLIDATED FINANCIALS 12-94-012-07-001	3	0
OASAM/ADMIN	06/25/95	FY94 DOL CONSOLIDATED FINANCIALS 12-95-004-07-001	2	0
CFO/ADMIN	02/28/97	FY96 DOL CONSOLIDATED FINANCIAL 12-97-005-13-001	5	0

Pending Further Action:

ETA/OJC	09/29/92	NAT'L PLASTERING INDUSTRIES 18-92-033-03-370	1	0
ETA/OJC	09/10/96	NAT'L PLASTERING INDUSTRIES 18-96-024-03-370	2	145,344
ETA/OJC	04/21/97	KIMBERLY INDUSTRIES, INC 18-97-016-03-370	1	4,041,655

UNRESOLVED AUDITS OVER SIX MONTHS

AGENCY/PROGRAM	DATE ISSUED	NAME OF AUDIT REPORT NUMBER	NUMBER OF RECOMMENDATIONS	QUESTIONED COSTS
Program/Agency Returned Single Audit to OIG:				
ETA/OJC	04/02/96	PUERTO RICO VOLUNTEER YOUTH 02-96-208-03-370	21	219,435
ETA/OJC	04/02/96	PUERTO RICO VOLUNTEER YOUTH 02-96-209-03-370	12	1,716
ETA/OJC	05/23/96	PUERTO RICO VOLUNTEER YOUTH 02-96-248-03-370	6	0
ETA/OJC	05/23/96	PUERTO RICO VOLUNTEER YOUTH 02-96-249-03-370	6	0
MULTI/ALLDOL	04/01/96	DEPT OF LABOR/HUMAN RESOURCES 02-96-210-50-598	39	287,065
MULTI/ALLDOL	04/01/96	DEPT OF LABOR/ HUMAN RESOURCES 02-96-211-50-598	28	15,943
MULTI/ALLDOL	04/01/96	DEPT OF LABOR/ HUMAN RESOURCES 02-96-212-50-598	29	60,680

UNRESOLVED AUDITS OVER SIX MONTHS

AGENCY/PROGRAM	DATE ISSUED	NAME OF AUDIT REPORT NUMBER	NUMBER OF RECOMMENDATIONS	QUESTIONED COSTS
Being Resolved in Conjunction with DOL Consolidated Financial Statement Audit:				
OSHA/ADMIN	09/29/92	FY81 OSHA FINANCIAL STATEMENT 05-92-014-10-001	2	0
OSHA/ADMIN	01/17/95	OSHA FY93 INTERNAL CONTROLS 05-95-004-10-001	1	0
ETA/OJC	08/19/96	JOB CORPS COMBINING SCHEDULES 12-96-004-03-370	3	0
Working with U.S. Department of Education to Resolve:				
ETA/STW	05/09/97	SCHOOL TO WORK 05-97-002-03-385	17	16,821
ETA/STW	05/09/97	SCHOOL TO WORK 05-97-003-03-385	21	34,847
ETA/STW	09/30/96	TEXAS COUNCIL ON WORKFORCE 18-96-025-03-385	4	249,514

UNRESOLVED AUDITS OVER SIX MONTHS

AGENCY/PROGRAM	DATE ISSUED	NAME OF AUDIT REPORT NUMBER	NUMBER OF RECOMMENDATIONS	QUESTIONED COSTS
Pending Indirect Cost Negotiations:				
ETA/JTPA	01/08/97	ACADEMY FOR EDUCATIONAL 18-97-007-03-340	1	180,162
OASAM/OPGM	11/04/94	HOMEBUILDERS INSTITUTE 18-95-001-07-735	1	628,158
OASAM/OPGM	11/04/94	HOMEBUILDERS INSTITUTE 18-95-002-07-735	2	748,379
OASAM/OPGM	11/04/94	HOMEBUILDERS CRAFT SKILLS 18-95-003-07-735	7	353,479
OASAM/OPGM	09/20/95	ASOCIACION NACIONAL PRO PERSON 18-95-025-07-735	6	76,274
OASAM/OPGM	08/14/97	CONSULTING & PROGRAM MGMT 18-97-025-07-735	4	604,510
OASAM/OPGM	09/26/97	KRA CFYS 1994 & 1995 18-97-032-07-735	1	437,272
ETA/OJC	08/07/97	MAINSTREAM, INC 18-97-024-03-370	2	31,998
ETA/STW	07/12/96	CAPITAL AREA TRAINING FUND 18-96-015-03-385	7	632,460

Management Decision Not Yet Issued by Agency:

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UNRESOLVED AUDITS OVER SIX MONTHS

AGENCY/PROGRAM	DATE ISSUED	NAME OF AUDIT REPORT NUMBER	NUMBER OF RECOMMENDATIONS	QUESTIONED COSTS
ETA/UIS	09/26/97	VIRGIN ISLAND UI 02-97-220-03-315	8	269,404
ETA/UIS	03/27/98	IOWA WORKFORCE DEVELOP 05-98-003-03-315	1	0
ETA/SESA	01/17/96	PROPOSED FY 96 RENTAL RATES 06-96-001-03-325	5	344,822
ETA/SESA	03/21/97	DOL EQUITY IN SESA REAL PROPERTY 06-97-010-03-325	1	79,346
ETA/SESA	05/08/97	DOL EQUITY IN SESA REAL PROPERTY 06-97-011-03-325	1	150,939
ETA/SESA	05/05/97	DOL EQUITY IN SESA REAL PROPERTY 06-97-016-03-325	1	164,471
ETA/SESA	07/23/97	DOL EQUITY IN SESA REAL PROPERTY 06-97-039-03-325	1	309,388
ETA/SESA	08/13/97	DOL EQUITY IN SESA REAL PROPERTY 06-97-051-03-325	1	3,952,692
ETA/SESA	08/21/97	DOL EQUITY IN SESA REAL PROPERTY 06-97-053-03-325	1	739,444
ETA/SESA	08/22/97	DOL EQUITY IN SESA REAL PROPERTY 06-97-054-03-325	1	542,465

UNRESOLVED AUDITS OVER SIX MONTHS

AGENCY/PROGRAM	DATE ISSUED	NAME OF AUDIT REPORT NUMBER	NUMBER OF RECOMMENDATIONS	QUESTIONED COSTS
ETA/SESA	09/30/97	DOL EQUITY IN SESA REAL PROPERTY 06-97-056-03-325	7	0
ETA/JTPA	02/20/97	COMPARATIVE ANALYSIS OF JTPA 02-96-258-03-340	2	0
ETA/JTPA	02/26/96	CITY OF CHICAGO JTPA 05-96-001-03-340	3	679,773
ETA/JTPA	03/03/98	ST. LOUIS COUNTY REVIEW 05-98-002-03-340	4	704,311
ETA/JTPA	02/25/92	EAST TEXAS COUNCIL OF GOVT 06-92-010-03-340	13	5,780,925
ETA/JTPA	02/26/96	SER JOBS FOR PROGRESS NAT'L 06-98-001-03-340	6	54,935
ETA/JTPA	09/25/98	CHEROKEE NATION 06-98-009-03-340	9	529,272
ETA/JTPA	09/03/97	MARE ISLAND NAVAL SHIPYARD 18-97-026-03-340	1	154,101
ETA/FLC	03/31/98	H-2A PROGRAM 04-98-004-03-321	2	0
ETA/JTPA	09/13/96	GA DEPT OF TECH AND ADULT 04-96-030-03-340	3	409,512

UNRESOLVED AUDITS OVER SIX MONTHS

AGENCY/PROGRAM	DATE ISSUED	NAME OF AUDIT REPORT NUMBER	NUMBER OF RECOMMENDATIONS	QUESTIONED COSTS
ETA/JTPA	09/29/98	AUDIT OF JOB MATCH PROGRAM 09-98-003-03-340	4	243,078
ETA/JTPA	09/30/98	D.C. DEPT OF EDUCATION 12-98-504-03-340	1	39,968
ETA/JTPA	09/25/98	FL MISUSED JTPA FUNDS 04-98-005-03-340	2	11,419,499
ETA/USES	09/17/98	FL FED FINANCIAL ASSISTANCE - SA 12-98-501-03-320	4	3,864
ETA/USES	09/30/98	MICHIGAN JOB COMMISSION - SA 12-98-502-03-320	4	372,727
ETA/ADMIN	08/25/92	ETA FY91 FINANCIAL STATEMENTS 12-92-022-03-001	2	0
ETA/ADMIN	09/30/93	FY92 ETA FINANCIAL SCHEDULES 12-93-001-03-001	4	0
ETA/ADMIN	03/31/97	ELECTRONICALLY LINKED DATA SYSTEM 03-97-024-03-001	1	0
ETA/ADMIN	04/07/98	COMMUNITY AND SENIOR SERVICE 18-98-007-03-001	8	89,576
ETA/DINAP	09/30/98	CALIF INDIAN MANPOWER - SA 12-98-503-03-355	1	22,244

UNRESOLVED AUDITS OVER SIX MONTHS

AGENCY/PROGRAM	DATE ISSUED	NAME OF AUDIT REPORT NUMBER	NUMBER OF RECOMMENDATIONS	QUESTIONED COSTS
ETA/DOWP	09/30/98	AUDIT OF NAPCA 09-98-201-03-360	5	157,872
ETA/DSFP	09/28/98	AUDIT OF PPEP 09-98-004-03-365	4	183,286
ETA/DSFP	03/31/95	MISSISSIPPI DELTA COUNCIL 18-95-013-03-365	3	33,837
ETA/OJC	03/31/98	FORT SIMCOE JOB CORPS CENTER 09-98-001-03-370	18	580,485
ETA/STW	07/03/96	SCHOOL TO WORK 05-96-003-03-385	13	135,298
ETA/STW	09/28/98	STW OPPORTUNITIES PROGRAM IN IOWA 05-98-006-03-385	2	0
MULTI/ALLDOL	04/10/96	GOVERNMENT OF GUAM 09-96-544-50-598	1	0
MULTI/ALLDOL	09/20/96	STATE OF ARIZONA 09-96-560-50-598	2	0
MULTI/ALLDOL	08/12/97	STATE OF CONNECTICUT 02-97-225-50-598	9	0
ESA/FECA	03/31/98	FECA DECEASED CLAIMANT ID 03-98-003-04-431	2	439,086

UNRESOLVED AUDITS OVER SIX MONTHS

AGENCY/PROGRAM	DATE ISSUED	NAME OF AUDIT REPORT NUMBER	NUMBER OF RECOMMENDATIONS	QUESTIONED COSTS
ESA/CMWC	07/25/97	BLACK LUNG ADVISORY COMMENTS 12-97-013-04-433	1	0
CFO/ADMIN	05/01/96	FY95 DOL CONSOLIDATED FINANCIALS 12-96-007-13-001	2	0
CFO/ADMIN	06/11/97	FY96 DOL MGMT COMMENTS 12-97-010-13-001	1	0
CFO/ADMIN	02/27/98	FY97 CONSOLIDATED FINANCIALS 12-98-002-13-001	17	0
CFO/ADMIN	08/19/96	DOL FY95 MGMT COMMENTS 12-96-016-13-001	1	0

UNRESOLVED AUDITS OVER SIX MONTHS

AGENCY/PROGRAM	DATE ISSUED	NAME OF AUDIT REPORT NUMBER	NUMBER OF RECOMMENDATIONS	QUESTIONED COSTS
Congressional Action Required to Resolve:				
ETA/FLC	03/31/98	H-2A PROGRAM COULD BE BETTER 04-98-004-03-321	2	0
TOTAL NON-MONETARY RECOMMENDATIONS AND QUESTIONED COSTS:			419	37,352,332

UNRESOLVED AUDITS OVER SIX MONTHS

AGENCY/PROGRAM	DATE ISSUED	NAME OF AUDIT REPORT NUMBER	NUMBER OF RECOMMENDATIONS	QUESTIONED COSTS
TOTAL FUNDS RECOMMENDED FOR BETTER USE:				
Management Decision Not Yet Issued by Agency:				
ETA/ADMIN	03/31/97	ELECTRONICALLY LINKED DATA SYSTEM 03-97-024-03-001	1	3,400,000
ETA/OJC	05/29/98	TRAFALGAR HOUSE CONSTRUCTION 18-98-008-03-370	1	1,684,088
ETA/OJC	07/28/98	ASPINET CONSTRUCTION COMPANY 18-98-011-03-370	1	618,776
TOTAL FUNDS RECOMMENDED FOR BETTER USE:			3	5,702,864
TOTAL NON-MONETARY RECOMMENDATIONS, QUESTIONED COSTS, AND FUNDS RECOMMENDED FOR BETTER USE:			<u>422</u>	<u>43,055,196</u>

FINAL REPORTS ISSUED BY THE OIG

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DOL STRATEGIC GOAL						
Program Name Name of Report	Date Issued	Report Number	Number of Non- Monetary Recommen- dations	Questioned Costs	Funds Put to Better Use	Other Monetary Impact
GOAL 1 - A PREPARED WORKFORCE						
JOB TRAINING PARTNERSHIP ACT						
Colorado Springs JTPA Program	3/19/99	06-99-006-03-340	16	0	0	0
INDIANS AND NATIVE AMERICANS PROGRAM						
Turtle Mountain Band of Chippewa Indians	1/20/99	18-99-005-03-355	3	3,369	0	0
OLDER WORKERS PROGRAM						
Asociacion Nacional Pro Personas Mayores	12/7/98	09-99-006-03-360	0	0	0	0
National Council of Senior Citizens	2/3/99	18-99-007-07-735	3	5,837,548	1,130,000	0
MIGRANT AND SEASONAL FARMWORKERS PROGRAM						
Midwest Farmworker Employment & Training	10/9/98	18-99-001-03-365	2	193,976	0	0
Idaho Migrant Council, Inc.	10/13/98	18-99-002-03-365	1	54,170	0	0
JOB CORPS PROGRAM						
Connecticut Job Corps Center	3/12/99	02-99-201-03-370	0	297,892	0	0
Carl D. Perkins Job Corps Center	3/22/99	03-99-007-03-370	10	0	0	0
Mississippi Job Corps Center	2/4/99	04-99-001-03-370	3	7,000	0	0
Inaccurate FECA Charges to Job Corps Program	3/16/99	09-99-200-03-370	1	0	0	0

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DOL STRATEGIC GOAL						
Program Name Name of Report	Date Issued	Report Number	Number of Non- Monetary Recommen- dations	Questioned Costs	Funds Put to Better Use	Other Monetary Impact
Advantage Resource Group	2/19/99	18-99-008-03-370	0	23,036	0	0
WELFARE TO WORK PROGRAM						
Non-Profit Assistance Corp.	12/17/98	02-99-202-03-386	0	0	0	0
Metropolitan Area Planning Council	12/18/98	02-99-204-03-386	0	0	0	0
The Workplace, Inc.	12/17/98	02-99-205-03-386	0	0	0	0
Hudson County	12/29/98	02-99-206-03-386	0	0	0	0
Coalition for the Homeless	12/07/98	03-99-001-03-386	0	0	0	0
Total Action Against Poverty, Inc.	12/7/98	03-99-002-03-386	0	0	0	0
Center for Employment Training	12/18/98	03-99-003-03-386	0	0	0	0
Hampton University	1/4/99	03-99-004-03-386	0	0	0	0
Philadelphia Private Industry Council	1/8/99	03-99-005-03-386	0	0	0	0
Atlanta Private Industry Council	2/8/99	04-99-002-03-386	0	0	3,500,000	0
Goodwill Industries of Middle Georgia	12/18/98	04-99-004-03-386	0	0	0	0

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DOL STRATEGIC GOAL						
Program Name Name of Report	Date Issued	Report Number	Number of Non- Monetary Recommen- dations	Questioned Costs	Funds Put to Better Use	Other Monetary Impact
Louisville & Jefferson City Private Industry Council	12/4/98	04-99-005-03-386	0	0	0	0
River Valley Resources	12/11/98	05-99-001-03-386	0	0	0	0
City of Detroit Employment & Training Department	12/17/98	05-99-002-03-386	0	0	0	0
Bethel New Life	12/9/98	05-99-003-03-386	0	0	0	0
Corporation for Ohio Appalachian Development	1/22/99	05-99-004-03-386	0	0	0	0
Indianapolis Private Industry Council	1/13/99	05-99-006-03-386	0	0	0	0
City of Chicago-WFB	2/1/99	05-99-007-03-386	0	0	0	0
Policy & Technical Assistance Needed to Improve WTW	3/24/99	05-99-008-03-386	18	0	800,000	0
Houston Works	12/14/98	06-99-001-03-386	0	0	0	0
Rocky Mountain SER	12/14/98	06-99-002-03-386	0	0	0	0
Catholic Social Services of Albuquerque	12/14/98	06-99-003-03-386	0	0	0	0
Little Rock WTW	12/16/98	06-99-004-03-386	0	0	0	0
Goodwill Industries - San Antonio, Texas	12/14/98	06-99-005-03-386	0	0	0	0

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DOL STRATEGIC GOAL							
Program Name Name of Report	Date Issued	Report Number	Number of Non- Monetary Recommen- dations	Questioned Costs	Funds Put to Better Use	Other Monetary Impact	
San Francisco Private Industry Council	11/13/98	09-99-001-03-386	0	0	0	0	0
Cambodian Family	12/15/98	09-99-002-03-386	0	0	0	0	0
Oakland Private Industry Council	12/15/98	09-99-003-03-386	0	0	0	0	0
Charo Community Development	12/16/98	09-99-004-03-386	0	0	0	0	0
Fatherhood Management	12/3/98	17-99-004-03-386	0	0	0	0	0
IAM Cares	12/15/98	18-99-003-03-386	7	0	0	0	0
Noah Group	12/15/98	18-99-004-03-386	5	0	0	0	0
National Association of Private Industry Councils	1/11/99	20-99-002-03-386	0	0	0	0	0
SINGLE AUDIT							
State of Indiana	11/13/98	12-99-500-03-320	0	1,338,326	0	0	0
State of Indiana	11/13/98	12-99-501-03-320	0	503,535	0	0	0
Commonwealth of Virginia	11/13/98	12-99-502-03-320	0	0	0	0	0
California Indian Manpower Consortium	11/13/98	12-99-503-03-355	0	20,331	0	0	0

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DOL STRATEGIC GOAL						
Program Name Name of Report	Date Issued	Report Number	Number of Non- Monetary Recommen- dations	Questioned Costs	Funds Put to Better Use	Other Monetary Impact
Private Industry Council, Inc.	11/25/98	12-99-504-03-365	0	600	0	0
	SUB-TOTAL	48	69	8,279,783	5,430,000	0
 GOAL 2 - A SECURE WORKFORCE: INCOME SECURITY						
UNEMPLOYMENT INSURANCE PROGRAM						
Identifying Noncompliant Employers for UI Field Audits	3/22/99	03-99-006-03-315	8	0	0	0
Benefit Payment Controls	3/18/99	05-99-005-03-315	19	0	0	0
Unemployment Trust Fund	3/4/99	12-99-006-03-315	0	0	0	0
Y2K SESA Progress Report	3/24/99	17-99-006-03-315	0	0	0	0
National Employer Council, Inc.	1/22/99	18-99-006-03-325	0	60,033	0	0
 FEDERAL WORKERS DISABILITY COMPENSATION PROGRAM						
FY 1998 FECA Special Report	12/16/98	12-99-004-04-431	0	0	0	0
	SUB-TOTAL	6	27	60,033	0	0

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DOL STRATEGIC GOAL			Number of Non- Monetary Recommen- dations	Questioned Costs	Funds Put to Better Use	Other Monetary Impact
Program Name Name of Report	Date Issued	Report Number				

GOAL 3 - A QUALITY WORKPLACE: LABOR RIGHTS ENFORCEMENT

ESA's Strategic Annual Performance & IT Plans	10/27/98	17-99-001-04-001	0	0	0	0
Debarment Activity Under Section 504 of LMRDA	3/4/99	02-99-203-04-421	0	0	0	0
	SUB-TOTAL	2	0	0	0	0

DOL MANAGEMENT

DOL's FY 97-02 Strategic Plan	10/27/98	17-99-003-01-001	0	0	0	0
OASAM's Strategic and Annual Performance Plans	10/26/98	17-99-002-07-001	0	0	0	0
Y2K Progress Report: DOL Benefit Payment Systems	3/16/99	17-99-007-07-001	0	0	0	0
DOL Management Advisory Comments	10/19/98	12-99-001-13-001	14	0	0	0
DOL Consolidated Financial Statement Audit (9/30/98)	2/26/99	12-99-002-13-001	15	0	0	0
FY 1998 AUP Report to OMB on Payroll	12/17/98	12-99-005-13-001	0	0	0	0

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DOL STRATEGIC GOAL						
Program Name Name of Report	Date Issued	Report Number	Number of Non- Monetary Recommen- dations	Questioned Costs	Funds Put to Better Use	Other Monetary Impact
	SUB-TOTAL	6	29	0	0	0
	TOTALS	62	125	8,339,816	5,430,000	0

INVESTIGATIONS: DETAIL OF ACCOMPLISHMENTS

	Division Totals	Office of Investigations Totals
Cases Opened:		
Program Fraud	190	
Labor Racketeering	77	267
Cases Closed:		
Program Fraud	283	
Labor Racketeering	72	355
Referred for Prosecution:		
Program Fraud	115	
Labor Racketeering	73	188
Cases Referred for Administrative/Civil Action:		
Program Fraud	14	
Labor Racketeering	0	14
Indictments:		
Program Fraud	127	
Labor Racketeering	61	188
Convictions:		
Program Fraud	103	
Labor Racketeering	72	175
Debarments:		
Program Fraud	5	
Labor Racketeering	40	45
Recoveries, Cost Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:		
Program Fraud	10,032,126	
Labor Racketeering	16,454,282	26,486,408

INVESTIGATIONS: FINANCIAL ACCOMPLISHMENTS

Categories	\$ Amount
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Recoveries:	1,567,615
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(The dollar amount/value of an agency's action to recover or reprogram funds, or to make other adjustments in response to OI investigations.)

Cost Efficiencies:	5,257,731
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(The one-time or per annum dollar amount/value of management's commitment, in response to OI investigations, to more efficiently utilize the Government's resources.)

Restitutions:	6,835,782
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(The dollar amount/value of restitutions resulting from OI criminal investigations.)

Fines/Penalties:	7,581,369
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(The dollar amount/value of fines, assessments, seizures, investigative/court costs, or other penalties resulting from OI criminal investigations.)

Civil/Monetary Actions:	5,243,911
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(The dollar amount/value of forfeitures, settlements, damages, judgements, court costs, or other penalties resulting from OI civil investigations.)

Total:	26,486,408
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INVESTIGATIONS: CASE LIST

Defendant	Indicted	Convicted	Sentenced	Monetary
ALIEN CERT				
SHELDON, MATTHEW P.		X	X	100
TEXOMA CHRISTIAN CARE CENTER				96,614
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TOTAL	3	1	1	96,714
EMPLOYEE MISCONDUCT				
GARCIA, BONIFACIO	X			0
KNIGHT, VIOLETA			X	850
LONDON, CHERYL RENEE	X			0
LONDON, THURMON	X			0
MAESTAS, JOHN R			X	113,000
STEVENS, HENRY			X	200
	----	----	----	-----
TOTAL	3	0	3	114,050
ESA-CMW				
ADKINS, CLARENCE				5,000
ADKINS, PAUL	X			310,223
ARORA, VASU, D. M.D.	X			0
BARNETT, JERRY				30,059
BURDINE, GERTRUDE		X		0
CANTERBURY, JACKIE				12,500
CANTERBURY, JAMES D				62,250
CANTERBURY, JAMES F				32,600
CANTERBURY, MARQUES				5,500
CANTERBURY, TRAVIS				5,225
CARR, VIOLET				4,000
CAUDILL, MARTHA G				48,500
COOL, WILLA JEAN	X			0
GEORGE, WILLIAM H.				14,903
INDEPENDENT HOME MEDICAL,		X		0

INVESTIGATIONS: CASE LIST

Defendant	Indicted	Convicted	Sentenced	Monetary
MARTIN, ELIZABETH I				22,014
MCADAMS, SHERRY				64,620
MCCONNELL, DORIS J		X		0
MCCONNELL, MARSHA L		X		0
MILAM, PEGGY	X	X		0
MURRAY, SHELBY				17,500
OSBORNE, HARVEY				5,949
SIGMON, BRYAN K				48,975
SMITH, GARY P				31,250
SMITH, NETTIE D				21,510
SPARKS, DORSIE A	X	X	X	500
VERNADO, EDNA	X			0
	----	----	----	-----
TOTAL	6	6	1	743,078
ESA-FECA				
BLEHR, ROCHEL	X	X		0
BREMER, LEWIS			X	33,156
BRINKLEY, STEPHANIE A.				16,071
CARPIO, LYDIA	X	X	X	40,144
CHAO, AILEEN		X		0
CLIFTON, MARVIN M. D.,			X	15,100
CRENSHAW, CHARLES ARNOLD			X	33,631
DAO, KIEM D				41,576
DAVIS, MAXINE	X	X	X	12,595
DEGRADO, VINCENT		X	X	0
DOLENZ, BERNARD J. DR.			X	1,681,101
DYE, B. K.	X			0
DYE, WANDA	X	X		0
EASTERBROOK, WALTER			X	10,601
FUTRELL, ELIZABETH			X	100
FUTRELL, ROYCE			X	100,600
GYERGYO, JOHN A	X	X		0
HANLEY, PAUL W.		X	X	4,633
HELMER, BRENDA DOLENZ			X	10,050

INVESTIGATIONS: CASE LIST

Defendant	Indicted	Convicted	Sentenced	Monetary
HELTON, LARRY G.	X	X		0
JIMENEZ, MARILYN	X			0
JOHNSON, JAMES H	X	X	X	25
JOHNSON, LOUIS	X	X		0
KEY, LAKE JR.			X	525
LATHON, ALICE L.				56,600
MARMER, JEFFREY	X	X		0
MILLER, DAVID W	X			0
MILLS, FLORA	X	X		0
MILLS, JOHN			X	37,656
MIRANDA, EDWARD			X	67,886
O'DONNELL, PATRICK	X	X	X	11,189
PASCUCCI, NICHOLAS	X	X	X	0
PASUCCI, BEATRICE	X			0
PENA, DONNEY	X			0
REARY, PATRICK A		X	X	82,951
REED, ROBERT E SR		X		0
ROBERTS, CAROLYN			X	49,105
ROBERTS, JUNIOUS WARREN			X	49,106
ROBINSON, DEBORAH		X	X	70,872
ROTH, ELIZABETH		X	X	5,000
SCHEIB, ARLIN E JR	X	X	X	62,983
SCHREFFLER, RANDALL	X	X	X	2,600
SFORZA, ALFRED		X		0
STRUZZIERI, ANTHONY	X			0
SUTTON, DONALD	X			0
TREVINO, JESUS	X			0
TRUJILLO, RALPH A.		X	X	133,837
VELEZ, NELSON	X			0
VENDETTI, VINCENT		X		0
WEISS, KATHLEEN	X	X		0
WELLS, CAROLYN H	X			0
YOUST-RENTZ, LINDA			X	7,035
TOTAL	25	25	27	2,636,728

INVESTIGATIONS: CASE LIST

Defendant	Indicted	Convicted	Sentenced	Monetary
ESA-LSHWC				
BLAKE, JEWEL DELANDERS	X			0
BRAGG, DONALD MICHAEL,			X	5,346
CHEHOVICH, EDWARD M.	X	X		0
HARRIS, LEON J.	X			0
	----	----	----	-----
TOTAL	3	1	1	5,346
ESA-W&H				
FOX, ROBERT L	X			0
FOX, ROBERT L II	X			0
T.D. ENGINEERING &, CONSTRUCTION, I	X			0
	----	----	----	-----
TOTAL	3	0	0	0
ESA-OTHER				
GILMARTIN, JAMES B.			X	17,396
VAHOVIK, WILLIAM J.	X			0
	----	----	----	-----
TOTAL	1	0	1	17,396
ETA-JTPA				
AMSEL, ELLIOT		X		0
HAND, CECILIA	X	X	X	59,444
WALLACE, BERNADINE			X	118,425
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TOTAL	1	2	2	177,869
ETA-SESA/UI				

INVESTIGATIONS: CASE LIST

Defendant	Indicted	Convicted	Sentenced	Monetary
ACEVEDO, DENNIS		X	X	35,000
ACEVEDO, GILBERT		X		0
*** SEALED ***	X			0
ALLEN, JOSEPH	X			0
ALLISON, LAWRENCE	X	X		0
ANDREJCO, DAVID A	X			0
ARCHER, GREGORY P	X			0
BABINEAUX, PHILLIP		X	X	4,394
BANKS, GLOVER		X	X	250
BARBARO, ANTHONY	X			0
BARBARO, ANTHONY J	X	X		0
BARKER, RAYMOND D		X	X	1,640
BARRY, CLARK L	X			0
BARZER, KAREN	X	X		0
*** SEALED ***	X			0
BLOCKER, SHUNDA L.	X			0
*** SEALED ***	X			0
*** SEALED ***	X			0
CHASE, SCOTT	X			0
CHILDS, SAMMIE L	X	X	X	0
*** SEALED ***	X			0
COLAR, KENNETH R.		X	X	3,127
COLLINS, ANTHONY		X	X	3,569
COOPER, GEORGE JR.	X			0
CRAWFORD, ANTHONY	X			0
CRAWFORD, JULIA A		X	X	3,641
CURTIS, JOANN	X	X	X	3,410
DAVENPORT, MICHAEL	X			0
DAVID, JACK	X			0
*** SEALED ***	X			0
DEBERNARDI, TAMMY		X	X	1,000
DIAMOND, PERRY J		X		0
EDMONDS, FRANK	X			0
EDWARDS, BARBARA		X	X	3,064
EDWARDS, GEORGE		X	X	2,953
ELLISON, RICKIE C	X			0

INVESTIGATIONS: CASE LIST

Defendant	Indicted	Convicted	Sentenced	Monetary
FENNER, ANTHONY		X		0
FRITH, ALBERT	X			0
FRYSON, ROY	X			0
GALLEMORE, WILLIE	X			0
GARNETT, JEFFREY	X	X		0
GARRETT, SHARON	X	X	X	3,743
GLOVER, BANKS		X	X	250
GODOY, ARTURO J.		X	X	2,915
GOODRICH, DALE	X	X		0
GRAY, PATRICIA A	X	X	X	2,300
*** SEALED ***	X			0
GUILFU, EFRAIN			X	5,600
HAMILTON, CURTIS J		X	X	1,750
*** SEALED ***	X			0
HARRIS, BERNARD	X	X	X	2,903
HARRIS, GRANVILLE	X	X		0
HEARD, MARK C	X			0
HELEM, SHEILA	X	X		0
HILL, JERRY	X	X		0
HOLMES, BRADLEY			X	6,251
HOLMES, JIMMIE	X			0
HUNTER, JAMES	X			0
ISOM, ELEASE	X	X		0
JACKSON, RONALD C		X	X	176,050
JACKSON, STEPHANIE D.		X	X	2,182
JEFFRIES, DARRELL R		X	X	2,850
JENKINS, JULIUS				2,286
JESTER, ANTHONY J		X	X	3,390
*** SEALED ***	X			0
JEWELL, ELIZABETH A.				31,252
JOHNSON, RITA	X			0
JOHNSON, STEPHEN L	X			0
*** SEALED ***	X			0
LASATER, WILLIAM	X	X		0
*** SEALED ***	X			0
*** SEALED ***	X			0

INVESTIGATIONS: CASE LIST

Defendant	Indicted	Convicted	Sentenced	Monetary
LOUVIERE, DENISE F.		X	X	2,564
MARTINEZ, ISAIAS			X	43,301
MAYO, HENRY JR.		X	X	2,451
MCNEIL, ERNEST L	X			0
METZDORF, ROBERT	X	X	X	2,500
MITCHELL, ROSALYN	X			0
MONTGOMERY, MICHAEL	X	X		0
MOORE, PRESTON		X	X	250
MORAN, EMMET A. III		X	X	50
MORRIS, CARDRIENNE		X	X	2,394
MOSS, RONNIE H		X	X	1,239
MUNGIA, JUAN		X	X	2,924
MYERS, JOSEPH W	X			0
NELSON, DAVID		X	X	1,240
*** SEALED ***	X			0
ORR, LAWRENCE	X	X	X	3,060
PARISIO, WILLIAM C	X			0
PATINO, PEDRO		X	X	38,001
PERKINS, ANTHONY		X	X	3,615
PERRY, DARLENE		X	X	2,340
PETRY, MICHELLE	X			0
PHILLIPS, DANITA T		X	X	3,020
*** SEALED ***	X			0
PRINCE, IVORY		X	X	4,055
QUEZADA, IRMA			X	43,301
QUEZADA, MINERVA		X	X	38,001
RAY, THEODIS	X	X	X	4,693
*** SEALED ***	X			0
ROBERTS, ANGELA C.		X	X	3,618
ROCHA, PATRICIA J			X	1,315
ROGERS, KENNETH	X	X		0
ROY, ANTOINE JR.	X	X		0
RUSSELL, BILL	X	X		0
SAMMONS, BONNIE C	X			0
SANDERS, GALE	X	X		0
SAXENA, SANJAY		X		0

INVESTIGATIONS: CASE LIST

Defendant	Indicted	Convicted	Sentenced	Monetary
SCOTT, GREGORY L	X			0
SHARP, DENISE	X	X	X	3,502
SMITH, UDELL	X	X		0
SPANN, ANDRE		X	X	4,182
STEINBACH, GALE A		X	X	2,274
TALBOT, LOUIS	X	X		0
TALLEY, WAVY	X			0
THOMAS, DEBORAH	X			0
TINSLEY, RENEE D			X	11,603
TOURVILLE, DEBBIE		X	X	250
*** SEALED ***	X			0
VELASQUEZ, PETER L		X	X	1,050
VIEYRA, LOUIS	X	X		0
WARD, RALPH		X		0
WARREN, GARRY W	X	X		0
WELCH, DEMOUR		X	X	3,418
WHITE, MARK	X	X		0
WIERZBICKI, NORMAN	X			0
*** SEALED ***	X			0
WILLIAMS, LEON JR.	X			0
WILLIAMS, MILTON JR			X	3,230
WILLIAMS, ZOE		X	X	6,919
WILSON, KEVIN	X			0
WOOD, JOHNNIE	X	X		0
WORTH, TIMOTHY	X	X		0
YEARWOOD, CAROLE M		X	X	1,319
TOTAL	81	74	54	547,199
MSHA				
ANDERSON, JAMES		X	X	25
DAVIS, RICHARD			X	5,100
HOY, PHILIP L		X	X	3,050
PARSONS, DEIDRE K.			X	550

INVESTIGATIONS: CASE LIST

Defendant	Indicted	Convicted	Sentenced	Monetary
TOTAL	----	----	----	-----
	0	2	4	8,725
OSHA				
BESHEARS, CHERYL RENEE	X			0
BESHEARS, GARY LYNN	X			0
BROWN, GARY CURTIS	X			0
NOLLER, WILLIAM OSCAR SR.	X			0
TOTAL	----	----	----	-----
	4	0	0	0
OTHER - LR				
ALY, ABRAHAM			X	69,130
TOTAL	----	----	----	-----
	0	0	1	69,130
BENEFIT PLAN				
ADAMS, DAVID B		X	X	0
ALVAREZ, IVAN	X	X	X	50,000
AQUILA, FRANK C	X			0
BARRON, CONCEPCION	X	X		0
BESSANT, DALLAS			X	25,500
BRAGER, DENNIS			X	203,000
BROSS, DAVID			X	20,050
BUCCI, ANTHONY R	X			0
BUCCI, CHERYL A	X			0
BUCCI, ROBERT T	X			0
BURKE, DESMOND			X	119,050
CAMBRA, GEORGE EDWARD	X			0
CARIONE, ANGELO		X		0
CARIONE, JOSEPH		X		0
CICCOTELLI, CLARA	X	X	X	550
CICCOTELLI, GINA			X	14,025

INVESTIGATIONS: CASE LIST

Defendant	Indicted	Convicted	Sentenced	Monetary
CIEPIELA, WILLIAM	X	X		0
COMPETITION CARTING INC,		X		0
COSCIA, JACK				1,400,000
CULLISON, ALEXANDER C			X	114,520
DASS, MULK RAJ		X		0
DEANGELIS, PETER	X	X		0
DEL VAL, TOMASA NANCY	X			0
DEMILIA, RAYMOND			X	50,050
DI PACE, ANTHONY G.	X			0
DIAZ, JESUS	X			0
DIAZ, MANUEL	X	X	X	75,000
DIPALMA, JAMES	X			0
DOMINGUEZ, RAMON	X	X	X	150,000
EDWARD ESBIN AND SONS,	X			0
ESBIN, BARRY	X			0
ESBIN, LEE	X	X		0
ESBIN, RICHARD	X			0
FAZIO, XAVIER		X		0
FERNANDEZ, OMAR	X	X		0
FIREQUENCH,			X	547,899
FITZPATRICK, FRANCES	X			0
FREEMAN, TERRENCE K			X	3,100
FRIEDMANN, DAVID		X		0
GONZALEZ, BARBARA	X	X	X	20,000
GRAND CARTING INC,		X		0
GRAND EAST CARTING INC,		X		0
GUERRERO, MARTA	X			0
HARRINGTON, RAQUEL	X			0
HEDGES, MICHAEL		X		0
HERNANDEZ, ELSA	X	X		0
HICKEY CARTING INC,		X	X	6,900,721
HICKEY, DENNIS C.		X		0
HICKEY, DENNIS E.		X		0
HICKEY, MARIA		X		0
HUERTA, EUSEBIO	X	X	X	0
IBT LU 875 PENSION FUND,				1,400,000

INVESTIGATIONS: CASE LIST

Defendant	Indicted	Convicted	Sentenced	Monetary
IMPULSE PLUMBING,	X			0
JODZIO, KIMBERLY	X	X		0
KLISSER, CHARLES			X	7,600
KRAEMER, JUDITH	X			0
LASKY, CLARKE			X	365,050
LOPEZ, GLORIA	X	X	X	50,000
MADDEN, KENNETH			X	25
MANGIARDI, PAUL		X	X	907,710
MCCARTHY, ROBERT	X			0
MEISNER, RICHARD		X	X	50,000
MENDEZ, ESTHER	X	X	X	20,000
MOORE, GARY D			X	1,000,604
NGUYEN, BINH		X	X	0
OSTREICHER, ISAAC	X			0
OSTREICHER, SHIA	X			0
PARIENTE, ALBERTO	X	X	X	100,000
PEREZ, LINA	X			0
PEREZ, ZENAIDA	X	X	X	7,500
PETERSON, CHLOE		X		0
POLLACK, SANFORD				85,000
PUNALES, JESUS	X			0
RAND, LARRY	X	X	X	45,460
RODRIGUEZ, BETTY	X	X		0
ROLLE, NORWOOD	X			0
RUBAL, THELMA	X			0
RUIDIAZ, SORI	X			0
RUSSO, ANDREW		X		0
SABATELA, LUIS	X			0
SAINATO, ALBERT JR			X	1,225
SCHAMANN, REINHOLD FRED			X	355,008
SOCARRAS, JOSE	X	X		0
STERN, HARRY	X			0
STEWART ALTMAN INC,				499,900
TAVARES, JOSEPH PATRICK	X			0
TONG, TRUNG VA		X	X	6,546
VALERA, FELICIA	X			0

INVESTIGATIONS: CASE LIST

Defendant	Indicted	Convicted	Sentenced	Monetary
VILLAMIZAR, OTTO	X	X	X	50,000
VILLOTA, CLARA	X			0
WILSON, GEORGE L J	X			0
	----	----	----	-----
TOTAL	52	41	33	14,645,093
INTERNAL UNION				
ABATE, JOSEPH P	X	X		0
ANDERSON, DAWN		X	X	100
ANDERSON, JAMES M		X	X	1,150
ANDERSON, JAMES S		X		0
ANDERSON, KEVIN		X		0
ANDERSON, MARK		X		0
C & C INDUSTRIAL MAINTENANCE, CORPO		X	X	20,200
CARUSO, TROY				7,500
CIBELLIS, EILEEN			X	256,611
GAGNE, JOSEPH		X		0
GAROFALO, CARMELLA			X	149,741
GOCHIS, MIKE		X		0
KELLER, CLAUDIA			X	2,100
*** SEALED ***	X			0
LYON, JAMES D			X	0
QUINONEZ, MARIA		X	X	50
WILLIAMS, WARNER	X	X		0
WYMER, MICHAEL			X	100
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TOTAL	3	11	9	437,552
LABOR-MANAGEMENT				
ARTECA, ROBERT		X		0
ASOURIAN, OSCAR		X	X	0
BORING, JOETTE MARIE		X		0
CANNISTRA, PATRICK D			X	10,050
*** SEALED ***	X			0

INVESTIGATIONS: CASE LIST

Defendant	Indicted	Convicted	Sentenced	Monetary
CASTILLO, CELIA MARIA		X	X	0
DEFEDE, JOSEPH		X	X	15,000
GATTO, JOSEPH		X		0
GATTO, LOUIS		X		0
GIRLANDO, JOSEPH		X		0
GOLDBERG, LEONARD	X			0
GUIDICE, ANTHONY		X		0
LIEBERMAN, SIDNEY		X		0
MCALISTER, SHERRIE SIEGELI (MCPHERS	X			0
MCPHERSON, JAMES W	X			0
MURNO, JOHN		X	X	3,000
ONG, JUSTIN	X			0
PARISE, ROBERT	X	X	X	11,547
PONCE, ARMANDO C		X		0
RIZZIO, DANIEL		X		0
RIZZO, DAN		X		0
ROMERO CHAMBA, ANDREA		X	X	0
ROSSETTI, ASCANIO			X	20,448
ROY, SHELLA		X	X	0
SCHLACTER, IRWIN		X	X	7,500
SHAREEF, JABRIL			X	52,553
SOSA TORRES, ALBA CAMILA		X	X	0
VANEGAS MORALES, ELDER OVIDIO		X	X	0
VUOLO, MICHAEL		X	X	10,000
WELLS, DONOVAN LEON			X	78,200
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TOTAL	6	21	15	208,298

**OFFICE OF ANALYSIS,
COMPLAINTS AND
EVALUATIONS:
COMPLAINT ACTIVITY**

ANALYSIS OF COMPLAINT ACTIVITY

Breakdown of Allegation Reports by Source:

Hotline Operations - Calls, Letters, and Walk-ins from Individuals or Organizations	143
Letters from Congress	7
Letters from DOL Agencies	6
Incident Reports from DOL Agencies	2
Letters from Non-DOL Government Agencies	5
GAO	2
Total	165

Breakdown of Allegation Reports by Referral:

Referred to Office of Audit	5
Referred to OI Regional/Field Offices	22
Referred to DOL Program Management	99
Referred to Other Agencies	13
No Further Action Required	26
Pending Disposition at End of Period	0
Total	165