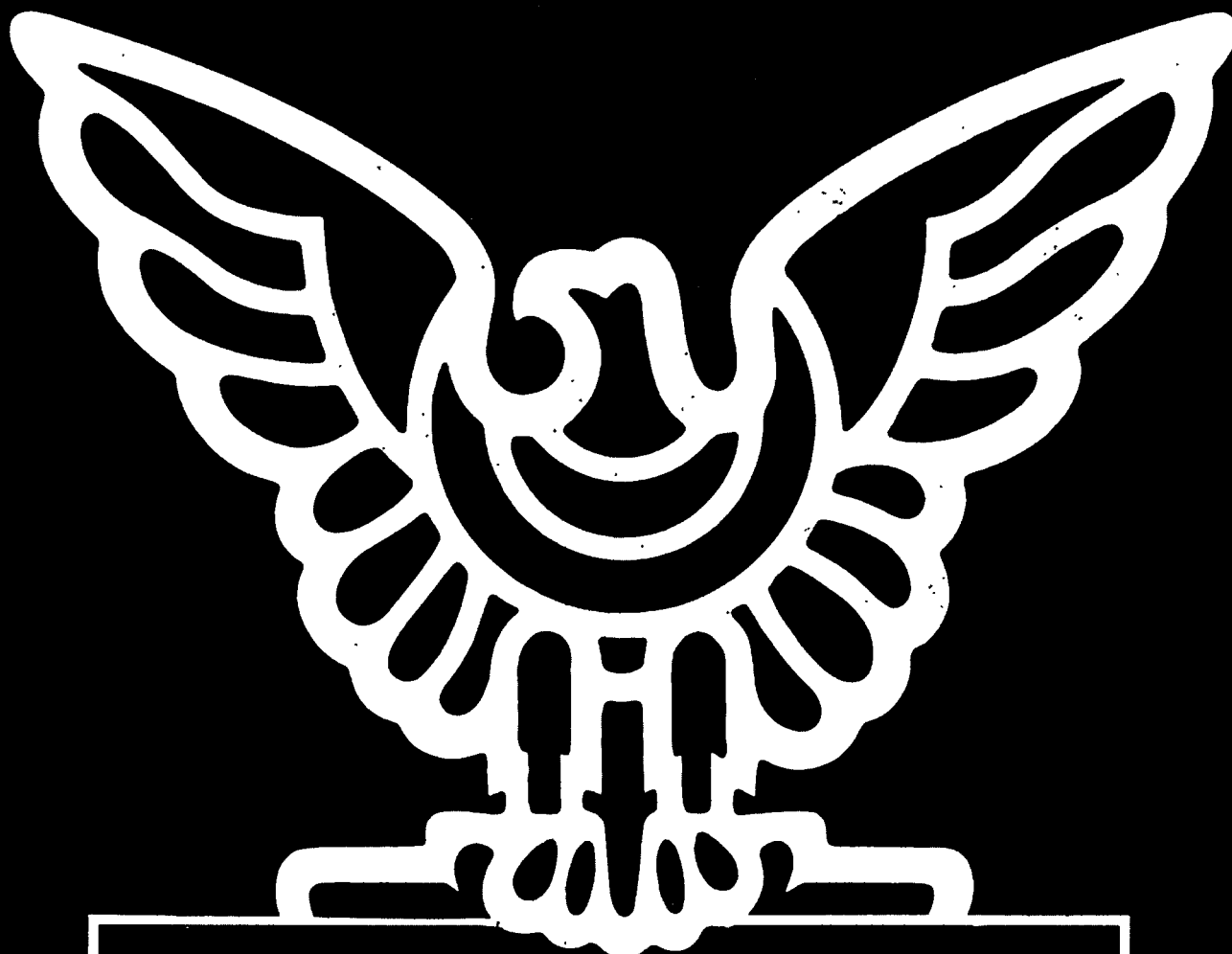


# Semiannual Report Office of Inspector General U.S. Department of Labor



U.S. Department of Labor  
Office of Inspector General

April 1 - September 30, 1991



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

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U.S. Department of Labor  
Lynn Martin, Secretary

Office of Inspector General  
Julian W. De La Rosa, Inspector General

April 1 - September 30, 1991

## The Inspector General's Message

I am pleased to submit this *Semiannual Report* that covers the period April 1 - September 30, 1991, and also marks the close of a productive and successful Fiscal Year for the Office of Inspector General (OIG).

During Fiscal Year 1991, the OIG conducted over 500 audits of the U.S. Department of Labor (DOL) activities, recommending over \$111.4 million for better use, and the disallowance of some \$28.7 million. Our audit regarding problems with reliance on grantees' reports under the single audit act spotlighted real concerns about the accountability for DOL funds spent below the Departmental level. The development of cost-based program results statements for the Job Corps program, discussed in this report, is a vivid example of our commitment to ensuring DOL program accountability. These statements clearly show the initial results the program achieved and the cost to the taxpayer of those results.

The OIG's investigative activities over this same period resulted in 449 successful criminal prosecutions, and in recoveries of some \$11.8 million in fines, penalties, restitutions, settlements, and cost efficiencies. One outstanding investigation by the OIG's Office of Labor Racketeering led to the arrest of the operators of a fraudulent multiple employer welfare arrangement which defrauded over 120 businesses and their employees by causing them to believe that they were covered by health insurance when, in fact, only minimal coverage was provided. Approximately \$500,000 in contributions was allegedly expended for purposes other than medical claims. Under Federal money laundering statutes, the Government was able to seize residences, automobiles, office and mining equipment, business and personal bank accounts, and other assets connected to the scheme. In another investigation by the OIG's Office of Investigations, we found that 22 States may have lost millions of dollars in an unemployment insurance fraud scheme. The perpetrators of this scheme were charged with conspiracy to defraud the Government by filing numerous fraudulent claims made on behalf of registered aliens residing in Mexico.

In this report, I again alert the Department and the Congress to the need for strengthening the integrity of the audits of pension plan assets. One important step towards this goal would be the elimination of the limited scope audit, which is of no value. This and other concerns are reported because they bear directly on the economy and efficiency of significant programs and operations of the Department of Labor. Because the laws

administered by the Department touch in such pervasive and substantial ways the lives of American workers and retirees, these concerns deserve to be raised. The expression of these concerns underlines the role crafted for the Inspector General in the Act of 1978: that of an objective and appropriately independent auditor, investigator, and reviewer.

I am eager to work with Secretary Lynn Martin and the Congress to bring about these and other needed changes. I am pleased with our continuing relationships of cooperation and am hopeful that, by working together, we can assure that integrity and accountability are watchwords for the Department's programs.

A handwritten signature in black ink, reading "Julian W. De La Rosa". The signature is written in a cursive, flowing style with a large initial 'J'.

Julian W. De La Rosa  
Inspector General

## Significant Concerns of the Inspector General

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### **Pension Plan Audit Inadequacies Persist**

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In a November 1989 audit report, the OIG described how the Employee Retirement Income Security Act of 1974 (ERISA) audit process fails to adequately protect covered pension plan assets or plan participants. Almost 2 years have passed since the OIG noted its significant concerns about these problems with the ERISA audit process. The problems -- and the OIG's concerns -- persist.

Chief among the OIG's recommendations to remedy this problem was the prompt elimination of the "limited scope" audit provision of ERISA. Under this provision, the independent auditor is not required to perform audit tests of plan assets held in trust by a financial institution subject to Federal regulation, such as a bank or savings and loan institution. Our audit found that, of the covered employee benefit plans audited, over half of the plan administrators used this exemption. When this occurs, the auditor disclaims or does not issue an opinion on the accuracy of the plan's financial statements. It is the position of the OIG, the Department of Labor, and the American Institute of Certified Public Accountants that "no opinion" audits such as these provide no substantive assurance of asset integrity to benefit plan participants; neither do they provide adequate assurance to the Department that the private pension plan system is sound.

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### **"No Opinion" Audits Are of No Value**

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It remains the OIG's position that, because the "no opinion" audits are of little or no value, the cost required to produce them is nearly impossible to justify. The OIG believes that full scope pension plan audits, which would make possible real actuarial opinions of the financial condition of plan assets, can be accomplished with little additional cost to plan participants.

The OIG believes that prompt attention and action by the Department and the Congress are needed to assure passage of legislation to eliminate the limited scope audit provision and correct other weaknesses in ERISA. Therefore, it is urgently recommended that the Department submit such proposals to the Congress, and that the Congress act promptly to improve the level of protection for private pension plan participants.

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### **DOL Enforcement Minimizes Criminal Remedies**

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The OIG has found that the Department's enforcement agencies have made concerted efforts to improve their enforcement programs. Concerns remain, however, about the limited pursuit of viable and appropriate criminal enforcement remedies. Even though criminal enforcement coordinators have been hired by all the enforcement agencies, their duties and responsibilities have not been clearly delineated.

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### **Health Insurance Fraud Is Still a Problem**

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The OIG continues to conduct criminal investigations of fraudulent MEWAs that masquerade as legitimate providers of group health coverage. OIG investigations have disclosed MEWA schemes that create tragic consequences for subscribing employers and participants by leaving them liable for unpaid medical bills and sometimes "pre-existing" health conditions for which they will never be insured in the future.

The OIG continues to support, at a minimum, efforts towards legislation which would clarify whether or not a MEWA is covered by State law or could claim Federal (ERISA) exemption and Federal registration of MEWAs. Although the Department has advocated Federal MEWA registration in past years, nothing has been pursued.

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**Chief Financial  
Officer Implementation  
Incomplete**

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The Department's Chief Financial Officer (CFO) will face many challenges and opportunities. Although the Department has taken major steps to correct longstanding deficiencies in financial management, there are critical actions still pending. Three actions -- completing the implementation of the integrated financial management system, improving financial and performance reporting, and implementing the CFO organization -- are particularly critical.

The OIG has identified problem areas where the Department's CFO can have an immediate, positive impact. As long as this position remains vacant, the solutions to these problems will remain elusive.

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**Job Training Law  
Needs Amendment**

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Over the past 4 years, the OIG has reported to the Congress serious deficiencies in the Job Training Partnership Act (JTPA) program. The primary issues have been inadequate targeting of the most disadvantaged, inadequate cost accountability and financial reporting, and lack of uniform cost principles and uniform procurement standards.

Last year, in an attempt to alleviate these longstanding problems, the House overwhelmingly passed a JTPA reform bill. However, the Senate never introduced its version of JTPA amendments, and the program continued for yet another year without action to alleviate the concerns we have described.

In the 102nd Congress, the House again overwhelmingly passed (420-6) another JTPA bill, H.R. 3033, which would correct many of the most serious deficiencies in the program. However, the Senate, at the close of this reporting period, had not introduced a bill to amend JTPA.

The OIG is concerned that another congressional session will close without badly needed legislative changes to the JTPA system, allowing only limited changes through the regulatory process.



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**Law Enforcement  
Authority Needed  
for OIG Agents**

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The OIG again reports the need for full law enforcement authority for all of its special agents. The OIG's special agents are classified as criminal investigators under the same U.S. Office of Personnel Management position classification that designates all statutory law enforcement positions. Unlike most other Federal law enforcement agents, however, OIG special agents lack full law enforcement authority. This not only adversely affects the efficiency of the OI's operations, but it subjects these agents to unreasonable personal risks.

Currently, the OIG's Office of Investigations (OI) uses a case-by-case deputization process managed by the Department of Justice (DOJ) to minimize the risks to its agents and cooperating witnesses; however, this method is not satisfactory. Although the DOJ has promised to streamline the deputation request/approval process, there has been an increase in the bureaucratic hurdles each request must clear prior to approval. The OI has also relied on other agencies with full law enforcement authority to assist in OI cases. This is not a suitable alternative.

Clearly, the most efficient and effective solution to this problem is for the Congress to grant full law enforcement authority to OIG criminal investigators. Another solution is for the DOJ to issue a blanket deputation for all agents assigned to a particular Inspector General's office. These deputations are renewable annually, but they cover agents for all of their investigations.

The OIG's Office of Labor Racketeering (OLR) has been granted blanket deputization authority by the DOJ for its specific investigative role for approximately 5 years. This process is much more efficient than the case-by-case approach required of OI, but does not resolve the overall need for full law enforcement authority for both OI and OLR.

# Executive Summary

## Challenges for the Chief Financial Officer

The appointment of a Chief Financial Officer (CFO) for the Department of Labor is expected to be forthcoming pursuant to the provisions of the CFO Act. The appointee will face many challenges and opportunities to improve the financial systems, reporting, and general operating environment for the Department's financial management operations.

For several years, the OIG has performed financial audits, including financial statement audits, the objectives of which were to improve financial management operations. Because of this experience, the OIG is in a position to highlight certain priority actions which, if completed, would greatly assist in meeting these original objectives. With the central coordination afforded by a CFO, the opportunity is at hand to make the Department's financial management operations a model for the Federal sector ..... page 12

## Revision of ERISA Audit Guide

The improvement in the quality of ERISA benefit plan audits by independent public accountants has long been a goal of the OIG. Working in concert with the American Institute of Certified Public Accountants and the Pension and Welfare Benefits Administration, a revised audit guide has been completed. Implementation of the guide, together with legislation to eliminate "limited scope" audit provision, would go a long way towards meeting this goal ..... page 13

## Improved Accountability for the Job Corps Program

Both the Chief Financial Officers Act and the Job Training Partnership Act, under which the Job Corps Program operates, recognize that a measure of program performance is necessary before a valid assessment of "return on investment" can be made. The OIG has taken a major step in this direction with the completion of cost-based program results statements (audited financial statements matched with audited program results statements). These statements show the initial results the program achieved and the cost of the results. This is a necessary step in the process of developing valid performance measures for the Job Corps program ..... page 19

## **ETA's Grant and Contract Management Information System (GCMIS)**

The Employment and Training Administration (ETA) is developing a new automated system to account for grant and contract obligations, payments and expenditures. This development effort has numerous problems, including unresolved issues between ETA and OASAM, Department-wide coordination problems, and issues of funding and system development planning .... page 27

## **Law Enforcement Authority Needed for Special Agents**

The OIG is concerned that case-by-case deputization by the Department of Justice of some of OIG's criminal investigators does not adequately meet the need for permanent law enforcement powers necessary to ensure the safety of OIG's witnesses and agents ..... page 53

## **JTPA Fraud Charges**

Investigations this reporting period resulted in the indictment of the mayor of Waterbury, Connecticut, for nine counts of fraud relating to the embezzlement of JTPA funds and the indictment of a former Georgia State Representative for involvement in theft of JTPA training funds ..... page 47

## **Removal of Casino Union Leaders**

Using the civil provisions of the Racketeer Influenced and Corrupt Organizations statute, the Federal Government has removed union officials and alleged associates of La Cosa Nostra organized crime family from positions of power in an Atlantic City, New Jersey, casino union ..... page 61

## Selected Statistics

### April 1 - September 30, 1991

#### Audit Activities

Reports issued on DOL activities .....	270
Reports issued for other Federal agencies .....	2
Total questioned costs .....	\$ 18.7 million
Funds recommended for better use .....	\$ 8.3 million
Dollars resolved .....	\$117.4 million
Allowed .....	\$ 2.2 million
Disallowed .....	\$ 6.9 million
Agreed funds put to better use .....	\$108.3 million

#### Fraud and Integrity Activities

Cases opened .....	270
Cases closed .....	554
Cases referred for prosecution .....	211
Cases referred to DOL agencies for administrative action .....	100
Indictments .....	195
Convictions .....	185
Recoveries, cost efficiencies, restitutions, fines/penalties, and settlements .....	\$3.3 million*

#### Labor Racketeering Investigation Activities

Cases opened .....	59
Cases closed .....	45
Indictments .....	66
Convictions .....	69
Fines .....	\$394,000
Restitutions .....	\$934,000

\*For definitions of these categories and a breakdown of the total figure, please see the appendix to Chapter 2, page 56.

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## **Chapter 1**

# **Office of Audit**

### **Introduction**

During this reporting period, 272 audits of program activities, grants, and contracts were issued. A list of these audit reports is contained in Chapter 5. Of these, 82 were performed by OIG auditors, 58 by CPA auditors under OIG contract, 20 by State and local government auditors, and 112 by CPA firms hired by DOL grantees.

During this reporting period, the OIG continued to focus on problems related to programmatic and financial accountability, especially as they relate to departmental financial management, pension plan audits, enforcement, and job training fund management.

This Chapter contains four sections. Section 1 (immediately following) focuses on current issues of financial and programmatic accountability. Section 2 (page 19) reports the accomplishments of an OIG project to develop a valid measure of the economic value of the Job Corps Program. Section 3 (page 26) reports significant audit-related activities for the major agencies of the Department. Section 4 (page 43) reports significant audit resolution activity and significant revised management decisions of DOL agency management. Chapter 5 (page 69) contains a chart showing money owed to the Department, audit schedules and tables, and a listing of final audit reports issued during the period.

### **Section 1**

#### **Improvements in Accountability in Certain Activities and Programs**

Developments of the past few years in the Federal sector indicate a heightened awareness of the “accountability issue” in applying resources to Government activities and programs. A primary motivation for legislation such as the Inspector General Act of 1978, the Federal Managers’ Financial Integrity Act of 1982, certain Sections of the Job Training Partnership Act of 1982 (JTPA), the Chief Financial Officers Act of 1990 (CFO Act), and others, was to increase accountability in the application of Federal resources, especially financial resources.

The focus of Section 1 is on activities which directly affect the integrity of and accountability for departmental resources. Most of these activities have been positive; however, much remains to be accomplished.

## **Impact of the CFO Act Implementation on Financial Management Accountability**

### **Status of Departmental Implementation of the CFO Act**

Although the Office of Management and Budget (OMB) has approved the Department's reorganization of financial management activities, and internal implementing guidance is being developed, the nomination of the Department's Chief Financial Officer (CFO) has not yet been made. To continue financial management improvements at a rapid pace, it is important that the CFO be in place to direct this effort.

The OIG continues to take a lead role in implementing the Act. Because the OIG has been a pioneer in developing Federal financial statements, OMB has recruited our assistance in developing OMB bulletins related to the form and content, and audit of, Federal financial statements. The OIG is also currently leading a project to establish audit policies for the performance of Federal financial statement audits and has provided training in financial statement auditing to other Offices of Inspectors General.

### **Challenges for the CFO**

The Department's CFO will face many challenges and opportunities. Although the Department has taken major steps to correct long-standing deficiencies in financial management, there are critical actions still pending. Three actions -- completing the implementation of an integrated financial management system, improving financial and performance reporting, and implementing the CFO organization -- are particularly critical.

One action involves the implementation of a *single, fully integrated* financial management system.

General Accounting Office (GAO) standards and OMB circulars require Federal agencies to have such a system. Although the Department is making progress toward this goal, the CFO will have to make several critical decisions. Recent OIG reports on the Department of Labor Accounting and Related Systems (DOLAR\$, the Department's general ledger accounting system) disclosed that, while significant improvements have been made (see page 15), important decisions related to system interfaces and internal controls remain.

For example, unresolved accounting issues related to the development of ETA's Grants and Contract Management Information System (GCMIS) exist and remain a major OIG concern (see page 27). Our report on this system disclosed that ETA and departmental management have not yet resolved certain issues concerning, among other things, data flow and transaction control. Developing a major subsystem without resolving these issues will perpetuate the Department's past uncoordinated and inefficient financial management activities.

Another critical action is to address the deficiencies in the Department's financial reporting function. Over the years, OIG audits have identified internal and external reports containing unreliable and misleading financial information. Although departmental management has made significant progress in correcting reporting deficiencies, a major challenge for the CFO will be to continue this progress, especially in the areas of financial statement analysis and performance measures.

The CFO Act recognizes the importance of performance measures and the Department has begun to develop such measures for each of its major programs. The annual audited financial statements provide a perspective from which these measures can be evaluated. The OIG strongly endorses this approach which we believe will form

a basis for fully assessing program accountability. Recently, the OIG completed a project in program accountability in which audited Job Corps financial statements were linked to audited performance measures for initial outcomes to provide clear and reliable information on the program's initial effectiveness. Section 2 describes this work and demonstrates the usefulness of this approach in assessing program accountability.

The third action is to implement the CFO organizational changes currently envisioned by the Department as well as to develop a cadre of skilled financial professionals. The OIG believes that major changes in the amount, skill level, and organization of resources applied to financial management are necessary if the CFO is to be successful.

### **CFO Can Provide Impetus for Continuing Improvements**

Currently, the OIG is transferring much of its knowledge of financial statements to the Department's financial management staff. Equally important, departmental management has made a significant commitment to hiring, training, and reorganizing financial staff. With the final implementation stages of DOLAR\$ imminent, the development of program performance measures and ETA's GCMIS under way, and the consolidation of all financial activities under central coordination, the potential for improvements afforded by a proactive CFO will be great.

### **DOL Fiscal Year 1990 Consolidated Financial Statements**

(Report No. 12-91-009-07-001; issued June 28, 1991)

Consistent with the provisions of the Chief Financial Officers Act of 1990, the OIG audited the financial statements of the Department for Fiscal Year 1990.

The auditors' opinion on the financial statements was qualified because of their inability to examine sufficient evidence as to the fair presentation of accounts receivable from, and advances to, the public, grantees, and contractors.

The report on internal control structure noted seven areas that were considered to be "reportable conditions," or deficiencies in the design or operation of the internal control structure, that could adversely affect the ability to record, process, summarize, and report financial data. These were:

- (1) lack of reconciliation of funds with U.S. Treasury;
- (2) deficiencies in the general ledger accounting system;
- (3) insufficient grants accounting systems;
- (4) weak accounting controls over withdrawals from the extended unemployment compensation account;
- (5) inaccurate accounting for ETA's equity in SESA real property;
- (6) questionable audit coverage provided to the JTPA program under the Single Audit Act; and
- (7) questionable SESA accounting for Unemployment Trust Fund activities.

Findings (4) through (7) are identical to those found in the audit of ETA's Fiscal Year 1990 Financial Statements, which can be found on page 32 of Section 3. Section 3 also contains OIG's Fiscal Year 1990 audit for ESA.

The report on compliance found that DOL complied with the provisions of laws and regulations for the transactions we tested which could have materially affected the financial statements.

### **Revision of ERISA "Audit and Accounting Guide for Audits of Employee Benefit Plans"**

The OIG has long held the view that audits of employee benefit plans are an integral part of participant protections guaranteed by the Employee Retirement Income Security Act (ERISA),



and that Generally Accepted Auditing Standards (GAAS) required Independent Public Accountants (IPAs) performing audits of employee benefit plans to test certain ERISA compliance areas.

For several years, the OIG made the improvement in the quality of benefit plan audits a high priority issue. Consistent with this priority, the OIG issued two significant audit reports which documented deficiencies in the audit process and provided recommendations to improve the process. There were frequent discussions between the OIG, the American Institute of Certified Public Accountants (AICPA) and the Pension and Welfare Benefits Administration (PWBA) on measures to increase the effectiveness of plan audits.

During audit work, the OIG referred about 50 audits to PWBA for referral to the AICPA for possible disciplinary action. The AICPA concurred on the audit deficiencies in all but one case and has recommended the appropriate corrective and/or disciplinary action to the respective State Boards of Accountancy. Due to the impact on the accounting profession, the AICPA made a field review of the OIG work. By congressional request, GAO is now conducting a similar review of the deficiencies reported by the OIG.

The process came to fruition in March 1991, when, after considering suggested improvements from the OIG and other public and private sources, the AICPA issued a revised audit guide. While the final version did not incorporate all the protections supported by the OIG, use of the guide will afford a substantial improvement in the audit protections for benefit plan participants envisioned by ERISA.

Other actions have also resulted from our audits. The AICPA has adopted new ERISA practice-monitoring program review requirements and begun an annual ERISA audit conference to provide additional training for auditors of employee benefit plans.

PWBA has also made positive changes to its utilization of plan audits. Audit reports are now being reviewed for compliance with GAAS and ERISA requirements. PWBA is also conducting workpa-

per reviews to assess the quality of plan audits. To help ensure recommended protections are implemented, the OIG plans to conduct followup reviews in the areas of IPA audit quality.

Overall, we are encouraged by the improvements being made in the ERISA audit process. However, the OIG continues to be concerned that PWBA may not be adequately informed when illegal acts are detected by the IPAs. Statement on Auditing Standard No. 54 places responsibility on IPAs to report any illegal act they discover. The Department needs to have assurances that *all* illegal acts discovered during the audit process are reported to and acted upon by the Department. Plan participants have the right to expect the Department to take timely and decisive corrective actions. Further discussion of this issue is found in Chapter 4 (page 65).

### **Department of Labor Enforcement Program**

In 1989, the Secretary directed an Enforcement Task Force to examine the Department's civil and criminal enforcement strategies and provide recommendations to improve their effectiveness. Concurrently, the OIG conducted a review of the extent to which the Department utilized criminal enforcement remedies (Report on DOL Criminal Enforcement, Report No. 09-90-202-01-001; issued June 5, 1990). Both reports were issued in 1990.

As a result of the work done by the Enforcement Task Force and the OIG review, the Federal Managers' Financial Integrity Act (FMFIA) report issued by the Department in December 1990 classified "Management Controls over Departmental Enforcement Activities" as a material control weakness. The FMFIA report identified specific corrective actions to be taken by departmental agencies. The report further stated that the OIG would report to the Secretary on a continuing and regular basis regarding the agencies' efforts to better enforce the laws administered by the Department. The first such report was issued to the Secretary by the Inspector General on September 30, 1991.

Overall, the OIG concluded that the Department's enforcement agencies have made concerted efforts to improve their enforcement programs. Examples of these efforts include:

(1) ESA's Wage and Hour Division developed measures to monitor and evaluate the effectiveness of its criminal enforcement program.

(2) ESA's Office of Federal Contract Compliance Programs is developing guidelines for investigative file development to ensure its cases are suitable for litigation.

(3) MSHA is increasing its inspection targeting efforts.

(4) OLMS is implementing a program of on-site compliance visits to international unions.

(5) OSHA initiated a pilot program to test new criminal investigation and referral procedures.

In addition, several department-wide activities designed to improve enforcement were initiated. The Department is developing an enforcement data base which will provide summary level information on each agency's enforcement activities. The DOL Academy, with the assistance of the OIG, SOL and the enforcement agencies, is investigating options to increase and improve the training received by enforcement personnel. Also, the Policy Review Board and the Office of the Assistant Secretary for Policy are taking a more active role in reviewing the agencies' enforcement programs.

A continuing OIG concern is the Department's traditional reluctance to pursue criminal enforcement remedies, as noted in the OIG Report on DOL Criminal Enforcement. The Department addressed this concern in the corrective actions proposed in its FY 1990 FMFIA report by promising to identify 1991 enforcement funds and to designate agency criminal enforcement coordinators.

Although the Office of the Assistant Secretary for Administration and Management developed a schedule providing estimates of each agency's

enforcement funds and personnel devoted to enforcement, this schedule did not separately identify funds or number of employees applied to criminal investigations. This basic resource information is needed to enable the Department to assess the effectiveness of its criminal enforcement actions and the relationship of criminal enforcement to other enforcement activities.

All of the enforcement agencies designated or hired criminal enforcement coordinators during FY 1991. To effectively utilize these positions, the OIG believes the Department needs to determine what the duties and responsibilities of these positions should be and communicate those expectations to the enforcement agencies.

The OIG will continue to monitor these efforts.

## **Significant Audit Resolution Activity**

During this reporting period, significant audit resolution activity occurred which will increase the accountability for the Department's financial operations and certain program activities.

## **Department of Labor Accounting and Related Systems (DOLAR\$)**

To provide management more timely, accurate, and responsive financial management information, in 1986 the Department decided to replace its outdated primary accounting and reporting system. The new system, DOLAR\$, is designed to correct various internal control weaknesses; meet current agency accounting and reporting needs; meet OMB, GAO and Treasury Department accounting and reporting requirements; and implement the U.S. Government Standard General Ledger.

## **DOLAR\$: Progress and Problems**

(Report No. 19-90-008-07-710; issued Sept. 28, 1990)

In both the March and September 1990 *Semi-annual Reports*, the OIG reported significant prob-

lems with the DOLAR\$ system development effort. Since that time, the Department has made noteworthy progress in resolving these concerns.

Through the forum of an interagency test group created to solve developmental problems, the OIG believes that its concerns such as DOLAR\$ not meeting government accounting system and contractual requirements, inadequate input controls, and insufficient system documentation were successfully addressed.

While the Department has made progress implementing DOLAR\$ and ensuring the system functions as intended, the OIG will closely monitor the remaining portions of the implementation process.

### **DOLAR\$ Internal Controls do not Reasonably Assure Reliable General Ledger Balances**

(Report No. 12-91-011-07-001; issued March 28, 1991)

This review was conducted to assess strengths and weaknesses of the financial management controls surrounding the Department's new general ledger accounting system, operational since October 1, 1990. The financial management weaknesses were due primarily to lack of reconciliations between the new general ledger system and Treasury records, program or subsidiary records, and supporting detail. All but one recommendation in this report has been resolved.

The remaining issue centers on whether or not the closing of the Department's general ledger should be delayed until it is completely reconciled and properly adjusted to Treasury records. The OIG maintains that the general ledger should be closed at the end of the fiscal year, and that reconciliation of differences between the general ledger and subsidiary systems be subsequently completed along with revised reports filed with Treasury. The OIG and the Department, which does not agree with this position, are working towards a solution.

### **Evaluation of the Financial Reporting Capability of DOLAR\$**

(Report No. 12-91-020-07-001; issued March 28, 1991)

In the March 1991 *Semiannual Report*, the OIG reported that the Department had made progress in correcting deficiencies related to the completeness and accuracy of DOLAR\$'s external reports, and with respect to DOLAR\$'s compliance with U.S. Treasury Department requirements for reporting entities. It was the OIG's judgment that DOLAR\$ satisfied Treasury's requirements for implementation of the U.S. standard general ledger.

Work remaining to be completed concerns development and implementation of policies and procedures for the DOLAR\$ external reporting function, and the recruitment and training of qualified staff to maintain this function. Closure of these issues are directly related to organizational restructuring and additional funding associated with the Department's implementation of the CFO Act of 1990, including the appointment of a Chief Financial Officer.

### **Review of the Secretary's Year End Priority Projects for FY 1987**

(Report No. 02-89-262-01-001; issued July 3, 1989)

To fund a computer system designed to facilitate communications between the Secretary and Executive Staff, the Department assessed individual agencies based on their full-time equivalent (FTE) ceilings. The OIG concluded that this method of allocating the costs of the Executive Computer Network (ECN) was inequitable, affecting a transfer of \$880,464 from certain agencies' appropriations to those of other agencies without the necessary statutory authorization. The OIG and the Department could not agree on resolution of the audit recommendations associated with this project.

On December 6, 1989, the Inspector General and the Assistant Secretary for Administration and

Management requested that the Comptroller General provide an independent legal opinion on the propriety of these obligations.

In his decision, the Comptroller General concluded that the Department "used the eight agencies' appropriations for purposes other than as appropriated when it transferred the funds to contribute to the purchase of computer equipment for the benefit of the Department Management and Pension Benefit Guaranty Corporation appropriations." The Comptroller General directed the Department to adjust its Fiscal Year 1987 appropriation accounts to reflect this decision.

In response to the Comptroller General's decision, the Assistant Secretary for Administration and Management stated that "the Department will abide by the GAO decision that it cannot use other appropriations in financing the ECN in amounts in excess of the equipment assigned to an agency."

The Department has made the necessary accounting adjustments.

### **Single Audit Act Coverage of DOL Funds** (Report No. 04-91-006-50-598; issued March 29, 1991)

#### **Reliance on Grantees' Audit Reports under the Single Audit Act**

The reliance that DOL can place on grantees' audit reports prepared under the Single Audit Act remains a major concern of the OIG. Over 85 percent of the Department's funds are spent below the Federal level. The only audit coverage many of these funds receive is that provided by single audits.

In the March 1991 *Semiannual Report*, the OIG discussed the results of its review of DOL Single Audit Coverage. The report identified problems the OIG found with single audit coverage, audit quality, and ambiguous Job Training Partnership Act (JTPA) program criteria. The OIG also in-

cluded recommendations to the Secretary of Labor which it believed would correct these problems.

#### **Audit Coverage**

The OIG found that single audit coverage of some DOL programs was very limited. For example, over one-third of JTPA funds and about two-thirds of smaller DOL programs' funds either were not audited at all or received very limited audit coverage.

To improve single audit coverage, the OIG recommended that the Secretary of Labor encourage OMB or the Congress to make certain changes to the single audit requirements. These changes would result in more DOL programs' funds receiving adequate audit coverage, as well as requiring auditors to better disclose which programs received comprehensive audit coverage. The OIG also recommended the Secretary direct the Assistant Secretary for Employment and Training to make administrative or regulatory changes to ensure that DOL recipients and subrecipients obtain required single audits.

#### **Audit Quality**

The report discussed significant problems with the quality of single audit coverage. The OIG found that over one-half of the single audits contained significant fieldwork or reporting deviations from auditing standards or requirements. These fieldwork and reporting deficiencies are significant enough to reduce the reliance that the Secretary of Labor can place on single audits of DOL funds.

To improve audit quality, the OIG recommended that the Secretary advocate to OMB or the Congress that single audit requirements be modified. These modifications would require auditors to disclose the extent of testing for each major Federal program identified in single audit reports. The OIG also recommended, for those entities not assigned a cognizant Federal agency, each State be required to implement a quality review program of their recipients' and subrecipients' single audits.

### **Ambiguous JTPA Program Criteria**

The OIG also reported that ambiguities in JTPA program criteria have confused auditors and have allowed JTPA recipients to circumvent certain requirements. These ambiguities exist in JTPA cost limitations and classification, accounting procedures, and administrative standards.

The OIG recommended that the Secretary of Labor direct the Assistant Secretary for Employment and Training to support legislation or establish regulations to clarify JTPA criteria and to curtail circumvention of these criteria.

### **Resolution of Audit Recommendations**

Action being taken by the General Accounting Office (GAO), the President's Council on Integrity and Efficiency (PCIE), and pending legislation should contribute to resolving our concerns.

GAO, at the request of the Senate Governmental Affairs Committee, is currently performing a study to assess the extent to which the single audit approach is achieving legislative objectives. The GAO study is focusing on single audit report usefulness as a tool for assisting program managers in meeting their oversight responsibilities. GAO is concentrating on 13 Federal programs, including JTPA. GAO's methodology included sending questionnaires to Federal and State program managers, as well as State audit organizations, to

determine if report users' needs are being met and what improvements are needed. GAO expects to complete its study during 1992 and will make recommendations for appropriate changes.

The PCIE is also performing a study on the effectiveness of the single audit approach. The PCIE's methodology includes identifying perceived problems with single audits, validating the extent and significance of the perceived problems, and making appropriate recommendations. The PCIE expects to complete this study in the spring of 1992.

Pending legislation would resolve some of our recommendations regarding ambiguous JTPA program criteria. H.R. 3033, the Job Training Reform Amendments, has been passed by the U.S. House of Representatives. This bill contains language requiring uniform regulations to establish procurement standards, to ensure fiscal accountability, and to prevent fraud and abuse in JTPA programs. These procurement standards, which will limit performance-based contracts between governmental units, addresses many JTPA program abuses previously reported by the OIG. The bill will also increase JTPA accountability by requiring that JTPA program income earned by public or nonprofit organizations be used only to carry out the JTPA program. The OIG believes this legislation, along with departmental regulations and the GAO and PCIE initiatives, will adequately resolve our recommendations. H.R. 3033 is further discussed in Chapter 4, page 65.

# Office of Audit

## Section 2

### Improved Accountability for the Job Corps Program

The Congress continues to emphasize the importance of improving program accountability and measuring both program results and return on investment for government programs. The Job Training Partnership Act, under which the Job Corps program operates, recognizes that job training is an “investment in human capital” and mandates that “criteria for measuring the return on investment be developed.”

The recently enacted Chief Financial Officers (CFO) Act reinforces the need for program accountability. The OMB implementing guidelines require that: “Wherever possible, financial data should be related to measures of performance on a program-by-program basis.”

The OIG has developed and audited cost-based program results statements for the Job Corps program. They show the initial results that the program achieved and how much each result costs the taxpayer. They provide advantages over previously available information because *audited* program results and related costs are presented simultaneously to facilitate analysis and comparison.

#### Job Corps Program

The Job Corps program is designed to serve primarily impoverished and underemployed youth between ages 16 and 21. Comprehensive training in basic and vocational education, work experience, counseling, and other enrichment activities within a residential setting are provided at the training centers. After training, students are provided placement assistance for up to 6 months. The program is designed to enable participants to:

- (1) compete successfully in the job market,
- (2) obtain further education,
- (3) enter the armed forces, and
- (4) qualify for other training programs.

The program had a budget of \$755 million for the year ended June 30, 1990. During the audit period, there were 104 training centers. Ten regional offices of the U.S. Department of Labor were responsible for the operation of the centers, of which 30 were run by the Departments of Agriculture and Interior (Civilian Conservation Centers) and 74 were run by 21 private contractors. Both Federal Departments were considered a contractor for analytical purposes, bringing the total to 23 contractors.

#### Analysis and Statements of Costs Invested in Human Capital

The cost-based program results statements address only the initial results of the investment and do not measure the ultimate return on invested costs. They do not attempt to assess the potential

long-term benefits of participation in the Job Corps program, such as reduction in public assistance or unemployment. Rather, they measure the initial return on investment, such as placement in employment, return to school or enrollment in other training programs, entry into the armed forces, attainment of the GED certificate, and achievement of learning gains in math and reading.

The analysis is presented through a series of questions which show the program performance and costs and highlight immediate program effectiveness.

**What was the nature of the invested costs?**

Because it is a residential program, the cost categories used by Job Corps are not comparable to other job training programs provided for under JTPA. Costs were incurred in the following categories:

- (1) Administration - 26 percent
- (2) Residential Living - 24 percent
- (3) Educational and Vocational Training - 17 percent
- (4) Facilities, Equipment, and Depreciation - 14 percent
- (5) Allowances - 10 percent
- (6) Medical and Dental - 4 percent
- (7) Outreach, Screening, and Placement - 3 percent
- (8) Travel and Transportation - 2 percent

Some educational activities are included in cost categories other than training. For example, interpersonal skills and team work concepts are taught in the morale and recreational activities that are charged to the residential living category.

**What was the average cost for a participant to stay in the program for one year and what was the composition of the cost?**

The average cost for a participant to stay in the program was \$14,772 for center operating costs only. An additional \$4,006 was incurred at the non-center level (national and regional costs including placement assistance and student allowances), for a total of \$18,778 cost per year in the program. Cost per year in the program ranged from \$16,000 to \$21,000 per participant among the regional offices. The 23 Job Corps contractors' cost per year in the program ranged from \$11,000 to \$26,000 per participant.

**What was the cost invested in the participants who left the program and what was the initial return on investment?**

Job Corps invested approximately \$672 million in the 63,550 participants that left during program year ending June 30, 1990. Of this amount, \$572 million, or 85 percent of the investment resulted in participants receiving measurable benefits. Approximately \$100 million, or 15 percent, was invested in participants who did not receive measurable benefits.

Regional offices' investments resulting in no measurable gain ranged from 6 to 20 percent of total investments in participants. The 23 Job Corps contractors' investment with no measurable gains ranged from 4 to 29 percent of total investments in participants.

**What were the total cumulative costs invested in Job Corps participants who were served during the program year?**

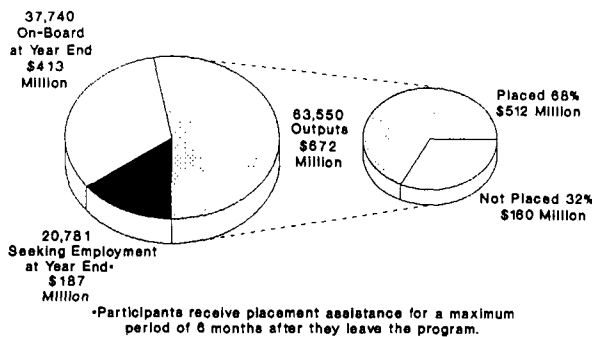
For the program year ended June 30, 1990, a cumulative investment of approximately \$1.3 billion (center, regional, and national costs) had been made in 122,071 participants. This includes

prior year costs associated with participants being served in the current program year. Regional offices served between 5,200 and 29,200 participants, with cumulative investments between \$51 million and \$268 million at the center level. The 23 contractors served between 338 to 19,460 participants, with a cumulative investment between \$3 million and \$157 million at the center level.

### What happened to the participants served?

The following graph shows what happened to the 122,071 participants with a \$1.3 billion cumulative investment.

RESULTS OF PARTICIPANTS SERVED  
PROGRAM YEAR ENDED JUNE 30, 1990



### What were the output results for the program year?

Of the 63,550 participants that left the program, the following were the output results:

Output Results and Invested Costs PROGRAM YEAR ENDED JUNE 30, 1990						
	Participants Served		Invested Cost of Output			
	Number	%	Center Operations Costs (Millions)	Non-Center Costs (Millions)	Total Invested Costs (Millions)	%
Placed:						
Employed Matched Training	8,513	13%	\$126	\$ 31	\$157	23%
Other Employed	25,167	40%	191	73	264	39%
Other Placed	<u>9,566</u>	<u>15%</u>	<u>65</u>	<u>26</u>	<u>91</u>	<u>14%</u>
Total Placed	43,246	68%	\$382	\$130	\$512	76%
Not Placed	<u>20,304</u>	<u>32%</u>	<u>148</u>	<u>12</u>	<u>160</u>	<u>24%</u>
Total Outputs	<u>63,550</u>	<u>100%</u>	<u>\$530</u>	<u>\$142</u>	<u>\$672</u>	<u>100%</u>

Job Corps Regional Offices achieved a placement rate of between 55 percent and 80 percent. The 23 contractors ranged from 45 percent to 83 percent. The national "total placed" percentage of 68 percent reflects an adjustment made by Job Corps to the reported placement information. This adjustment was made only at the consolidated level and not at the regional, contractor, or center levels. In making the adjustment, Job Corps assumes that the known percentage of participants that were self-placed would also apply to the participants for which placement status is unknown. The adjustment increased the total placement rate from 62 percent to 68 percent.

Further, Job Corps computes the rate of matched employment as a percentage of the total participants employed. For the program year ended June 30, 1990, this would result in a matched employment rate of 25 percent (8,513 of 33,680). Because one of the main goals of Job Corps is to provide vocational training and to find the participants employment in the vocational area trained, we believe that the base should be the total participants that terminated. Therefore, our analysis is made on this basis rather than on a "total participants employed" basis, which reflects a restricted participant base.

### How much time did the participant spend in Job Corps and does the average length of stay affect the participant's ability to obtain placement?

The average length of stay for the 122,071 participants served was 203 days with a range of 137 to 261 days for the regional offices, and 163 to 467 for the 23 contractors. For the 63,550 participants who left the program, their average length of stay was 206 days, with a range of 165 to 277 days for the regional offices. The length of stay for participants that found employment that matched their training was 359 days. For participants that were not placed, the average length of stay was 153 days.



**What were the employment results by type of training provided?**

Approximately 97 percent of the participants received vocational training during their stay in Job Corps. Only 8,513, or 13 percent, of the 63,550 participants leaving the program found employment in their vocational training area (this represents 25 percent of all participants placed in employment). An additional 9,566, or 15 percent, of the participants chose to return to school, enter other training programs, or enter the armed forces. The regional offices' ranges were 10 percent to 23 percent for matched employment, and 9 percent to 22 percent for the latter. The 23 contractor ranges were 7 percent to 46 percent, and 5 percent to 28 percent, respectively.

For those participants who completed their training programs and stayed at least 180 days, 83 percent were placed compared to the 68 percent national average, with 33 percent being placed in the vocational area trained, compared to 13 percent nationally.

**How many participants received a GED or a high school diploma during their stay in the program?**

Of the 63,550 participants that left the program, 10,657 had a high school diploma at enrollment. The remaining 52,893 participants achieved the following results:

**GED OR HS Diploma  
Attained by Participants  
During Stay in Program**  
PROGRAM YEAR ENDED JUNE 30, 1990

	Number of Participants	Percent
Attained GED	9,668	38%
Did Not Attain GED	15,589	62%
Total Eligible For GED	<u>25,257</u>	<u>100%</u>
Total Eligible For GED	25,257	48%
Not Eligible For GED	<u>27,636</u>	<u>52%</u>
Total Without H.S. Diploma At Enrollment	<u>52,893</u>	<u>100%</u>

The GED attainment rate for the regional offices went from 25 percent to 63 percent. The contractors ranged for 19 percent to 78 percent. The participants who attained the GED were more successful at obtaining placement. Their placement rate was 79 percent compared to the 68 percent consolidated average.

**What learning gains were achieved by participants during their stay in the program?**

Of the 63,550 participants that left the program, 26,477 were not tested for learning gains. This group dropped out of the program at a very early stage and averaged a length of stay of only 81 days.

The remaining 37,073, or 58 percent, of the participants were tested for learning gains, with 33,098 achieving a combined average gain for math and reading of 2.3 grade levels. These participants had a placement rate of 73 percent compared to the national average of 68 percent.

**Program Results Statement Audits**

Program accomplishment audits determine whether the program results statements are presented fairly. The three components of the audit report are: an opinion on the program results statements, a report on internal controls, and a report on compliance with laws and regulations.

**Program Results Statements and Opinion**

The OIG audited the following six program results statements: Statement of Human Resources; Statement of Total Outputs; Statement of High School Diploma or GED Attainment and Program Outputs; Statement of Learning Gains and Program Outputs; Statement of Training Received and Employment Matches; and Statement of Performance Standards Accomplishments.

In the OIG's opinion, except for the effect of any adjustments necessary due to three scope limitations (not delineated herein), the statements pres-

ent fairly the status of the Job Corps program as of the program years ended June 30, 1989 and 1990.

## **Report on Internal Controls**

The OIG's evaluation of internal controls disclosed the following reportable conditions which, except for the last condition, we believe could result in material errors or irregularities in relation to the program results statements, which may not be promptly detected.

*Job Corps data collection and reconciliation procedures do not ensure accurate reporting.* Delays in receipt and entry of data in the management information system resulted in an understatement of student strength at year end by 1,200 students at June 30, 1989, and 8,800 at June 30, 1990. Further, center records and the management information system are not reconciled to ensure completeness and accuracy, and student terminations are tracked differently at the center and in the automated system.

*Documentation to support reported statistics was not always maintained, but Job Corps has revised their documentation retention requirements.* Job Corps management is implementing new documentation retention standards. For those records tested, no problems were identified.

*Job Corps' monitoring and recording of placement statistics has improved, but new procedures were not completely implemented during our audit period.* The results of confirming reported placements showed that the percentage of invalid placements had decreased in response to Job Corps initiating regional placement verification procedures, from 20 percent in program year 1986 to 13 percent in program year 1988, and 8 percent in program year 1989.

*Performance standards do not monitor all activities and contractors.* Performance standards are an important control Job Corps management uses to ensure program effectiveness. Five performance standards are used to monitor center contractor performance. Screener, vocational training, and

placement contractors do not have comparable standards. Since the period covered by the audit, Job Corps implemented a vocational completion standard for its training contractors and is developing standards for placement contractors.

Job Corps agreed with most of our recommendations and has been very responsive to our audit findings. Many corrective actions began before the conclusion of our audit. Of particular note is a major initiative to integrate existing management information systems and "student day" systems into one system that will provide more timely and reliable program information.

## **Report on Compliance with Laws and Regulations**

The Job Corps program, except for the matters discussed in the Report on Internal Controls, complied with the terms and provisions of laws and regulations for the transactions tested that could have a material effect on the program results statements.

## **Financial Statement Audit**

The financial statement audit determines whether the financial statements are presented fairly. The three components of the audit report are: an opinion on the financial statements, a report on internal controls, and a report on compliance with laws and regulations.

## **Financial Statements and Opinion**

The opinion on the financial statements was qualified because the auditors could not satisfy themselves as to the fair presentation of advances to the public, grantees and contractors at June 30, 1989 and 1990, recorded at \$9.1 million and \$63.9 million, respectively, or the fair presentation of related expenses for those years. Also, it was not possible to audit beginning balances for the year ended June 30, 1989.

## Report on Internal Controls

The OIG's evaluation of internal controls disclosed reportable conditions related to program accounting and reporting, corpmember allowance payment system, center level operations, and regional office and finance center operations. The first two conditions were reported in prior audit reports. Only the first condition is considered a material weakness, and the opinion on the financial statements has been qualified as a result.

### Program Accounting and Reporting

(1) Accounting controls were at the appropriation level, not at the program level. The Department's new accounting system, DOLAR\$, has the capability of program accounting control. During our audit period, this capability was not fully functional, and its existing capabilities were not fully utilized. Departmental management has agreed that the DOLAR\$ reporting capability needs to be better utilized for effective program accounting and reporting.

(2) The Department of Labor has no central program accounting responsibility for Job Corps. Various accounting functions are dispersed throughout the Department. As a result, not all program assets and liabilities are recorded and controlled in the general ledger, and subsidiary records cannot be reconciled to the control accounts in the general ledger. This resulted in a qualified opinion.

(3) Job Corps did not have an accounting system which included the operations of the Departments of Labor, Agriculture, and Interior. ETA has established accounts to provide overall fund control for the activities of the other two agencies. This level of control is useful for budget purposes; however, additional information is needed on assets, liabilities, equity, revenue and expenses for the program.

### Corpmember Allowance Payment System

The OIG found the following weaknesses: (1) the system was designed as a disbursement system and not as an accounting system, (2) insufficient rec-

ords were maintained, and (3) payment and pay status transactions submitted to the system were not verified with the centers. A new allowance system is being designed. Our recommendations were directed to the new system. Management agreed with our recommendations.

### Center Level Operations

Job Corps, through its national and regional offices, has the responsibility for ensuring that center operators have adequate internal controls and that such controls are functioning properly. As part of our audit, certain agreed-upon procedures were performed at 31 of the 104 centers. The results of the agreed-upon procedures revealed that:

(1) monthly financial reports were misstated at 11 centers,

(2) procurement regulations were not adhered to at 8 centers,

(3) non-personnel disbursements lacked adequate internal controls at 8 centers,

(4) property management systems were inadequate at 12 centers,

(5) consumable supply inventories were not adequately controlled at 6 centers, and

(6) Government Travel Requests (GTRs) were not adequately controlled at 14 centers.

Job Corps management has initiated several actions, including revision of its center review guide, development of financial management training, and development of center assessment training. While these activities were planned prior to completion of the audit, the activities will be reviewed to ensure they fully address the audit findings.

### Regional Office and Finance Center Operations

Our audit found problems in financial reporting for some of the Department of Interior centers. At the Department of Labor regional offices, weaknesses were identified in financial report review

and control of contractor payments. In our sample of transactions, approximately \$500,000 in overpayments were identified. Management has agreed to a number of actions to correct these weaknesses.

### **Report on Compliance with Laws and Regulations**

The report notes that the Job Corps program complied, in all material respects, with the laws and regulations that could have a material effect on the financial statements, except for certain questioned costs related to national contractor compliance and center operator compliance. Five contractors representing 11 national contracts were

audited. Contract audited costs totaled \$13 million and \$21.7 million during program years ending June 30, 1989, and 1990, respectively. Indirect costs associated with these five contractors were questioned, resulting in total questioned costs of \$652,547 and \$184,625 for the same period. The primary causes of the questioned costs were either inclusion of direct costs in the indirect cost pool or unallowable contract costs.

In the agreed-upon procedures performed at the 31 centers, various noncompliance conditions were identified. These conditions gave rise to questioned costs of \$1.5 million and \$1.2 million for program years ending June 30, 1989, and 1990, respectively.

# Office of Audit

## Section 3

### Agency Activities

This section reports significant audit-related activities for the major agencies of the Department. For the most part, this will be a summary of the findings and recommendations contained in audit reports issued during this reporting period. In a few instances audit resolution activity for a report issued in a previous period is included in this section when the results of the resolution process are pertinent.

#### **Employment and Training Administration**

The Employment and Training Administration (ETA) administers a number of statutes related to employment and training services for the unemployed and underemployed, employment security for workers, and other programs that are directed to the employment needs of the nation.

A major decentralized structure for the delivery of employment and training (E&T) services, funded through grants to States and administered by the States, is authorized by the Job Training Partnership Act (JTPA). JTPA also authorizes certain E&T programs which are administered by the ETA national office, the most prominent of these being the Job Corps, Native American, Migrant and Seasonal Farmworker, and Veterans programs.

The employment security function is composed of the Unemployment Insurance Service (UIS) and the U.S. Employment Service (USES). The UIS oversees a nationwide unemployment compensation system administered by the State Employment Security Agencies (SESAs). The USES oversees the operation of a nationwide public employment service system also through the SESAs.

In addition to JTPA and other ETA program activities, during this reporting period the OIG issued reports on ETA Fiscal Year 1990 Financial Statements and the Grants and Contract Management Information System (GCMIS) development effort.

**ETA Fiscal Year 1990 Financial Statements**  
(Report No. 12-91-023-03-001; issued June 27, 1991)

The OIG audited the financial statements of ETA for Fiscal Year 1990. The financial statement opinion was qualified because of the inability to examine sufficient evidence to satisfy the fair presentation of accounts receivable from, and advances to, the public, grantees, and contractors.

The report on internal control structure noted certain matters that were considered to be "reportable conditions," or deficiencies in the design or operation of the internal control structure that could adversely affect the ability to record, process, summarize, and report financial data. Of the seven reportable conditions, two were considered by the auditors to be conditions that could materially affect the fair presentation of the financial statements, as follows:

(1) Recorded advances in DOLAR\$, the Department's general ledger, were not reconcilable with ETA's Regional Automation System (RAS). This condition was previously reported in our Fiscal Years 1989, 1988, and 1987 reports on internal control structure.

(2) Adjustments made to reconcile account balances with U.S. Treasury undisbursed appropriation account balances were undocumented.

In response to this report, ETA and the Department acknowledged that these conditions need to be resolved and, as a result, have started a substantive effort to remove these conditions.

**ETA's GCMIS: Strong Coordination and Careful Evaluation Needed to Reduce Risk**  
(Report No. 19-91-007-03-310; issued Sept. 20, 1991)

ETA's RAS, an automated financial and management information system, accounts for agency obligations, payments, and expenditures. In Fiscal Year 1989, RAS entries for DOLAR\$ were \$6.1 billion or 23 percent of DOL's total expenses.

The RAS "core" system is over 15 years old and both its software and hardware are outdated. It is

critical to both ETA and the Department that the RAS be replaced with a more efficient system. Over the past 4 years, ETA has expended \$1.7 million on a replacement system and the development of a prototype "core" module.

This GCMIS development effort, however, has problems, including unresolved issues between ETA and the Office of Assistant Secretary for Administration and Management (OASAM), Department-wide coordination, funding, and system development planning.

**Unresolved Issues**

A major problem in the development effort is that top management levels of ETA and OASAM have not resolved differences on the linkages or relationships between RAS/GCMIS, DOLAR\$, and the Department of Health and Human Services' Payment Management System (PMS). Four years into the development effort, ETA and OASAM still have not defined what roles and functions RAS/GCMIS and DOLAR\$ will have within the Department's accounting structure.

**Department-Wide Coordination**

Although ETA programs account for 90 percent of DOL grant dollars, 4 other DOL agencies manage grant funds. Despite OASAM's explicit instructions that the new grants management system should have the flexibility to meet the needs of all DOL-affected agencies, ETA did not involve other DOL agencies in the prototype development effort.

**Funding**

The development effort currently lacks funding. OMB denied ETA's Fiscal Year 1992 \$1.6 million budget request for further development work and system implementation. ETA did not appeal this decision.

ETA has stated that it has requested Fiscal Year 1993 funding and that the Department has made "some" funding available for Fiscal Year 1992. The OIG has no confirmation of this. The OIG

acknowledges the need for the GCMIS system and supports Fiscal Year 1993 funding for this project.

### **System Development Planning**

In addition to difficulties previously discussed, ETA has accepted a high level of risk of system development failure in attempting this development with technology (software and hardware) that is different from ETA's IRM environment, with complete reliance on contract staff to provide technical expertise, and without detailed work plans for the development and implementation of the system.

### **Conclusion**

This major developmental effort requires coordination at various organizational levels, from top management agreement to resolution and definition of technical issues. The two Assistant Secretaries have reached general agreement on principles. However, OASAM and ETA staff have not translated these principles into substantive mutual agreements--either on accounting or technical issues reported above.

These differences have had a substantial impact on the system development effort. After 4 years of development at a cost of \$1.7 million, which includes a 2-year contractor prototype development effort, ETA does not have the complete specifications for its new system.

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

On May 9, 1991, the Inspector General testified before the House Education and Labor Subcommittee on Employment Opportunities about OIG recommendations for amendments to JTPA. Many of the issues raised during the IG's testimony are addressed in H.R. 3033, "Job Training Reform Amendments." On October 9, the House overwhelmingly passed H.R. 3033. More detailed remarks on this legislation are included in the legislative assessment section of this report (page 65).

Audits issued during this period focused on the financial aspects of JTPA. Included are audits on financial reporting and accounting, cash management, program revenue, audit management and resolution, and compliance issues. In addition, several audits were performed of JTPA-funded entities, some at the request of ETA.

### **Adequacy of ETA Financial Reporting and Accounting for JTPA**

(Report No. 06-91-003-03-340; issued Sept. 27, 1991)

The OIG examined the adequacy of ETA's internal and administrative accounting controls for JTPA program financial reporting and accounting. The examination consisted of analysis of financial statements at the service delivery area level (issued as Report No. 06-91-018-03-340) and financial data and procedures at the State and ETA national office levels.

Our report stated that ETA's accounting practices are inadequate to record and control the liquidation of Federal JTPA obligations and monitor and control grantee Title II(A) administrative expenditures. ETA disagreed with these findings. The OIG concluded that the current JTPA accounting system does not provide the necessary controls to ensure that JTPA appropriations are expended only within the 3-year time limit, nor does it allow ETA to monitor whether States are enforcing service delivery area (SDA) compliance with the 15 percent administrative cost limit. The OIG considers these findings to be material internal administrative and accounting control weaknesses in ETA's financial reporting and accounting for JTPA.

Current financial reports required of JTPA grantees do not provide ETA the necessary information to control JTPA expenditures. More specifically, accounting procedures fail to:

- (1) identify when appropriations lapse and are no longer available for expenditure;
- (2) prevent recording of JTPA expenditures against obligations after the 3-year time period for liquidating obligations lapse; and

(3) reduce amounts obligated when unliquidated obligations lapse.

The OIG's report recommends that ETA make an official determination on the propriety of first-in, first-out (FIFO) methods currently used for JTPA expenditure accounting (whereby cumulative reported expenditures are utilized to liquidate the earliest year of appropriated JTPA funds). In order to resolve this report, the OIG expects it may be necessary to request the Comptroller General to rule on the acceptability of the FIFO method.

ETA has informed the OIG that ETA must await the outcome of legislative action to determine whether to resolve this problem through issuance of new regulations or whether regulatory changes will be made under current legislation. Until revised regulations are implemented, ETA does not plan to revise the Title II reporting requirements.

### **Florida JTPA Cash Management**

(Report No. 04-91-032-03-340; issued July 26, 1991)

Because the timing of cash disbursements has a significant impact on the interest cost of grant programs, the Department of Treasury has established cash management standards to minimize the interest cost of financing Federal grant programs.

A review of the State of Florida's cash management practices related to JTPA disclosed that the State could reduce the total time elapsed between the receipt of Federal cash at the State level and the ultimate disbursement by its subrecipients. For the year ended June 30, 1990, our analysis showed that JTPA's average daily cash balance could have been reduced by as much as \$1.9 million. Seven of 10 subrecipients we reviewed were not using income derived from JTPA grants and contracts to meet their cash needs. Rather, the monies were retained and invested.

Florida agreed with our recommendations and described plans to implement improved cash management systems and procedures. The pro-

posed corrective actions will resolve our recommendations.

### **Florida JTPA Revenue Account**

(Report No. 04-91-038-03-340; issued Sept. 18, 1991)

Both JTPA and Wagner-Peyser Act (WPA) regulations require that costs, to be allowable charges to Federal programs, must be "necessary and reasonable." Also, Federal cost principles and JTPA cost principles adopted by the State of Florida provide, for grants and contracts administered by State and local governments, "no provision for profit or other increment above cost is intended."

These facts notwithstanding, Florida's Employment Security Job Service (ESJS) has accumulated net profits totaling \$961,003 involving Federal funds provided by both JTPA and WPA which were generated through the use of fixed unit price, performance-based (FUPPB) contracts. The OIG believes that the profits are unallowable. More important, the costs of delivering related programs have been unnecessarily inflated and funds have been diverted from participants who could have been served.

From our examination of activity on FUPPB contracts from their inception through Program Year 1989, we determined that Florida began earning profits as early as Program Year 1984. A 3-year time limitation has been established for spending JTPA and WPA appropriations. Consequently, for nearly all of the identified profits, this limitation has expired and any unused or improperly used profits should be returned to the Department of Labor.

Since Florida encouraged the use of FUPPB contracts, which incorporate "profit," program costs were increased. Had cost reimbursable contracts been negotiated, profits would have been eliminated, the cost of services would have been reduced, and more participants could have benefited from the programs.

The OIG found that many of the contracts were negotiated between subdivisions of the same State agency and were not arms-length transactions.



The risk of losses for poor performance are as much a tenet of acceptable FUPPB contracts as are profits for exceptional performance. Since the contracting parties were often interrelated federally funded organizations, there was little or no risk of loss to the contractor.

Finally, the OIG has concerns regarding how Florida spent a portion of the profits. During the period we reviewed, the State used \$800,000 in profits to repay a portion of a debt resulting from unallowable expenditures identified in an earlier Federal job training program. The use of JTPA and WPA profits for repayment of this debt violated conditions of the settlement agreement with DOL, which required repayment from non-Federal sources.

In responding to our report, Florida stated that \$800,000 in non-Federal funds has since been restored to the "revenue account." However, the State disagreed with the criteria (and their interpretation) for the other recommendations and stated that the contracts were negotiated in good faith and that the funds in question should not be returned.

### **Florida JTPA Audit Management and Resolution**

(Report No. 04-91-030-03-340; issued Sept. 19, 1991)

Improved controls over the State of Florida's audit management and resolution systems are needed to ensure that JTPA funds receive required audits, financial and administrative weaknesses identified in audit reports are corrected, and compliance issues are adequately resolved.

The OIG reviewed eight service delivery areas (SDAs) which expended about \$40 million during Program Year 1988. Florida's total JTPA expenditures were \$87 million. State monitoring controls were found not sufficient to ensure that findings contained in audit reports of SDAs were properly resolved. Several instances were identified for which corrective actions were either not taken or did not correct the cause(s) of the problems. Also, few followup visits were performed by State monitors to evaluate the adequacy of corrective action or to determine if proposed actions

were implemented. As a result, problems which affect many SDAs and much of the State's JTPA activities were not rectified.

Just as the State is responsible for ensuring that SDAs adhere to program audit requirements, SDAs are also responsible for ensuring that subrecipients obtain required audits of JTPA funds. Many SDAs either had not developed or had not implemented procedures for ensuring that such audits were performed or that the audit findings were adequately resolved. Instances were identified in which subrecipients had not received required audits, subrecipient audit reports did not identify the expenditure of JTPA funds, and subrecipient audit findings were not adequately corrected.

Although the State arrived at different conclusions regarding certain data presented in our report, Florida agreed to implement the recommended corrective actions.

### **JTPA Service Delivery Area Reports on OJT Performance Based Contracts**

In March 1991, the OIG issued a summary report on JTPA/OJT Performance Based Contracts (Report No. 05-91-056-03-340). The report was based on reviews performed by the OIG which included a universe of 7,500 participant cases which were claimed and paid as JTPA/OJT program completions in 9 SDAs across the nation. The report was issued in summary form because, at the time, data was not complete for certain individual SDA reports. The summary report revealed questioned costs of \$1,155,286 from 616 participant cases and an additional \$2,414,528 from 850 cases that were questioned because supporting or verifying payroll documentation could not be supplied.

During this reporting period, the OIG issued seven of the individual SDA reports to ETA. ETA has issued the seven reports to individual States for audit resolution. The OIG and ETA have agreed that resolution of the summary report will be based on resolution of the individual SDA reports. Costs questioned for the SDA reports are summarized in the following chart.

## Costs Questioned for the SDA Reports

SDA And Report No.	Costs Questioned		Under Investigation	Total Cost Exceptions
	For Cause	Unsupported		
Cook County #05-91-044-03-340	\$ 52,286	\$ 86,265	\$ 43,978	\$ 182,529
Dallas #05-91-043-03-340	96,497	70,334	0	166,831
Los Angeles City #05-91-046-03-340	64,174	277,224	884,778	1,226,176
Louisville/Jefferson County #05-91-040-03-340	13,531	20,416	0	33,947
Alamo (San Antonio) #05-91-042-03-340	24,716	39,632	0	64,348
Seattle/King County #05-91-012-03-340	56,810	60,344	0	117,154
South Florida #05-91-041-03-340	35,421	15,392	0	50,813
<b>TOTALS</b>	<b>\$343,435</b>	<b>\$569,607</b>	<b>\$928,756</b>	<b>\$1,841,798</b>

### Audit of Compliance with Federal and State JTPA Requirements, Denver Service Delivery Area

(Report No. 06-91-019-03-340; issued Sept. 27, 1991)

The OIG examined elements of the JTPA program administered by the Denver SDA for Program Year 1987 through December 31, 1990. Our report questioned approximately \$1.1 million in costs claimed by the city because the costs were considered to be either misclassified or unallowable. More specifically, report findings questioned the following SDA cost classification practices:

- (1) Internal staff costs and nonpersonnel costs for administration were charged as training and participant support costs.
- (2) Employment Generating Activity costs were charged as participant support rather than administration.
- (3) Contracted JTPA marketing costs were charged as participant support rather than administration.

As a result of administrative costs being misclassified as training and participant support, the OIG reported that the Denver SDA exceeded the 15 percent limitation on JTPA administrative expenditures. Additionally, certain program costs were questioned that were used to serve ineligible par-

ticipants at the SDA's JobLink Program and new Airport Employment Office.

The SDA's written response to the draft report disagreed with all findings which questioned the classification or allowability of JTPA cost claims. However, the response did not provide a basis to change the findings.

### OIG/ETA Review of the Virgin Islands JTPA and UI Programs

(Report No. 02-91-248-03-310; issued Sept. 30, 1991)

The OIG and ETA performed a joint review of the Virgin Islands JTPA and unemployment insurance programs. The purpose of the review was to follow up on prior ETA monitoring findings.

The joint review disclosed questioned costs of approximately \$1.5 million. Noncompliance with the matching provisions of Title II and Title III of JTPA resulted in questioned costs of about \$1.2 million. The remaining questioned costs resulted from lack of participant files to ensure that only eligible persons were served, procurement deficiencies, differences between reported expenditures and supporting documents, and inadequate documentation for allocation of hearing officials' wages.

The response to the draft report by the Virgin Islands' Governor indicated disagreement with the findings associated with matching requirements and procurement deficiencies.

### Nationally Administered Programs

JTPA Title IV authorizes programs which provide job training to economically disadvantaged, unemployed, or underemployed special target groups. It also authorizes certain other job training programs and activities, collectively known as "national activities." All are centrally administered at the national level.

During this period, work was completed in the Job Corps, Indian and Native American programs, and National Activities (the subsection "Depart-

mental Management” on page 38 reports audits of indirect costs claimed by certain Job Corps contractors).

### **Special Review of Allegations at the McKinney Job Corps Center**

(Report No. 06-91-041-03-370; issued July 19, 1991, and Report No. 06-91-044-03-370; issued August 21, 1991)

This special review was conducted at the request of the Office of Job Corps. The OIG found that certain aspects of center operations were not in compliance with Job Corps regulations, and the instances of noncompliance appeared to be deliberate.

The vast majority of students in the McKinney Job Corps Center (JCC) GED program were found to have had entry level test scores for educational achievement that made the Center eligible to earn a Job Corps evaluation bonus. However, because the tests themselves were destroyed after the scores were posted to the participants’ records, validation of the test scores was not possible. Nevertheless, other test scores for the same individuals and other discrepancies from student records validated that the entry level scores were being purposely lowered to pad the “bonus pool” candidates.

The Center contractor, the Texas Educational Foundation, conducted its own investigation in response to the report and concluded that “[t]he Center had been tampering with student test scores to enhance Center performance in the GED program.”

The OIG also found that the McKinney JCC routinely placed “absent without leave” students in administrative leave status prior to termination from the program. Furthermore, the majority were given administrative leave with pay, in the OIG’s opinion, without justification. This practice had the effect of making statistics representing Center operations more positive than they actually were.

The review also substantiated allegations that, in order to keep negative terminations down, the Center did not enroll all students that reported to the Center.

The Center contractor conducted an independent investigation of these Center conditions and concurred with the OIG’s findings.

The Office of Job Corps did not award a subsequent contract for operation of the McKinney JCC to the contractor under whose administration these abuses occurred.

### **American Indian Fellowship Association**

(Report No. 18-91-028-03-355; issued Sept. 20, 1991)

As reported in the March 1991 *Semiannual Report*, the OIG issued an Alert Memorandum to ETA based on preliminary results of an audit of JTPA grant funds awarded to the American Indian Fellowship Association (AIFA). This audit had been requested by ETA, based on problems identified by a prior ETA monitoring review. As a result of the monitoring review and the OIG’s audit, ETA issued an emergency termination of the AIFA grant.

Final audit results, which covered the period of January 1, 1988 through June 30, 1990, indicated that AIFA received and expended \$336,416 of JTPA grant funds. Of this, the OIG questioned a total of \$193,172, or over 57 percent of the total expenses reported by AIFA. Most of the questioned costs were due to salaries and related payroll costs being inappropriately charged to “training” after the “administration” cost category limitation had been reached and questionable rent charges in excess of actual rental costs.

### **National Activities**

JTPA Title IV authorizes funds for national activities such as training and technical assistance programs, research and evaluation projects, and pilot and demonstration projects. Fiscal Year 1991 funding for these activities totaled \$56 million.

During this period, the OIG completed audits related to three Title IV grantees -- Opportunities Industrialization Centers of America, 70001 Training and Employment Institute, and the Philadelphia Private Industry Council.

## **Opportunities Industrialization Centers of America, Inc. (OIC/A)**

(Report No. 18-91-034-03-340; issued July 12, 1991, and Report No. 18-91-035-07-735; issued Sept. 30, 1991)

OIC/A is a nonprofit organization established in 1964 and chartered to provide training and job creation services to the poor and unemployed. It accomplishes this task primarily via affiliates, or job training centers, throughout the United States. OIC/A provides technical assistance and training to its affiliates through several mechanisms including workshops and classes, on-site visits, preparation and dissemination of technical "how to" manuals, and information bulletins concerning various aspects of JTPA. DOL has funded the organization with technical assistance and training grants for over 20 years.

### **Recurring Deficiencies Previously Identified by ETA and OIG**

In December 1988, ETA identified several financial and cash management areas in which OIC/A was deficient. Followup reviews by ETA in 1990 found only minimal corrective action.

In August 1990, the OIG issued a management report informing ETA that financial audit work had shown that, despite repeated ETA monitoring, OIC/A had long-standing serious financial and cash management weaknesses.

In December 1990, the OIG issued a report questioning \$761,599 of the \$7.9 million in *direct costs* claimed by OIC/A for ETA technical assistance and training grants ending June 30, 1989. This was because OIC/A improperly charged its management and administrative personnel directly to the ETA technical assistance grants, even though the personnel worked on DOL and non-DOL programs. ETA issued a management decision disallowing the entire \$761,599 questioned by the auditors.

### **Followup OIG Management Report**

In July 1991, the OIG issued a followup management report on the status of OIC/A's corrective

actions to properly account for Federal funds. The financial audit in process revealed an un-audited negative fund balance exceeding half a million dollars, and a financial and overall management situation that had deteriorated to the point where critical evaluation was needed by ETA to determine whether OIC/A was or could again become a viable grantee.

### **Financial Audit Report**

The OIG audited the *direct costs* claimed by OIC/A under a follow-on ETA technical assistance grant for the year ended June 30, 1990, and a Women's Bureau grant for the period December 1, 1989 - September 30, 1990, and the *indirect costs* for the year ended June 30, 1990.

The audit resulted in questioned *direct costs* of \$417,039 (\$333,275 of the \$956,336 claimed under the ETA grant and \$83,764 of the \$212,760 claimed under the Women's Bureau grant). Questioned ETA costs resulted from improper charges of labor costs and fringe benefits, costs invoiced in excess of general ledger amounts, improper charges for advances to a subcontractor, and unsupported charges for other operating and travel costs. Questioned Women's Bureau costs resulted primarily from excess cash drawdowns without regard to grant matching requirements.

The questioned *indirect costs*, reclassification of costs to their proper cost category, and related adjustments to OIC/A's proposed cost allocation base resulted in a \$64,746 overall reduction in OIC/A's indirect costs.

### **ETA and OIC/A Corrective Actions**

Because of the OIG findings, ETA deferred funding OIC/A for Program Year 1991, and the organization is operating on an extended Program Year 1990 grant utilizing unspent funds. As such, ETA has imposed a stringent Corrective Action Plan to address the OIG findings and bring OIC/A into compliance.

The Plan calls for active participation by the OIC/A Board through an Oversight Management

Committee (representing OIC/A Board members and corporate sponsors) that will work with the designated Corrective Action Plan Director.

As of September 30, 1991, OIC/A hired a new comptroller, brought in a loaned executive from industry to address DOL's concerns, and was searching for a new Director of Training and Technical Assistance. ETA and OIG staff met with these new officials. In addition, in early October 1991, ETA and the OIG staff met with OIC/A Board members and the OIC/A Oversight Management Committee on the problems and needed improvements.

### **70001 Training and Employment Institute** (Report No. 18-91-021-03-340; issued Sept. 30, 1991)

The 70001 Training and Employment Institute's (Institute) -- now WAVE, Inc. -- develops programs related to high school dropout prevention, dropout recovery, and the reorientation of disconnected youth.

The OIG's audit of the \$5.4 million in costs claimed by the Institute under its DOL grants and contract during the 3 years July 1, 1986 through June 30, 1989, resulted in questioned costs of \$779,739. The Institute used *predetermined percentages* and amounts based on budgets to allocate these costs, rather than allocating such costs, as required, on an *actual cost* basis. The Institute also improperly included unallowable costs in the general and administrative cost pool. In addition, the Institute failed to reduce the overall rental expense for rental income received for sublet space. Because of the significance of the questioned costs in relation to claimed costs (14 percent), the auditors issued an adverse opinion on the costs claimed. The Institute disagreed with the audit findings.

The OIG also raised the following issues with ETA as a result of the audit:

(1) ETA needed to provide more specificity in the scope of work, objectives, and budget of the Partnership Program grants to ensure that DOL does not provide duplicate Federal funding of the Institute's JTPA activities -- once by the Partner-

ship Program grants and again by the local community organizations which contract for the Institute's services using JTPA funds received from their State or local governments.

(2) ETA needed to ensure that excessive office rental costs are not paid to the Institute under any future awards for a new 20-year lease the Institute entered into for the National Office space. The lease provides several incentives for the Institute which are not being treated as rental expense reductions in accordance with the pronouncements of the Financial Accounting Standards Board. The incentives include the eventual acquisition of a 23 percent partnership interest in the building the Institute now partially occupies.

As a result of this audit and the audit report on the National Council on Aging (NCOA), where the audit disclosed a \$1 million cash rebate under NCOA's new lease, the Assistant Secretary for Employment and Training agreed that under present market conditions other grantees are likely to obtain space under lease agreements that includes lease-up incentives. Because of this, ETA developed a new grant stipulation which, beginning with the next grant cycle, will be incorporated in ETA's grants. A clause will require the grantees to appropriately share with ETA the "prorated" reductions in rental expense. As an interim measure, ETA will issue an Information Bulletin to its grantees. Also, through modification of current grants, ETA has taken steps to ensure the specificity of Statements of Work for its Partnership Program grants.

### **Philadelphia Private Industry Council, Inc.** (Report No. 18-91-045-03-340; issued Sept. 27, 1991)

The OIG performed certain special audit procedures in a review of the Hospitality Demonstration Apprentice Program conducted by the Philadelphia Council AFL-CIO (Council) under a subgrant from the Philadelphia Private Industry Council, Inc. (PPIC). This audit work was performed at ETA's request after an ETA monitoring review identified indications of serious problems in both grantee performance and charges to the grant. The \$500,000 grant was for the purpose

of training and placement of 75 disadvantaged youth and "AFDC" mothers in unsubsidized jobs in the hospitality industry.

The OIG found that all three tracks of the program were either substantially behind schedule or had fallen far short of producing the anticipated numbers of enrollees and placements in on-the-job training (OJT) positions. Although an estimated \$252,500 of costs had been incurred by the Council, only three trainees had been placed in grant-related OJT positions.

The PPIC had drawn down excess Federal funds (\$375,000) and maintained them in a non-interest bearing account. The Council has claimed grant costs of \$129,904 and incurred an additional estimated \$87,000 in costs but has not been reimbursed by PPIC.

The OIG reviewed all grant costs claimed by the Philadelphia Council AFL-CIO and questioned

\$72,720 because the costs were either unallowable under OMB Circular A-122 or not supported by adequate documentation. In addition to these questioned costs, the OIG recommended to ETA that excess cash drawdowns by the PPIC be returned to DOL.

The OIG briefed the ETA Deputy Assistant Secretary on this special review, suggesting that, given the poor performance and the inability of the Philadelphia AFL-CIO to obtain OJT and employment commitments from prospective employers, as well as trainees for the program, it may be prudent for ETA to terminate the grant.

ETA has since informed the OIG that it concurred with the OIG findings regarding poor program performance and financial accounting. ETA staff plan to meet with the PPIC to initiate action to resolve this problem. In the interim, the PPIC has returned to ETA over \$300,000 in excess drawdowns.

## **Employment Standards Administration**

The Employment Standards Administration (ESA) administers and enforces a variety of statutes prescribing certain standards of employment which must be met by covered employers. These standards are primarily concerned with wages and working conditions, workers' compensation benefits for certain workers, and compliance by Federal contractors with the conditions of nondiscrimination and affirmative action programs for employees of Government contractors.

To carry out these tasks, ESA has established the Wage and Hour Division, the Office of Workers' Compensation Programs, and the Office of Federal Contract Compliance Programs. The Office of Management, Administration and Planning handles internal administrative needs.

During this period, the OIG issued reports on the Wage and Hour Division enforcement program, financial statements for Fiscal Year 1990, the Department's workers' compensation program (administered by ESA), and ESA's procurement of Total Quality Management training.

## **Wage and Hour**

The Wage and Hour Division (WHD) of ESA administers a variety of laws to protect American workers, including young workers, migrants, workers on Government contracts and “whistleblowers.” WHD annually recovers tens of millions of dollars in back pay for workers who have been illegally underpaid. During this period, the OIG completed an assessment of WHD’s enforcement efforts.

### **Effectiveness of the Wage and Hour Division’s Enforcement Program** (Report No. 17-91-001-04-420; issued Sept. 30, 1991)

The major objectives of this audit were to determine whether WHD enforcement strategy supported agency goals and objectives and to assess the effectiveness of WHD’s enforcement program.

The OIG audit of WHD’s Fiscal Year 1989 enforcement program determined that the enforcement strategy showed weaknesses in several areas. Agency goals and priorities were not clear. Performance standards for enforcement activities were not developed. Additionally, internal processes were not evaluated by WHD to assess their effectiveness and develop better processes.

The OIG identified four primary ways for WHD management to improve enforcement program performance. WHD should:

- (1) integrate the Secretary’s goals for enforcement into WHD enforcement activities;
- (2) change the methods used to screen complaints and target employers in order to improve the detection of violators;
- (3) use the full range of remedies available to deter violators; and
- (4) track and analyze the results of the technical assistance efforts designed to educate the regulated community.

In the period during and subsequent to the audit fieldwork, WHD addressed and resolved a large number of the audit’s recommendations. The Assistant Secretary for Employment Standards has generally concurred with all audit recommendations and has commenced corrective measures for those recommendations which remain unresolved.

### **ESA Fiscal Year 1990 Financial Statements** (Report No. 03-91-056-04-001; issued June 28, 1991)

The OIG audited the financial statements of the ESA for Fiscal Year 1990. The financial statement opinion was qualified because the OIG noted certain matters that are considered to be “reportable conditions,” or deficiencies in the design or operation of the internal control structure that could materially affect the ability to record, process, summarize, and report financial data. They were:

(1) The Department’s and ESA’s accounting practices and procedures were not adequate to provide accurate and complete accounts payable and undelivered orders information. The total amount of ESA accounts payable and undelivered orders (together known as unliquidated obligations) in question is over \$27 million. The collective effect of misclassification between accounts payable and undelivered orders, erroneous duplication of certain undelivered orders, and the maintenance of certain entries that should be deobligated is that the unexpended appropriations portion of equity as of September 30, 1990, is misstated.

(2) The Department and ESA have not maintained adequate records of property and equipment costs and related accumulated depreciation. Although the beginning balances for capitalized property have been recorded in the DOLAR\$ general ledger, property weaknesses cited in prior year departmental audit reports have continued into Fiscal Year 1990, primarily because the ineffectual Departmental Property Management System will not be replaced until after the current fiscal year.

In their response, ESA provided us with the status of their actions to correct the reportable conditions.

### **Review of DOL's Workers' Compensation Program**

(Report No. 02-91-233-01-001; issued August 23, 1991)

The OIG conducted an audit to determine the efficiency and effectiveness of the Department's internal workers' compensation program which had total expenditures of \$13.7 million in Fiscal Year 1988. To determine this, the OIG measured whether:

- (1) FECA claimants were returned to the work force when sufficiently recovered;
- (2) claims for workers' compensation were processed in a timely manner; and
- (3) the accuracy of FECA costs was verified by DOL agencies.

When the review was initiated, the Department of Labor was not effectively administering its workers' compensation program to ensure that injured employees were returned to the workplace or terminated from FECA when they were sufficiently recovered. The OIG reviewed 62 DOL employees selected at random from FECA's periodic rolls and found medical information, dating from 2 to 36 months prior to our review, indicating that 11 employees (18 percent) were able to return to work with some limitations on their activities. In addition, 4 (11 percent) of 35 former Job Corps participants whose cases we reviewed had been working in the private sector for periods ranging from 5 to 20 months while receiving FECA benefits. As a result, DOL expended a total of \$340,711 in questionable FECA benefits for periods when the claimants in our sample may have been employable.

The audit also found that DOL employing agencies were not consistently processing FECA claims in a timely manner. The OIG's review of 36 cases disclosed that processing delays resulted in interruptions of income for periods ranging from 1 to 18 weeks for 8 (22 percent) of the employees.

Lastly, the OIG concluded that MSHA, OSHA, and ETA were not performing adequate reviews of the FECA chargeback reports. As a result, these agencies may have reimbursed the FECA fund for inaccurate or erroneous charges. On the other hand, ESA, OASAM/NCSC, and the OIG were verifying that all individuals listed on the quarterly chargeback reports were actually their employees.

While the review was in progress, OASAM initiated significant corrective actions to address the deficiencies disclosed. OASAM's actions have included establishing a goal of reducing the Department's loss time injury rate by 3 percent per year for the 5-year period beginning October 1, 1990, and providing guidance on responsibilities for the workers' compensation and safety and health programs to DOL executives, managers, supervisors, and other designated agency officials. In addition, OASAM has undertaken an intensive review of all DOL FECA claims, with the objective of returning work-capable claimants to employment. As a result of the return to work initiatives, the Department has reported an estimated cost reduction and life-time savings of \$14.1 million as of September 30, 1991. The Department has also instituted corrective actions, including on-site OASAM evaluations, to improve the timeliness of claims processing and the verification of chargeback reports.

### **Procurement of TQM Training and Related Services**

(Report No. 17-91-002-04-001; issued Sept. 25, 1991)

This special purpose review was conducted in response to a complaint to the OIG regarding possible abuses by a now former ESA official in obtaining Total Quality Management (TQM) training and related services during the period April through September 1990.

The OIG found that: (1) ESA did not comply with Federal procurement regulations requiring competition when it obtained TQM training services, (2) the then Deputy Assistant Secretary did not disclose that his father was on the Board of Directors of the training institution initially selected to provide TQM training, (3) ESA incurred costs in



excess of allowable amounts under Federal travel regulations, and (4) ESA incurred and paid for questionable refreshment costs at TQM training conferences.

The OIG concluded that these violations occurred because agency and departmental controls either did not exist, did not function as intended, or were circumvented by ESA officials. The report noted that departmental policies and procedures, for both obtaining training services and refreshments at meetings and conferences, were vague and subject to misinterpretation and/or abuse.

ESA has generally concurred with OIG's findings and recommendations. ESA agreed to revise

certain procurement policies and procedures, review the effectiveness of internal controls for procurement actions, remind agency managers and procurement officials of their ethical responsibility to disclose any potential conflicts of interest, and clarify its policy to clearly explain the restrictions on the procurement of refreshments at meetings and conferences.

The report also contained recommendations for the Assistant Secretary for Administration and Management and the Director of the Department of Labor Academy and was separately issued to these officials. Both officials have concurred with OIG's recommendations.

## **Departmental Management**

Departmental management refers to those activities and functions of the Department which implement and formalize policy, procedures, systems and standards to ensure efficient and effective operations of administrative and managerial programs. Frequently these activities and functions are applicable to and have an impact on all or most of the agencies of the Department. The Assistant Secretary for Administration and Management has oversight responsibility for departmental management activities.

### **President's Committee on Employment of People with Disabilities (Report No. 18-91-030-01-001; issued Sept. 30, 1991)**

The President's Committee on Employment of People with Disabilities (Committee) provides advice and information on developing employment opportunities for the physically disabled and mentally retarded. The Committee promotes a variety of activities funded by congressional appropriation which for Fiscal Year 1991 amounted to \$3.7 million. The Department of Labor provides financial, procurement, and administrative services to the Committee.

The Committee Chairman requested that the OIG perform a review of the financial, management, and personnel practices of the Committee.

Specific OIG findings include: lack of controls over the receipt, recording, disbursement and reporting of funds for annual meetings, inadequate internal controls over contracting and personnel functions, and inadequate record keeping in support of travel.

The OIG made 26 specific recommendations to the Committee. These recommendations included the development of effective internal controls over financial resources, procurement, ethical conduct, and administrative operations; and recovery of \$30,680 in Committee funds being held in accounts of non-Federal organizations.

Based on the Committee's response to the draft report, 23 of the 26 recommendations for improved operations are resolved. The OIG will

work with the Committee to resolve the remaining three recommendations.

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

OMB Circular A-122, "Cost Principles for Non-profit Organizations," provides principles for determining costs of work performed by nonprofit organizations under grants, cooperative agreements, and contracts. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.

Because of numerous OIG audit findings related to indirect costs being claimed by ETA grantees and contractors, at ETA's suggestion an Indirect Cost Workgroup was convened to improve the Department's procedures for establishing and applying indirect cost rates. The Workgroup is comprised of staff from ETA, the OIG, and the Department's Division of Cost Determination.

### **Senior Community Service Employment Program (SCSEP)**

The SCSEP provides subsidized, part-time employment to low-income persons age 55 and older in a wide variety of community service activities and facilities. Funding goes to 10 national organizations, the U.S. Forest Service, and to units of State and territorial governments.

During the current reporting period, the OIG issued an audit report on the SCSEP grants to one of the ten national sponsors -- National Council on the Aging (NCOA).

### **National Council on the Aging, Inc.** (Report No. 18-91-018-07-735; issued July 19, 1991)

The OIG audited NCOA's grants for Calendar Years 1988 and 1989. The audit resulted in questioned indirect and direct costs of \$901,119. Most of the questioned indirect costs resulted from improper salaries and fringe benefits charged to the indirect cost pool and excessive allocation of nonpersonnel costs. Similarly, excessive rental

and other unallowable costs were charged directly to DOL grants. The auditors issued an adverse opinion for the indirect costs claimed for the audit period.

In addition to the questioned costs, the OIG also found that NCOA had not refunded \$364,672 owed to DOL. The monies owed to DOL resulted from subgrantee costs disallowed by NCOA's internal audit team and DOL's establishment of final indirect cost rates that were lower than the provisional rates which NCOA used to obtain reimbursement from DOL. When the OIG informed NCOA management of these problems, they prepared revised closeout documents and refunded \$364,672 to ETA.

According to the minutes of NCOA's Executive Committee, the terms of the current 15-year lease included a payment of over \$1 million to NCOA by the lessor. The minutes stated that NCOA planned to "permanently" invest the over \$1 million in cash it expected to receive in an "endowment fund." Government policy requires that such a lease incentive be considered a reduction of rental expense by the lessee over the term of the new lease.

ETA agreed to ensure that DOL grants reimburse NCOA for only those rental costs appropriately reduced by lease incentives provided by the lessor.

### **Res-Care Development Company, Inc.** (Report No. 18-91-017-07-735; issued July 9, 1991, and Report No. 18-91-019-07-735; issued Sept. 23, 1991)

Res-Care Development Company, Inc., through one of its subsidiaries, operates several Job Corps centers for DOL and provided vocational training at one Job Corps Civilian Conservation Center for the Department of Agriculture.

OIG audits of the indirect costs claimed for reimbursement by Res-Care for Calendar Years 1988 and 1989 resulted in questioned indirect costs totaling \$614,290 and increases to the allocation bases totaling \$424,088. These findings resulted in an impact of \$410,642 to the Job Corps contracts. Due to the reported findings, the auditors

issued adverse opinions for the indirect costs claimed for the audit periods. Res-Care disagreed with our questioned costs.

The questioned costs resulted primarily from Res-Care improperly including direct Job Corps' contract costs, corporate capital and restructuring costs, severance pay, entertainment and alcoholic beverage costs, and unreimbursable legal fees which included payments for "executive lobbying" in its indirect costs.

The unallowable costs for "executive lobbying" consist of fees paid to a law firm of about \$39,000, including fees paid to a consultant of the law firm, who is a former DOL Assistant Secretary, of about \$3,400. Res-Care engaged the law firm to assist in retaining its contracts to administer two Job Corps centers. The auditors also questioned payments to another law firm for telephone conferences, correspondence, and travel to Washington, D.C., for meetings with a Senator's staff also related to Res-Care's loss of the two Job Corps centers contracts. Res-Care did not respond to the costs questioned as "executive lobbying."

While the activities in question are clearly unallowable costs, it appears that there was no violation of law. However, based on the OIG findings, ETA requested the Solicitor's Office to review the ethics issues related to the "executive lobbying" by the former Assistant Secretary of Labor. The Solicitor's Office determined that there was no violation of the law.

### **Transportation Communications International Union**

(Report No. 18-91-005-07-735; issued July 1, 1991)

Transportation Communications International Union (TCIU) is a nonprofit corporation whose

primary purpose is to provide union-related services to dues-paying members. TCIU also has a DOL contract to recruit, train, and place Job Corps students in the Union's specialty areas.

Our audit of TCIU's Program Year 1989 indirect costs resulted in questioned costs totaling \$2.6 million (46 percent of the proposed indirect cost pool). This resulted in an "audit determined" indirect cost rate of 5 percent compared to TCIU's proposed 10 percent. Moreover, the audit disclosed that TCIU did not have an accounting system that adequately identifies, accumulates, and reports direct and indirect cost to support a negotiated indirect cost rate and has engaged in a pattern of abusive practices in allocating unallowable "union activity" costs to the DOL contract. The auditors issued an adverse opinion on the TCIU indirect cost rate proposal for Program Year 1989.

As a result of the audit, ETA and TCIU delayed exercising the option year of the contract until they were able to reach agreement on the indirect costs. The Department and TCIU subsequently signed a final, fixed 5 percent indirect cost rate under its DOL contract for the audit period of July 1, 1989, to June 30, 1990, as well as for the following 2 years (through June 30, 1992). The net impact to the DOL Job Corps program for Program Year 1989 and both 1-year option periods is about \$215,000. Potential savings for the third option year, not covered by the indirect cost agreement, is about \$232,000.

In addition, the Department made it a part of its agreement that TCIU would not be able to recover indirect costs from DOL after June 30, 1992, unless TCIU would take the corrective actions the OIG recommended.

### **Veterans' Employment and Training Service (VETS)**

The Assistant Secretary for VETS serves as the principal advisor to the Secretary on the formulation and implementation of policies affecting veterans. VETS also exercises functional supervision over the execution of veterans' programs administered by the State Employment Security Agencies and other employment and training programs and administers certain grant programs.

**Urban Revitalization-USA, Inc.**  
(Report No. 18-91-041-02-201; issued Sept. 30, 1991)

At the request of VETS, the OIG audited the program accomplishments and costs claimed by the Urban Revitalization-USA, Inc. (UR-USA) under a 1-year grant to provide training and placement services to veterans. The audit identified questioned costs totaling \$133,615 (or 69 percent) of the \$193,951 in costs claimed by UR-USA.

VETS reimbursed UR-USA \$153,620 and is currently withholding a \$40,331 request for payment based on our audit fieldwork. Since our audit disclosed that only \$60,336 of the claimed costs are allowable, the OIG recommended that VETS not pay the \$40,331 requested by UR-USA. In addition, we recommended that VETS disallow and recover the remaining \$93,284 of questioned costs that have already been paid. UR-USA fell far short of meeting the grant program training requirements. For example:

(1) Only 16 participants partially completed the 10-month training program; the minimum requirement was for 72 participants to complete training.

(2) Only 1 participant was placed in unsubsidized employment; yet the minimum program requirement was for 65 participants.

In the OIG's opinion, VETS contributed to the failure of this grant by not requiring a plan from UR-USA prior to award of the grant which established how and by whom participants would be trained and paid. In addition to the specific recommendations on UR-USA, we recommended further that VETS develop procedures which will require future grants of this type to include assurances that participants' training wages will be provided by reliable sources and that grantees' costs will be paid contingent on successful completion of specified stages of the program requirements.

## **Program Fraud Civil Remedies Act**

The Program Fraud Civil Remedies Act (PFCRA), Public Law 99-509, enacted effective October 21, 1986, provided Federal agencies with administrative remedies for losses resulting from false statements and from false claims of not more than \$150,000.

As the designated investigating official, the OIG took action to investigate cases for possible administrative remedies shortly after the Department issued Final Rules and Regulations on December 22, 1987, implementing PFCRA.

To date, investigations have been completed on 13 cases involving three major DOL programs regarding the Davis-Bacon and Related Acts, Federal Employees' Compensation Act (FECA), and JTPA.

### **Davis-Bacon and Related Acts**

In the first PFCRA case within the Department to be heard by an Administrative Law Judge (ALJ), the ALJ decided in the Department's favor and assessed civil penalties of \$105,000 against Aconi Constructors, Inc. (Aconi). Aconi had submitted false payroll statements in connection with a federally-funded construction project in Florida. The

civil penalties represent the full amount sought by the Department.

Under the Davis-Bacon and Related Acts, Aconi was required to pay its employees at wage rates that DOL had determined were prevailing in the locality of the construction project and to submit certified payroll reports to the Government showing that it had paid its employees at least these

wages. In the ALJ's decision, he stated, "Aconi through its officers and employees engaged in a pattern of deception to hide its illegal payments of employee compensation." Aconi has filed an appeal with the Secretary of Labor.

The Department also settled a case in lieu of a formal ALJ hearing. The case involved false payrolls submitted by a contractor on a federally-funded construction project. The contractor, which had previously made restitution of the employees' back wages, agreed to pay a penalty of \$40,000.

#### **Office of Workers' Compensation: Federal Employees' Compensation Act Program (FECA)**

FECA is the sole form of workers' compensation available to Federal employees who suffer on-the-job traumatic injury or occupational disease. The DOL Office Workers' Compensation Programs (OWCP) administers the Act and pays out over \$1.5 billion annually for injured Federal employees. Due to the large number of FECA beneficiaries living in California, a one-time crossmatch was conducted prior to this reporting period to verify continued FECA eligibility and to identify possible fraud.

The crossmatch disclosed 41 cases where FECA claimants had not reported earnings to OWCP as required and 19 cases where the claimants had reported earnings, but OWCP had not taken forfeiture action. OWCP has declared \$390,032 in forfeiture and overpayments. The OIG has pursued 9 cases for criminal action and investigated 4 cases for prosecution under the PFCRA.

As a result of the crossmatch, during this reporting period the Department of Justice approved the prosecution under PFCRA of the first two cases for double damages and penalties totaling about \$107,000.

#### **Continuing Professional Education June 10-21, 1991**

The OIG's Office of Audit held its second training program for auditors which was developed to fulfill GAO's Yellow Book requirement of 80 hours of continuing professional education every 2 years. At the Inspector General's invitation, 19 staff from 15 other Federal audit organizations also participated in the program.

The course offerings included ADP, grant/contract, fraud, Federal financial statement and performance auditing, as well as two writing courses and an oral communications class.

Employees also attended nine general sessions designed to update their knowledge of professional standards, current audit initiatives and departmental programs. In addition to presentations by individuals prominent in the private sector accounting and auditing professions, Inspector General De La Rosa and Department of Labor Assistant Secretaries Thomas C. Komarek and Roberts T. Jones discussed and answered questions on their respective missions and audit-related activities.

Staff from other Federal audit organizations attended the course on Federal financial statement auditing. This course will be offered by the U.S. Department of Agriculture Graduate School's Government Audit Training Institute later this year. The course covered the requirements of the Chief Financial Officers Act of 1990 and demonstrated the model developed by OIG's Office of Audit based on its experience in compiling and auditing financial statements for the Department of Labor.

Given the economies and tailoring of content that can be achieved through directly sponsoring training, the OIG believes that this is the most advantageous method of delivering this required continuing professional education.

# Office of Audit

## Section 4

### Audit Resolution

Period Ending	Audit Reports Resolved	Amount		Total Resolved
		Disallowed	Allowed	
3/31/90	350	\$15.4	\$3.0	\$18.4
9/30/90	263	\$344.0	\$3.6	\$347.6
3/31/91	244	\$21.8	\$10.3	\$32.1
9/30/91	239	\$115.2	\$2.2	\$117.4

Detailed information on audit resolution activity for the period may be found in Chapter 5. An audit recommendation is resolved when the OIG and the DOL program agency responsible for the audited activity agree on action(s) that will correct the problem or deficiency that produced the recommendation.

### Significant Resolution Actions

Certain resolution actions are reported in Sections 1 and 3. The following are other significant resolution actions taken by DOL program officials:

#### **Survey Report on Foreign Labor Certifications**

(Report No. 09-91-001-03-321; issued January 16, 1991)

The Secretary of Labor is charged with certifying alien workers for temporary and permanent employment. Local State Employment Security Agency (SESA) offices perform the actual certification process.

The OIG found that ETA had not pursued user fees to the extent required by Presidential policy

(OMB Circular A-25) and authorized by law (31 U.S.C. 9701). Consequently, the Department had not recovered an estimated \$61 million in revenues during Fiscal Years 1988 and 1989 and will lose an estimated \$40.5 million in Fiscal Year 1990.

The OIG recommended that ETA immediately implement full cost recovery service fees for all foreign labor certification programs. ETA is in the process of developing a fee structure for this function.

**Big Five Community Services, Inc.**  
(Report No. 06-90-001-03-340; issued Sept. 28, 1990)

Of \$137,514 costs questioned by the OIG, ETA allowed \$44,337 based on documentation submitted by the grantee. Disallowed costs of \$93,177 included instances of less-than-arms-length transactions between related organizations, inappropriate payments for legal and other fees, and unallowable costs disguised as OJT payments.

**North American Indian Club (NAIC)  
of Syracuse**  
(Report No. 02-91-225-03-355; Issued March 29, 1991)

The OIG questioned \$115,878, and ETA disallowed \$115,252, of JTPA expenditures primarily because NAIC had accumulated excess JTPA cash and used these funds to pay for non-DOL programs and activities. Also, all program costs reported to ETA were not identified in NAIC's books.

**Cleveland Job Corps Center Special  
Purpose Review**  
(Report No. 05-91-053-03-370; issued March 27, 1991)

The OIG found that the financial management system at the Cleveland Job Corps center could not be relied upon to produce accurate and timely financial information, as well as documentation for \$147,518 in expenditures. Also, \$32,414 in expenses in violation of various contractual and regulatory requirements had been incurred. ETA disallowed these amounts.

The OIG also identified \$111,579 of program income which had not been properly accounted for (this figure subsequently rose to \$134,763). ETA also disallowed the entire \$134,763 of program income which lacked documentation on the purpose to which these funds were put.

**Louisiana Department of Labor (LDOL)**  
(Report No. 06-91-201-50-598; issued Dec. 11, 1990)

ETA disallowed \$1,812,364 of Federal funds the LDOL Office of Employment Security paid to its private health insurance carrier.

The Louisiana Legislative Auditor's statewide single audit report for the period July 1, 1988 through June 30, 1989, questioned these costs because the LDOL offered employees of its Office of Employment Security a group health insurance program that had not been approved by the board of trustees of the State Employees' Group Benefits Program. Participation of this insurance program violated State laws and Federal regulations.

**State of Iowa**  
(Report No. 05-91-048-50-598; issued Feb. 20, 1991)

During Fiscal Year 1989, the Iowa Job Services Division transferred \$1,099,585 of expenditures from the Employment Service program to the Unemployment Insurance program. No documentation was available to support the transfer and the OIG questioned this amount.

The State subsequently documented that \$705,571 of the total expenditures transferred were allowable under the terms of the pertinent Federal grants. ETA allowed this amount and disallowed the remaining \$394,014 of grant costs.

## Summary of Final Action Activity and Revised Management Decisions

### Final Action Activity

A “final action” occurs when the actions required by an agency management decision have been completed (*i.e.*, report is closed). Below is a summary of management’s final action activity for this and previous semiannual periods.

<b>Management’s Final Action Activity</b> (\$ millions)				
<b>Period Ending</b>	<b>Audit Reports Closed</b>	<b>Amount</b>		<b>Total Closed</b>
		<b>Written-off</b>	<b>Recovered</b>	
3/31/90	291	\$0.0	\$2.4	\$2.4
9/30/90	282	\$6.6	\$44.1	\$50.7
3/31/91	230	\$4.0	\$51.6	\$55.6
9/30/91	299	\$35.3	\$114.3	\$149.6

Detailed information on final action activity for the period may be found in Chapter 5.

### Revised Management Decisions

The term “management decision” means the evaluation by DOL program agency management of the findings and recommendations included in an audit report and the issuance of a final decision concerning its response to such findings and recommendations, including actions determined to be necessary.

OIG is required by the Inspector General Act Amendments of 1988 to provide a description and explanation of the reasons for any significant revised management decisions made by departmental agencies during the reporting period. The OIG is also required to report on any significant management decision with which it disagrees.

During this reporting period, revised management decisions were issued for eight audit reports, all by ETA. A synopsis of the more significant revised management decisions follows.



**Teledyne Economic Development Company**  
(Report No. 18-89-003-03-370; issued Mar. 31, 1989,  
and Report No. 18-89-025-03-370; issued Sept. 29, 1989)

ETA disallowed \$43,358 of contract costs associated with the operation of 2 Job Corps centers. The contractor appealed this decision to the Department's Office of Administrative Law Judges. The Department accepted the contractor's offer of \$16,200 in satisfaction of the amount disallowed.

**ITT Job Training Services, Inc.**  
(Report No. 18-89-015-03-370; issued Sept. 29, 1989)

ETA disallowed \$41,479 of contract costs associated with the operation of a Job Corps Center. The Contractor appealed this decision to the Department's Office of Administrative Law Judges. The Department accepted the Contractor's offer of \$9,856 in satisfaction of the amount disallowed.

**Hudson Institute, Inc.**  
(Report No. 18-88-001-03-380; issued Sept. 14, 1988,  
and Report No. 18-90-012-03-380; issued Feb. 2, 1990)

ETA disallowed \$506,221 of costs associated with grantee research and identification of policy issues for employment and training matters through the year 2000. ETA also determined that, of this amount, \$492,637 was subject to debt collection. The grantee appealed this decision to the Department's Office of Administrative Law Judges.

Of total disallowed costs, \$327,166 was disallowed because the grantee had failed to obtain an indirect cost rate for Fiscal Years 1986 and 1987 from its cognizant agency (Defense Contract Audit Agency). The grantee subsequently did so, and the Department accepted the final indirect cost rates for these years. ETA also determined that, based on invoices submitted by the grantee, the Department owed the grantee \$82,870.

Based primarily on these facts, the Department and the contractor agreed as follows:

The Department, having reviewed these cases, hereby determines that, consistent with law and policy, it is in the best interest of the Department to accept the Grantee's offer to reduce program funding by \$14,919. This will leave a balance owed the Grantee under the grant of \$67,951 which will be paid by the Department to the Grantee. The reduction in funding represents full satisfaction of the amounts which were disallowed and are now on appeal.

The Grantee agrees to forego the opportunity to pursue collection of account receivables generated by the sale of Workforce 2000 books and executive summaries before October 31, 1989.

**Montgomery Preble Employment and Training Consortium**  
(Report No. 11-4-129-03-350; issued February 14, 1984)

ETA disallowed \$158,391 of grant costs associated with the operation of Montgomery County (Ohio) employment and training programs. Of this amount, the grantee paid \$1,471 to the Department and appealed the remaining \$156,920 to the Department's Office of Administrative Law Judges. The Department accepted the contractor's offer of \$75,000 in satisfaction of this amount.

**State of Hawaii**  
(Report No. 09-89-546-03-340; issued March 13, 1989)

ETA disallowed \$2,903,493 in costs associated with the Hawaii Department of Labor and Industrial Relations (DLIR) JTPA program operations. In a post-management decision review of documentation submitted by DLIR, ETA determined that \$2,727,934 of these costs were allowable with \$175,559 disallowed and subject to debt collection.

## Chapter 2

# Office of Investigations

During this reporting period, the OIG's Office of Investigations has focused its investigative priorities on the Job Training Partnership Act (JTPA) and Federal Employees' Compensation Act (FECA) programs, contract and procurement fraud, and employee misconduct, and has persisted in aggressively attacking programmatic criminal activity which surfaces as a result of its investigations. Continued attention has been given to the unemployment insurance program, particularly interstate activity involving fictitious employer/employee schemes and third-party false claims.

Additionally, the OIG continues to assist and train Special Agents and others in the detection and investigation of FECA related fraud. In April, as part of a nationwide project, the OIG and the Naval Investigative Service (NIS) jointly provided a 3-day FECA training session for NIS Special Agents, which included Navy Shipyard personnel. Although investigations resulting from these recent endeavors are still in the developmental stage, it is anticipated that significant criminal, prosecutive, and administrative actions, enhancing the program's deterrents and the Government's investigative effectiveness and efficiency, will be accomplished.

The following cases are prominent examples of the areas in which the OIG has been concentrating its programmatic investigative resources.

### **Waterbury, Connecticut Mayor Indicted in JTPA Fraud Charges**

The Mayor of Waterbury, Connecticut, Joseph J. Santopietro, was indicted on nine counts of fraud relating to the embezzlement of JTPA funds. Santopietro is accused of having used Federal funds, including JTPA funds, which were managed by one of the city agencies, to pay for personal expenses when he traveled.

In one instance, he is alleged to have been reimbursed for the same expenses by both the city government and the Employment and Training Administration. The September 24, 1991, indictment principally charged that elected officials of the

City of Waterbury had used their political party's control of the City Government to obtain favorable action on projects proposed by their supporters. This was a joint investigation by the OIG and the Federal Bureau of Investigation. *U.S. v. Santopietro et al.* (D. Connecticut)

### **Former Georgia Representative Indicted**

Bobby Lee Hill, a former State of Georgia Representative and candidate for both Lt. Governor of Georgia and Mayor of Savannah, and his employee Charles M. Key, were indicted by a Federal grand jury on September 10, 1991. They were charged with theft of \$10,000 in JTPA training funds, conspiracy, aiding and abetting, false state-

ments, and tampering with a witness. Hill was doing business as Vision Equity Financial Group, also known as Vision Equity Financial Services and Vision Equity Financial Group, Inc., which contracted with the City of Savannah's Chatham Employment and Training Program to enroll JTPA participants.

The indictment charged that from July 1989 until July 1991, defendants Hill and Key carried out a scheme which included submitting to the City of Savannah false reimbursement vouchers for ineligible participants and false monthly progress reports about wages allegedly paid to participants. It further alleged that the defendants intimidated and attempted to corruptly persuade a potential Federal grand jury witness to give the Government false testimony. If convicted, Hill and Key face a maximum of 174 years' imprisonment and \$9 million each in fines. *U.S. v. Hill and Key* (S.D. Georgia)

### **Sentencing in Nationwide Unemployment Insurance Fraud Scheme**

In a case highlighted in the last report, Daniel Ibarra, a notary public, and his employees/family members were sentenced on June 10, 1991, for their roles in an illicit Unemployment Insurance (UI) third-party claimant scheme. Daniel Ibarra was sentenced to 15 months' imprisonment; Abraham Ibarra was sentenced to 1 year's imprisonment; and Grace, Carlos, and Jaime Ibarra were each sentenced to 3 years' supervised probation. Patricia Ibarra, who pled guilty to a misdemeanor charge of theft of Government property, was sentenced to 3 years' probation. The defendants were ordered to pay in excess of \$13,000 in restitution.

The group was accused of having submitted numerous false and fraudulent UI claims to at least 22 States, on behalf of registered aliens residing in Mexico, some of whom had previously worked and lived in the United States. The defendants admitted to operating the scheme for over 20 years. While it was impossible to determine the exact UI program loss, it is estimated to be millions of dollars. *U.S. v. Ibarra et al.* (E.D. Texas)

### **Former Labor Secretary Aide Indicted**

Michael Patrick Kaiser, the director of advance and a special assistant to former Secretary of Labor Elizabeth H. Dole, was indicted on May 16, 1991, by a Federal grand jury in the District of Columbia. The indictment charged Kaiser with three counts of making false and fraudulent statements, five counts of credit card fraud, and three counts of wire fraud. More specifically, it charged Kaiser with making false and fraudulent material statements and representations on his applications for Federal employment with DOL by stating a false name and Social Security Administration number and falsely certifying that he had never been convicted of any felony or been on probation during the last 10 years. The indictment also charged that, from approximately March 1988 through August 1990, Kaiser intended to defraud credit card companies and obtain and use unauthorized credit cards from which he obtained in excess of \$74,000. The wire fraud counts stemmed from Kaiser's interstate commerce use of wire communications in the furtherance of his scheme.

Upon the return of the indictment, Kaiser was arrested by OIG and Federal Bureau of Investigation Special Agents in Sacramento, California, where he had relocated after his DOL employment had been terminated. If convicted, Kaiser faces a maximum sentence of 10 years' imprisonment and a \$250,000 fine for each credit card count and five years and \$250,000 for each wire fraud and false statement count. The indictment was the result of a lengthy joint investigation by the OIG and the Federal Bureau of Investigation. [Note: shortly after the close of this reporting period, Kaiser entered a guilty plea and is presently awaiting sentencing.] *U.S. v. Kaiser* (D. District of Columbia)

### **Former Bureau of Alcohol, Tobacco, and Firearms Agent Indicted**

A former Bureau of Alcohol, Tobacco, and Firearms Special Agent, Linda K. Richardson, was indicted by a Federal grand jury in Los Angeles, on August 27, 1991. She was charged with three counts of making false statements to obtain FECA

benefits. While working for a family business, Richardson Enterprise, which later became Executive Safeguard Corporation, Richardson collected approximately \$58,000 in FECA benefits from 1985 through 1988, during which she failed to report her income to OWCP. If convicted, Richardson faces a maximum sentence of 5 years' imprisonment and a \$250,000 fine on each count. *U.S. v. Richardson* (C.D. California)

## Other Investigations

The following case updates and other investigations, listed by major program area, are illustrative of OIG programmatic investigations during the period.

### Job Training Partnership Act (JTPA)

In a case previously reported, Joseph Monreal, former director of G. Heileman Brewing Company's Hispanic Market Development, was sentenced on April 25, 1991, to 5 years' incarceration and ordered to pay over \$295,000 in restitution. The sentence stems from his January 30, 1991, guilty plea to one count of using a racketeering enterprise and one count of conspiracy to defraud the Internal Revenue Service (IRS).

Carlos Quintanilla, the former director of "Operation SEARCH" (Securing Employment Advancement Resulting in Change), and Leticia Gutierrez, a community activist, were sentenced on May 16, 1991, for their roles in the conspiracy. Quintanilla received 6 months' incarceration, a \$10,000 fine, was ordered to perform 500 hours of community service, and was placed on probation for 5 years. Gutierrez was sentenced to 6 months imprisonment, was ordered to pay \$25,000 restitution, and placed on 5 years' probation on the condition that she perform 200 hours of community service.

"Operation SEARCH" was a non-profit agency, whose purpose was to promote employment services for low and moderate income persons in Chicago's Hispanic community. Evidence presented at the trial revealed that JTPA funds and money

contributed by the G. Heileman Brewing Company to sponsor sporting activities were actually used by the defendants for personal and political purposes. *U.S. v. Quintanilla et al.* (N.D. Illinois)

...

Charles E. Koen, the former executive director of the United Front, Inc. (UFI) in Cairo, Illinois, was sentenced on May 21, 1991, to 12 years' imprisonment, ordered to pay over \$636,000 in restitution, and \$5,000 in penalties. His sentence stems from a conviction on charges of embezzlement and misapplication of Federal program funds, theft of public money, false statements, arson, and mail fraud.

He was also ordered to make restitution of over \$51,000 to the City of Cairo for the disability payments the city had to make to a fireman who was injured while extinguishing the fire for which Koen was convicted. The 1985 arson destroyed the building which housed UFI, a social service agency founded by Koen in the late 1960s. The defense contended that the blaze could have been ignited by a firebomb thrown by the Ku Klux Klan. However, during the trial, the Government proved that the fire was really an act in a scheme to collect \$550,000 from an insurance policy and a means by which Koen attempted to conceal his theft of Government grant funds. *U.S. v. Koen* (S.D. Illinois)

...

Rosa F. Galloway, president and co-owner of STEM Corporation, was indicted on June 18, 1991, by a Federal grand jury in Richmond, Virginia, on 21 felony counts including conspiracy, false claims, mail fraud, and making false statements to obstruct an investigation. On September 18, 1991, Galloway pled guilty to two of the counts. Her guilty plea came pursuant to an agreement in which she admitted guilt to embezzlement of JTPA funds and mail fraud.

STEM, a JTPA sub-contractor, received a \$148,874 contract from the Private Industry Council to conduct job training and placements. The indictment charged that Galloway instructed employees

of STEM to falsify employment placement forms and other documentation to conceal the fact that many participants did not receive the training and job placements which STEM certified and received JTPA reimbursement. The approximate loss to the Government was nearly \$80,000. Galloway faces a maximum sentence of 7 years' imprisonment and \$500,000 in fines.

The JTPA project director for STEM, Gertrude Taylor, was previously sentenced in this case to 8 months' imprisonment and fined \$2,000 after pleading guilty to one count of mail fraud. This was a joint investigation by the OIG and the U.S. Postal Inspection Service. *U.S. v. Stem Corporation et al.* (E.D. Virginia)

...

Welborn Preston, a W & W Enterprises, Inc. partner who had pled guilty to theft of JTPA funds, was sentenced on September 4, 1991, to 2 years' imprisonment. An OIG investigation disclosed that Preston and his partner, George Washington, conspired to defraud the JTPA program of just over \$250,000 by over billing the Motivation Education and Training, Inc., a JTPA grantee, for training 121 participants. All of the alleged 121 JTPA participants were actually employed by Day and Zimmerman, Inc., a Lone Star U.S. Army Ammunition Depot subcontractor. Preston formed W & W Enterprises, Inc. and, with the assistance of Washington, claimed all JTPA participants were employed and trained by W & W. *U.S. v. Preston* (E.D. Texas)

...

The former Executive Director of the Cochise Private Industry Council (CPIC), Jane M. Wiegand, was found guilty, on May 15, 1991, by the Superior Court of Cochise County in Bisbee, Arizona, of defrauding and misusing public funds. CPIC was the recipient of JTPA funds to train certain targeted disadvantaged community groups. CPIC in turn contracted Diversified Money Management, Inc., a business owned by Dennis Allen Jones, to train youth and adults to become certified welders. Trial evidence revealed that Jones did not provide the contracted training and that he submitted and received payment on false

invoices approved by Wiegand. It also revealed that between 1986 and 1987, Jones received approximately \$70,000 in JTPA funds for training that he did not provide. Jones, who pled guilty in October 1990 to State charges of theft and forgery, was sentenced in February 1991, to 1 year imprisonment, 5 years' probation, and ordered to pay \$96,000 restitution.

On July 22, 1991, Wiegand was sentenced to 7 years' probation and ordered to make full restitution. This was a joint investigation by OIG and the Arizona Attorney General's Office. *State of Arizona v. Jones and Wiegand* (Arizona)

...

On September 6, 1991, Stephen Nathaniel Jackson was indicted by a Federal grand jury in Florida for allegedly falsifying JTPA related documents in a fraud scheme. The 14-count indictment charged that Jackson, a former job specialist supervisor for the Lutheran Ministries, Inc., of Florida (The Ministries), made false statements on JTPA placement certifications.

The investigation revealed that from September 1990 through December 1990, Jackson forged the names of JTPA participants on certifications. The Ministries had engaged in a JTPA contract with the State of Florida to help difficult-to-employ individuals locate jobs. The investigation limited the Government's loss to less than \$10,000, of the approximate \$500,000 contract. If convicted, Jackson faces a maximum sentence of 70 years' imprisonment and \$140,000 in fines. *U.S. v. Jackson* (M.D. Florida)

### Job Corps (JC)

The former Director of the Cleveland Job Corps Center, Mark S. Watson, was sentenced on April 10, 1991, to serve 10 months' incarceration on charges that he accepted \$20,000 in kickbacks from a contract pertaining to the installation of a heating apparatus at the Job Corps facility. The sentence stems from Watson's guilty plea, as part of a December 19, 1990, negotiated agreement, to one count of using false documents. *U.S. v. Watson* (N.D. Ohio)

## Federal Employees' Compensation Act (FECA)

A joint investigation by the OIG and the Defense Logistics Agency (DLA) disclosed that Vasilios Dizes, a former DLA Defense Personnel Support tailor in Philadelphia who claimed to be totally disabled, failed to report significant income that exceeded his former Federal salary. On June 27, 1991, Dizes was sentenced in Philadelphia to 1 year's imprisonment, 2 years' probation, and ordered to pay a \$5,000 fine. He had been convicted on four counts of providing false statements to the Government to conceal his employment and income while receiving FECA benefits.

The OIG also pursued a civil false claims case against Dizes, which resulted in a May 29, 1991, settlement. In the settlement agreement, Dizes agreed to pay \$110,000 in restitution and penalties, almost double the actual overpayment of approximately \$57,000. *U.S. v. Dizes* (E.D. Pennsylvania)

...

Thomas Lydon, a former employee development specialist with the Federal Aviation Administration, was sentenced on August 9, 1991, to 10 months' incarceration, 2 years' supervised probation, and fined \$6,000. Lydon had collected in excess of \$150,000 in FECA benefits since allegedly sustaining an on-the-job injury in 1984. Since then, however, he founded and operated an industrial cleaning business, whose water treatment division became the largest in Rhode Island. On May 24, 1991, Lydon entered a guilty plea to two counts of an indictment which charged him with mail fraud and making false statements to OWCP to receive FECA benefits. *U.S. v. Lydon* (D. Rhode Island)

...

Michael Dapuzzo, a former warehouseman at the U.S. Navy's Marine Ocean Terminal in New Jersey, was sentenced on June 18, 1991, to 3 years' probation, including 3 months' house detention, after pleading guilty to making false statements to OWCP to ensure continued FECA benefits. He

claimed benefits after allegedly being injured by a falling box of potatoes in 1986. Dapuzzo, however, failed to notify OWCP that he was operating a number of businesses in the Hoboken, New Jersey area. A civil complaint in excess of \$110,000 has also been filed against Dapuzzo under the False Claims Act. *U.S. v. Dapuzzo* (D. New Jersey)

...

Jeremiah Ranieri, a former U. S. Postal Service letter carrier, was sentenced on April 12, 1991, to 3 years' probation, 1500 hours of community service, fined \$1,000, and ordered to pay \$25,000 restitution as a result of his March 15, 1991, guilty plea to mail fraud charges. Ranieri has been receiving FECA benefits since symptoms from a 1971 injury had allegedly recurred. Ranieri is alleged to have held many jobs since then, most recently as a substitute teacher with the New York City Board of Education. In addition, the OWCP has declared an overpayment of more than \$185,000 against Ranieri. This was a joint investigation with the U.S. Postal Inspection Service. *U.S. v. Ranieri* (E.D. New York)

...

Albert S. Holstius, a former U.S. Postal Service letter carrier, was indicted on August 21, 1991, on 10 counts of mail fraud and making false statements. Holstius is charged with having failed to notify OWCP that he was operating his own automobile repair business. Since he allegedly injured himself when he fell off a curb in 1984, Holstius had received almost \$120,000 in FECA benefits. If convicted, Holstius faces a maximum sentence of 50 years' imprisonment and fines totalling \$2.5 million. This was a joint investigation by OIG and the U.S. Postal Inspection Service. *U.S. v. Holstius* (D. Rhode Island)

## Unemployment Insurance (UI)

In the March 1991 *Semiannual Report*, we noted that 79 employees of the Elegante Sleepwear factory had been indicted for fraud involving over \$95,000 in UI benefits. In May 1991, sentences were handed out to the defendants resulting in orders

for total restitution of \$95,000, periods of probation, and fines totalling \$8,200. *Puerto Rico v. Gonzalez et al.* (Puerto Rico - Mayaguez)

...

For his part in an UI fictitious employer scheme perpetrated for 5 years in Seattle, Washington, Richard Logsdon, a former junior high school teacher in Texas, pled guilty to two counts of mail fraud. Logsdon's plea agreement included his taking primary responsibility for the Washington scheme and prior fictitious employer schemes that he and three co-conspirators conducted in Texas and Louisiana. The schemes netted approximately \$40,000. On July 19, 1991, Logsdon was sentenced to 18 months' imprisonment, 3 years' probation, and ordered to make approximately \$16,000 restitution. *U.S. v. Logsdon* (W.D. Washington)

...

As part of the continuation of "Project SESA (State Employment Security Agency) Assist" mentioned in our Fiscal Year 1990 semiannual reports, the OIG provided prosecutive support to the U.S. Attorney for the District of Columbia in the resolution of several UI cases. Additionally, as a result of OIG efforts during this reporting period, five individuals were charged with theft of UI funds. To date, three have been sentenced and ordered to pay in excess of \$16,000 in fines and restitution.

### **Employee Integrity**

Former Mine Safety and Health Administration (MSHA) coal mine inspector, James B. "Jack" Massey, pled guilty on September 3, 1991, to one count of bribery. Massey admitted to accepting \$1,000 in cash from a coal mine operator in Rita, West Virginia, in return for favorable findings during his official inspections. The OIG investigation also disclosed that Massey attempted to arrange an ongoing bribery relationship with the operator, in which Massey would continue to receive either monthly or quarterly bribes to insure favorable inspection findings.

Sentencing has been scheduled for November 14, 1991. He faces a maximum penalty of 15 years' imprisonment and a \$250,000 fine. Massey resigned from his position in September 1990. *U.S. v. Massey* (S.D. West Virginia).

...

In a previously reported investigation, John T. Hinchman, an MSHA coal mine inspector and ventilation specialist, was sentenced to 3 years' supervised probation, 4 months' confinement to his residence, and a \$4,000 fine. Hinchman was convicted on April 22, 1991, of 1 count of accepting illegal gratuities and accepting cash totalling \$1,200 from coal mine operators with whom he had official dealings.

A Federal employee for over 16 years, Hinchman was assigned at Logan, West Virginia. He was immediately suspended by MSHA at the time he was charged and subsequently terminated from Federal service. *U.S. v. Hinchman* (S.D. West Virginia)

...

Administrative action to remove Joseph W. Rufolo, the former deputy regional administrator of the Occupational Safety and Health Administration (OSHA) in New York City, was resolved. According to OSHA, in order to resolve Rufolo's appeal of his May 1991 removal, as well as complaints he had filed alleging discrimination, Mr. Rufolo was allowed to resign in lieu of removal, effective July 1991. The agency agreed to pay \$35,000 of the claimed attorney fees as well as back pay. As a result of OIG's investigation, Rufolo had been found guilty by a jury on April 16, 1990, and sentenced for making false statements in connection with his travel vouchers. *U.S. v. Rufolo* (S.D. New York)

...

Two employees of the Office of Assistant Secretary for Administration and Management in Dallas, Texas, Gregory Davis and Aubrey Lindsey, were arrested on May 9, 1991, by Federal Protec-

tive Service criminal investigators accompanied by OIG agents. They were charged, under the State of Texas Health and Safety Code, with conspiracy and multiple counts of selling crack cocaine and marijuana. The defendants are awaiting trial. *State of Texas v. Davis and Lindsey* (Texas)

## **Law Enforcement Authority Needed for OIG's Special Agents**

In prior Semiannual Reports and in testimony before the Congress, the OIG has expressed its concern about the need for full law enforcement authority for the OIG's investigators.

The OIG's Office of Investigations (OI) employs approximately 70 special agents who are assigned to 7 regional offices and 11 smaller field offices. These agents conduct a full range of felony investigations, including investigations of alleged conspiracy, fraud, embezzlement, bribery, extortion, and corruption. Some witnesses and subjects of these investigations are individuals who have been convicted or are suspected of committing violent crimes such as murder, armed robbery, assault with a dangerous weapon, and drug-related offenses; while others have been subjects of outstanding arrest warrants.

The OI's special agents are classified as criminal investigators under Occupational Series 1811, the same OPM position classification that designates all statutory law enforcement positions, including agents of the Federal Bureau of Investigation (FBI), the Drug Enforcement Administration, the U.S. Secret Service, and the Postal Inspection Service (PIS). Unlike the agents of these agencies, however, the OI's special agents lack full law enforcement authority. Specifically, the OI's special agents are not authorized to carry weapons, execute search warrants, or make arrests. This not only adversely affects the efficiency of the OI's operations, but it subjects these agents to unreasonable personal risks.

Notwithstanding the differences in authority, the OI's special agents either receive the same law enforcement training as that given to other Federal law enforcement agencies at the Federal Law

Enforcement Training Center; or they have previously received criminal investigator training with other Federal law enforcement agencies such as the FBI or PIS. The extensive training they receive includes the full range of law enforcement subjects: firearms training, searches and seizures, a review of the Federal Rules of Criminal Procedure, and instructions in investigative and arrest techniques. Additional modules of specialized law enforcement training are also provided to OI special agents on an agent-by-agent basis.

The locations where OI investigations take place are no different than those where other Federal law enforcement agencies must visit and conduct their work. These locations are frequently dangerous urban, high-crime areas, known for activities such as illicit drug trafficking and related killings, assaults with dangerous weapons, prostitution, and fencing of ill-gotten property. OI investigations also take place in the sparsely-populated rural areas of the nation where an agent may find himself or herself not only alone and unarmed, but potentially confronted by hostile subjects and their associates and unable to rely upon the immediate response by a local law enforcement agency. Furthermore, while it is legal for residents to carry handguns in some States, the OI agents are prohibited from doing so.

Like other law enforcement agencies, OI special agents utilize the full range of investigative techniques, such as undercover operations; approved electronic recording and monitoring; surveillances; records analyses; and interviews which are sometimes confrontational, hostile, and dangerous. Frequently, these investigations result in special agents requesting search warrants and serving OIG or grand jury subpoenas in the same dangerous environments.

Currently, the OI has two ways to minimize the risks to its agents and cooperating witnesses; however, neither method is satisfactory. The OI can apply to the Department of Justice (DOJ) for deputation of agents as special deputy U.S. Marshals on a case-by-case basis when certain ever-changing guidelines set by the DOJ are met, or the OI can request the assistance of an agency with full law enforcement authority (the authority to



carry firearms, make arrests, and execute search warrants).

When the OI develops specific facts to justify the need for firearms and arrest and/or search warrant authority, an application for case specific deputations may be made to the DOJ. In conducting the initial investigation to develop the data necessary to meet the DOJ guidelines, unarmed agents of the OI and others may be placed at risk. For approval of deputations, the DOJ guidelines require that the anticipated investigative procedures for which deputation is requested are (1) hazardous to the life or physical safety of a criminal investigator or a cooperating witness; (2) necessary for the successful completion of the Federal investigation; and (3) not capable of performance by another law enforcement agency with firearms and arrest powers. Further, the request must contain a letter of endorsement from the appropriate prosecutor that responds to several areas of the DOJ's concerns.

Although the DOJ has promised to streamline the deputation request/approval process, we have recently seen an increase in the bureaucratic hurdles each request must clear prior to approval. We have been informally advised that requests must contain an affirmative statement that we have coordinated our request with any other agency that has concurrent jurisdiction.

Reliance on other agencies with full law enforcement authority to assist in OI cases is not a suitable alternative for reasons which vary from case to case. For example, these situations require an additional agent who may be doing little more than protecting an unarmed OI agent during an arrest, search, or confrontational interview. Such a use of law enforcement resources is inefficient. Of greater concern, however, is the fact that the armed agents face additional risks during these occasions because they are accompanied by agents whose response is limited in a life-threatening situation. Further, the schedules of agents from two or more agencies must be coordinated. This can cause delays in executing arrest and search warrants which can result in the fleeing of subjects and/or the hiding/destruction of evidence.

There are two alternatives to the inefficiencies that surround the case-by-case deputation process. Clearly, the most efficient and effective solution is for the Congress to grant full law enforcement authority to OIG criminal investigators. Another solution is for the DOJ to issue blanket deputation for all agents assigned to a particular Inspector General's office. These deputations are renewable annually, but they cover agents for all of their investigations. The OIG's Office of Labor Racketeering is covered by an annual blanket DOJ deputation which is reviewed and renewed yearly. While this process is certainly more efficient than the case-by-case deputation process, inefficiencies in this renewal process result in a less than ideal solution.

Although experts may not agree on the causes of crime, the statistics clearly indicate that the crime problem is growing and that the growing incidence of violent crime is especially troubling. According to the 1990 edition of *Crime in the United States*, published by the FBI on August 11, 1991, "From 1989 to 1990, overall violent crime showed an 11 percent increase." Further, another FBI publication, *Law Enforcement Officers Killed and Assaulted*, indicates that assaults of Federal officers were 50 percent higher in 1990 compared to 1989. Given these facts, it is difficult to understand why anyone, especially someone with law enforcement responsibilities, would object to giving an additional class of trained, Federal law enforcement officers the tools they need to perform their duties safely and efficiently.

Until a solution to this problem is reached, each day unarmed OI agents will identify themselves as law enforcement officers and expose themselves and cooperating witnesses to risks in areas where traditional law enforcement agencies would be unwilling to conduct even routine interviews unarmed. The OIG is hopeful that it will not take the death or serious injury of an OI agent or witness to convince the Department, the Congress, and the DOJ of the need to empower OI agents to protect themselves and witnesses.

Legislation addressing some of these concerns is discussed in Chapter 4, page 68.

**Complaint Analysis Office Activities**  
**April 1 - September 30, 1991**

**Breakdown of Allegation Reports by Source:**

Walk-in .....	3
IG Hotline .....	16
Letters from the Congress .....	12
Letters from individuals or organizations .....	85
Letters from DOL agencies .....	5
Letters from Non-DOL agencies .....	5
Incident Reports from DOL agencies .....	12
Total .....	138

**Breakdown of Allegation Reports by Referral:**

Referred to Office of Audit .....	2
Referred to Office of Labor Racketeering .....	1
Referred to Office of Investigations Regional Offices ..	46
Referred to DOL program management .....	52
Referred to other agencies .....	6
Pending action at end of period. ....	31
Total .....	138

# Office of Investigations

## Appendix

### Office of Investigations' Financial Accomplishments

Category Definition	Amount
<b>Recoveries:</b> Expenditures to be recovered an/or re-programmed. This includes the dollar amount of management's commitment to seek recoveries and adjustments. This is a quantification of an agency's action in response to the Inspector General's recommendation to recover funds and/or make adjustments .....	\$1,768,798
<b>Cost Efficiencies:</b> The one-time and/or per annum dollar amount/value or management's commitment to more efficiently utilize the Government's resources. This category is a quantification of management's action in response to the Inspector General's recommendation to prevent improper obligations or expenditures of agency funds or to improve agency systems and operations, thereby avoiding further unnecessary expenditures .....	\$498,319
<b>Restitutions:</b> The dollar amount/value of restitution ordered. This category reflects restitutions ordered as a result of Inspector General investigative activities .....	\$807,434
<b>Fines/Penalties:</b> The dollar amount/value of fines and penalties assessed. This category reflects fines and penalties assessed as a result of criminal and civil action instituted as a result of the Inspector General's investigation .....	\$121,760
<b>Settlements:</b> The dollar amount/value of settlements and judgments rendered as a result of criminal and civil actions .....	\$120,620
<b>Total</b> .....	\$3,316,931

These definitions are taken from *Investigative Case Tracking Systems, Agents' Instruction Manual* (October 1985).

## Chapter 3

### Office of Labor Racketeering

Working with the United States Attorney for the District of New Jersey and the Federal Bureau of Investigation, the OIG's Office of Labor Racketeering has made significant progress in returning control of a racketeer-dominated local to its members. Utilizing civil provisions of the Racketeer Influenced and Corrupt Organizations statute, the Federal Government has removed associates of La Cosa Nostra from positions of power in Local 54 of the Hotel Employees and Restaurant Employees International Union, a 17,000 member Atlantic City, New Jersey local.

A court-appointed monitor has been overseeing the day-to-day operations of the local since April 1991. Details of the case are discussed in the case summary which follows.

The results attained in this case show clearly that civil RICO can be an effective adjunct to criminal prosecution. By treating a corrupt union as a racketeering enterprise rather than simply bringing a series of individual criminal prosecutions, the grip of racketeers can be broken and democratic control reestablished.

Through this reporting period, the OIG has also continued to pursue cases involving fraudulent Multiple Employer Welfare Arrangements (MEWAs). One long-term investigation came to fruition during this reporting period with a guilty plea from one of the principals in the notorious Rubell-Helm Insurance Services Inc. operation, detailed below.

These vicious fraud schemes, discussed in previous semiannual reports, have been the subject of considerable attention during the past 6 months. The OIG has played a key role in focusing needed attention on this under-regulated segment of the benefit plan/insurance industry. As resources permit, the OIG will continue to conduct criminal investigations of MEWAs and related entities in those instances where fraud is egregious.

Also during this reporting period the OIG moved to establish a new Labor Racketeering Field Office in Houston, Texas. This office, which will cover the Gulf Coast area as well as New Mexico and Oklahoma, will provide an OLR presence in one of the nation's most rapidly growing areas. Staffing of the new office is underway and it will be fully operational by November 1, 1991.

During Fiscal Year 1991, this office had 141 convictions as a result of its investigative efforts. This is more than in any other year of its 13-year history. Examples of significant cases for this reporting period follow.

## **Employee Benefit Plans**

### **Former California Health Insurance Executive Pleads Guilty in \$10.4 Million Insurance Fraud Scam**

Michael A. Rubell, former chairman of Rubell-Helm Insurance Services (RHIS), Irvine, California, pled guilty in August 1991 to a criminal information charging mail fraud, embezzlement from employee benefit plans, and income tax evasion. The OIG investigation centered on Rubell's extensive scheme to defraud employers in California and Florida out of millions of dollars in insurance premiums. RHIS, now insolvent, failed to pay approximately \$10.4 million in medical and life insurance claims for employee benefit plan participants in California and Florida.

RHIS was hired by numerous employers in California, Florida, Texas, and Louisiana to purchase insurance coverage and process and pay claims. Rubell induced employers in California and Florida to enroll in health and life insurance benefit plans through fraudulent assurances that RHIS had secured insurance coverage with specified companies and that these plans were fully insured. RHIS, however, did not secure insurance coverage for the various plans, leaving the plan participants liable for their own medical claims.

In his guilty plea, Rubell admitted that from March through July 1988 he embezzled more than \$500,000 in insurance premiums. He used part of the embezzled money to support a lavish lifestyle including the purchase of a condominium at a ski resort, Caribbean cruises, diamonds, custom tailored clothing, and the services of a maid and personal physical fitness coach. Rubell also admitted that he and others made secret payments of \$50,000 to an insurance company executive and \$27,000 to a trust fund chairman as part of the scheme. To avoid paying income taxes, the embezzled premiums were laundered through RHIS and shell companies. Rubell faces a maximum 30 years' imprisonment and a fine of \$1,500,000.

This ongoing investigation is being conducted jointly by the Los Angeles and Orlando, Florida United

States Attorneys' Offices, the OIG, the U.S. Postal Inspection Service, the Criminal Investigation Division of the Internal Revenue Service and the California Department of Insurance. The Department of Labor's Pension Welfare Benefits Administration also assisted in this investigation. *U.S. v. Michael A. Rubell* (C.D. California).

### **Roofing Company Owners and Associates Plead Guilty in 18-year, Multi-Million Dollar Fraud**

Melvin Seligsohn, also known as "Mickey Demarco," his wife, Marlene Seligsohn, their two sons Mark and Gary Seligsohn, Donald Doyle, a shop steward for the Roofers Union in Philadelphia, and nine other defendants who worked for the Seligsohns pled guilty in September 1991 to a variety of Federal charges, including employee benefit plans fraud. The charges include racketeering, payments to influence the operation of an employee benefit plan, falsifying records required under the Employee Retirement Income Security Act, Federal tax violations, obstruction of justice, and conspiracy. Twelve defendants are still awaiting trial.

The indictments charged the defendants with various Federal crimes which occurred between 1972 and 1990 related to the operation of the Mickey Demarco Family Roofing Company and four associated roofing repair companies in Philadelphia. The defendants were involved in a multi-million dollar conspiracy scheme which was used to defraud the Roofers Union employee benefit plans and the Internal Revenue Service. The defendants were also involved in fraudulent sales practices in which representatives of Mickey Demarco Family Roofing Company and other roofing companies owned by the Seligsohns cheated customers, especially elderly customers, out of millions of dollars.

Melvin and Marlene Seligsohn and several other defendants also pled guilty to obstructing justice by directing witnesses and other defendants to lie to Federal investigators and to destroy and alter records subpoenaed by a Federal grand jury.

Donald Doyle, the shop steward for the Roofers Union in Philadelphia, pled guilty to receiving \$20,000 in pay-offs from the Seligsohns and some of the other defendants, in return for Doyle not informing the union and benefit plans that the roofing companies were under-reporting and under-paying contributions to the union's benefit plans. Underpayment to the union funds was in excess of \$400,000.

Melvin and Marlene Seligsohn also agreed to forfeit assets seized by the government pursuant to a civil complaint previously filed. The assets were valued at approximately \$1,040,000 and included three real estate properties, two automobiles, and several bank accounts.

Melvin Seligsohn faces a maximum sentence of 165 years' imprisonment and \$7,750,000 in fines, and his wife faces a maximum sentence of 105 years in prison and \$4,750,000 in fines. The other defendants face sentences ranging from 11 to 71 years and \$750,000 to \$4,000,000 in fines.

The investigation was conducted jointly by the OIG, the Internal Revenue Service, and the U.S. Postal Inspection Service. *U.S. v. Mickey Demarco Family Roofing Company et al.* (E.D. Pennsylvania).

### **New Jersey Trucking Company Owner Sentenced for \$7.5 Million Embezzlement from Pension Plans**

In June 1991, Anthony F. Matarazzo was sentenced in Newark to 37 months' incarceration, three years' probation, and ordered to pay a \$3,600 fine. Matarazzo pled guilty in November 1990 to embezzling approximately \$7.5 million from four employee pension and profit sharing plans of trucking companies for which he was chief operating officer. The plea agreement also permanently barred Matarazzo from serving as a fiduciary to any employee benefit plan covered by the Employee Retirement Income Security Act.

The joint OIG and Pension and Welfare Benefits Administration investigation disclosed that Matarazzo controlled and appointed himself sole trustee

of the retirement plans of Distribution Shipping Company, Kearny, New Jersey; Arrow Carrier Corporation, North Bergen, New Jersey; Holmes Transportation, Inc., Framington, Massachusetts, and its subsidiary Blue Line Express. During the period from December 1987 to January 1990, Matarazzo made disbursements to stock brokerages or personal accounts he owned. These accounts were then liquidated and the proceeds used to purchase a residence, fund business ventures, and for personal expenses. These plans provided benefits to more than 450 active and retired employees and had approximately \$8 million in assets over the period covered by the embezzlement. The trucking companies are now in bankruptcy. *U.S. v. Anthony F. Matarazzo* (D. New Jersey).

### **Pleas From Three CAP Staffing, Inc. Officers**

Robert W. Long, president and Victor Blackwell, vice-president of CAP Programs, Inc., a Charlotte, North Carolina automobile leasing company and D. Ron Harris, secretary of CAP Staffing, Inc., a related Charlotte based employee leasing company, pled guilty in May to various charges including mail fraud, interstate transportation of money obtained by fraud, embezzlement from an employee benefit plan, money laundering, and conspiracy. In the scheme, approximately \$500,000 in plan contributions was expended for purposes other than the payment of medical claims and defraying reasonable administrative expenses. Blackwell also pled guilty to an information charging him with failing to report on his income tax return \$69,000 he had diverted from CAP Programs, Inc. for his own use.

Long, Blackwell, and Harris, along with defendant Jerry M. Wolicki, vice-president of CAP Programs, Inc., operated a labor leasing company, CAP Staffing, Inc. in North Carolina. They and defendants Michael Spieles, president of Universal Staffing Associates, a related employee leasing company in Palm City, Florida, and defendant Michael A. Krebsler, an officer of Universal Staffing Associates, were charged in a December 1990 indictment with defrauding more than 120 business and their employees by causing them to believe they

were covered by health insurance and other personal benefits when only minimal coverage was provided.

The defendants also defrauded over 200 individual investors in CAP Programs, Inc., through several related swindles that can be characterized as Ponzi schemes. Investors were promised high rates of return on their investments, when in fact the only funds coming in consisted of new investors' money and not Cap Programs, Inc. profits.

Investors' monies were to be used for the purchase of vehicles and equipment for leasing. However, the funds were used to pay ongoing expenses, including interest owed to other investors and a lavish lifestyle for the defendants. To cover the monetary shortfall and give the appearance of a successful business, the defendants concocted a variety of bogus schemes to increase income. These schemes included Individual Retirement Account plans, tax exempt municipal leasing plans, and reinvestment of investors' monthly returns.

Long, Harris, and Blackwell agreed to the forfeiture of all the property seized by the Government at the time of indictment. The remaining defendants are awaiting trial.

This investigation was conducted jointly by the OIG, the Postal Inspection Service, the Internal Revenue Service, and the Federal Bureau of Investigation, with assistance from the North Carolina and Florida Insurance Departments. *U.S. v. Long et al.* (W.D. North Carolina).

## **Labor-Management Relations**

### **Two Former Painters Officials Sentenced in New York State Supreme Court**

Edward Capaldo, former president and business manager of the International Brotherhood of Painters and Allied Trades Local 1486 in Long Island, New York was sentenced under New York State Law to a term of imprisonment of 2 1/4 to 6 3/4 years. The sentence stems from Capaldo's guilty plea to charges of enterprise corruption and

bribe-receiving by a labor official. Capaldo is additionally barred from holding office in unions or employee benefit plans for 13 years.

Also sentenced was Paul Kamen, former secretary-treasurer of the International Brotherhood of Painters and Allied Trades District Council 9 in New York City, to a term of imprisonment of 2 to 6 years for enterprise corruption.

These two sentencings culminate a lengthy investigation in which 11 of the 12 defendants pled guilty and were sentenced. The twelfth defendant, Anthony "Gaspipe" Casso, reputed underboss of the Lucchese organized crime family, has remained a fugitive.

The defendants in this case policed the "enterprise", District Council 9, through violence and threats of violence by identifying it with the Lucchese organized crime family. As a result, the corrupt union officials and the organized crime members, who have been entrenched in the union for over a decade, were able to control elections, assign favored shop stewards, and exact a "tax" on major painting projects in New York City.

This case is the result of a joint investigation conducted by the OIG, District Attorney's Office of New York County, and the Organized Crime Investigation Division of the New York Police Department. *State of New York v. Capaldo et al.* (Supreme Court of the State of New York, County of New York)

### **Three New Jersey Union Officials are Sentenced for Accepting Illegal Payments From Employer**

Sol Solomon, business manager of Local 235, International Brotherhood of Painters and Allied Trades, Paterson, New Jersey, Frank X. Brescia, business manager of Local 1095 of the Union in Bloomfield, New Jersey, and John Ripoli, business representative of Local 1095, were each sentenced to 3 years' probation and fined \$5,000 as a result of their guilty pleas in Federal District Court in Newark. Each defendant was charged with accepting illegal payments from an employer and failure to file

reports required under the Labor-Management Reporting and Disclosure Act. Solomon and Brescia were charged with accepting cash gratuities of more than \$3,000 each, and with John Ripoli accepting cash gratuities of at least \$1,500 from their employer, Regional Glass Company. *U.S. v. Sol Solomon* and *U.S. v. Frank Brescia et al.* (District of New Jersey).

## **Internal Union Affairs**

### **International Longshoremen's Association Local 1402 President and Two Trustees Indicted for Embezzling \$225,000 of Local Union Assets**

Perry C. Harvey, Jr., president, and trustees Alexander Cottman and Lee S. Jefferson were indicted by a Federal grand jury in Tampa, Florida for conspiracy and embezzlement of funds totaling approximately \$225,000 from the International Longshoremen's Association (ILA) Local 1402 in Tampa.

The indictment alleged that Harvey, Cottman, and Jefferson conspired to embezzle and embezzled \$224,594.98 of local union assets by disbursing holiday and vacation pay to Cottman and Jefferson. Both Cottman and Jefferson are full-time salaried employees of the South Atlantic and Gulf Coast Guaranteed Annual Income Fund, a Local 1402-related entity that provides benefits to out-of-work longshoremen. The defendants were not entitled to the payments they received because they were not employees of Local 1402.

The indictment further charged Harvey with embezzling funds in the form of holiday and vacation pay for Harold Watson, a full-time salaried administrator of the Tampa Maritime Association - International Longshoremen's Association Health, Welfare and Vacation Fund. Watson is a member of Local 1402 but is not an officer or employee of the union. Additionally, Harvey was charged with embezzling local union funds for his own use in the form of unauthorized salary and insurance premiums.

Harvey also holds the positions of ILA international vice-president and assistant secretary-treasurer of the ILA South Atlantic and Gulf Coast District. He was a member of the Tampa City Council until being removed upon his indictment by the Governor of Florida.

This ongoing investigation is being conducted jointly by the OIG and the Florida Department of Law Enforcement. *U.S. v. Perry C. Harvey, Jr. et al.* (M.D. Florida).

### **Atlantic City Case Brings Removal of Casino Union Leaders**

Edward T. Hanley, president of the Hotel Employees and Restaurant Employees International Union (HEREIU), and 15 other persons including alleged associates of the Bruno/Scarfo Family of La Cosa Nostra have filed consent decrees or had default judgments entered against them in a case involving HEREIU's Local 54 in Atlantic City, New Jersey. Involved with Hanley are eight current and former officers of Local 54, and seven persons alleged to be associated with the Bruno-Scarfo Family. The settlement results from a civil racketeering suit filed last December by the United States Attorney for the District of New Jersey in Newark.

The suit alleged that for more than 20 years, in Local 54 and its predecessors, union officers and employees have been chosen subject to the approval of and have been controlled by the "boss" of the Bruno/Scarfo Family of La Cosa Nostra, and that Local 54 has been run at the direction of and for the benefit of the Bruno/Scarfo Family, rather than for the local's rank and file membership.

The settlement agreement includes the following:

- (1) Court appointment of a monitor to protect the rights of Local 54 members and the assets of the Local and its benefit plans. The monitor will have the power to investigate, audit, and review all aspects of Local 54 and its affiliate benefit plans.



(2) The monitor or a designee will sit on the Board of Trustees of the HEREIU International Union Welfare and Pension Funds with full rights of a trustee and specific rights to petition the court to protect rights of Local 54 members.

(3) Local 54 officer elections that were scheduled for June 1991 have been postponed. The monitor, with approval of the court, will conduct secret ballot elections as soon as an open democratic climate is restored in Local 54.

(4) Hanley will not directly or indirectly take any action involving Local 54 and/or its affiliated welfare and pension plans (including severance fund) except with the knowledge and prior consent of the monitor. Hanley agreed to affirmatively assist the monitor and said he will not impede the work of the monitor.

Other former or current officers of Local 54 have been permanently enjoined, or enjoined for a designated time period, from holding union office or endeavoring to influence the affairs of Local 54:

(1) Francis Gerace, former president of Local 54 and an administrative aid to Edward Hanley is permanently enjoined. However, the settlement agreement does not prevent Gerace from being employed by HEREIU, upon condition of future good behavior, until he becomes eligible to receive his pension or for a period of 3-1/2 years from May 1, 1991. However, Gerace cannot exercise any fiduciary responsibility during this period.

(2) Roy Silbert, current president of Local 54, and Felix Bocchicchio, current vice-president, enjoined for 10 years each.

(3) Thelma Hilferty, current secretary-treasurer of Local 54 and Daniel Daidone, member of the Executive Board of Local 54, enjoined for a period of 7 years.

Restoration of rights for the individuals listed above is subject to specific provisions of the settlement agreement.

A total of 11 other individuals signed consent judgments or had default judgments filed against them which permanently enjoined them from directly or indirectly participating in the affairs of Local 54 and its affiliated benefit plans.

The civil RICO complaint resulted from a joint investigation by the OIG and the Federal Bureau of Investigation. *U.S. v. Hanley et al.* (D. New Jersey).

### **Sentencing in Indiana Steelworkers Local 1014 Case**

Harry Piasecki, former president of United Steelworkers of America (USWA) Local 1014 was sentenced in Hammond, Indiana in July 1991 to serve 7 years in prison for violating the Racketeer Influenced and Corrupt Organizations (RICO) statute. Piasecki also received 5- and 1-year sentences, to run concurrently, for the embezzlement and false records convictions. Piasecki was given 4 years' probation to run consecutively with the 7 year prison term and ordered to make restitution of approximately \$10,500 to the local union and District Council No. 31.

Also sentenced was Phillip Cyprian, former president of Local 1014, to 3 years' imprisonment on charges of embezzlement of union funds, false union records, illegal gambling, conspiracy and filing false tax returns. Cyprian is scheduled for trial in October 1991 on related RICO charges. Leroy Williams, a former Local 1014 officer, was sentenced on charges of conspiracy, illegal gambling, and making false union records to 1 year's imprisonment with 10 months' suspended. Louis Del Grosso, a Miami, Florida, amusement operator, was sentenced to 1 year's imprisonment, of which 6 months were suspended, and placed on probation for 1 year for illegal gambling and conspiracy. Monsignor John F. Morales, pastor of Nativity Parish, Portage, Indiana, was sentenced to 10 months' imprisonment on charges of conspiracy, perjury, illegal gambling, and filing false tax returns. Trial is also pending for Semyour Klein, a partner of Del Grosso, on charges of illegal gambling activity.

Piasecki was convicted in May for the establishment and design of an embezzlement scheme in 1970 when he was first elected Local 1014 president. Piasecki began a Local 1014 newspaper, with all printing work steered to one contractor, Delaney Printing Company. The arrangement required Delaney to inflate printing invoices to the union by 10 percent, which would then be kicked back to the defendant.

The scheme escalated to numerous other printing jobs, all including the 10 percent kickback to Piasecki. The kickbacks continued through 1985, and included the terms of office of five successive presidents of Local 1014. The kickback arrangement was later instituted by Piasecki at District Council No. 31 when Piasecki became a district official.

Cyprian, Williams, Del Grosso, and Morales were convicted in February of operating in the Local 1014 union hall an illegal gambling operation disguised as a charitable, tax-exempt church fund raiser. Cyprian also was convicted in an embezzlement scheme in which he demanded a 10 percent kickback from vendors who did business with the union. Cyprian and Williams were convicted of creating false union records to conceal the kickbacks and other embezzlements.

Piasecki was the eleventh defendant to be found guilty as a result of the joint investigation by OIG and the Internal Revenue Service. *U.S. v. Philip Cyprian et al.* (N.D. Indiana).

## Chapter 4

# Office of Resource Management and Legislative Assessment

The Office of Resource Management and Legislative Assessment fulfills several responsibilities mandated by the Inspector General Act of 1978, including legislative and regulatory review, reporting to the Congress, and performing general management and support activities to achieve the mission of the OIG.

Section 4(a) of the Inspector General Act of 1978 requires the Inspector General to review existing or proposed legislation and regulations and to make recommendations in the *Semiannual Report* concerning the impact on the economy and efficiency of the administration of the Department's programs and on the prevention of fraud and abuse.

The following represent several of the most important legislative items of OIG concern. We urge swift consideration of these items by the Department and the Congress.

### Legislation Affecting the Operation of Department Programs

#### JTPA Amendments and H.R. 3033

The OIG generally supports H.R. 3033, "Job Training Reform Amendments," which corrects some of the deficiencies in the JTPA system which the OIG has reported to the Congress over the past 4 years. Some of the provisions of H.R. 3033 which will alleviate longstanding problems are listed below.

(1) The bill targets services to the "hard-to-serve," *i.e.*, those who face barriers to employment over and above poverty.

(2) H.R. 3033 would effectively eliminate the "single unit charge" to the training cost category for all but very limited circumstances involving tuition charges and off-the-shelf training packages.

(3) The bill requires that the Secretary prescribe regulations establishing uniform cost principles for the JTPA system.

(4) H.R. 3033 seeks to correct deficiencies in SDA procurement practices by requiring that the Secretary prescribe regulations establishing uniform procurement standards to ensure fiscal accountability and prevent fraud and abuse, including provisions to preclude excess profit and excess program income.

However, the OIG is concerned that, although the bill requires quarterly financial reports, it does not require that these reports show all program costs by cost category and by year of appropriation; nor does it require that program income, profits earned, and costs otherwise allowable except for funding limitations be separately identified in the reports. The OIG is also concerned that the bill includes assessment and counseling services in the "direct training" cost category. These services are inherently supportive in nature and do not directly

result in the acquisition of skills and knowledge leading to employment. Likewise, case management services are not direct training. If these services are classified as direct training, the true investment in direct training will be substantially less than the bill's minimum requirement of 50 percent of allocated funds.

## **ERISA Enforcement Enhancement**

The OIG is concerned that while the Department is considering various initiatives in its efforts to enhance ERISA enforcement, in accordance with the March 14, 1991, joint OIG-PWBA recommendations memorandum to the Department's Policy Review Board, no definitive action has been taken.

In that memorandum, the OIG agreed to support legislative proposals that would require direct reporting of certain criminal violations, identified through plan audits, to the Department within 7 days of its discovery. In the meantime, the OIG agreed to hold in abeyance its support for other legislative proposals which would mandate the use of the industry audit guide for employee benefit plan audits and which would require the establishment of parties separate from plan management to oversee plan audits on behalf of plan participants. In essence, we agreed to temporarily hold back some of our major recommendations if the Department showed a good-faith effort to actually improve ERISA enforcement.

However, this effort has not been forthcoming. Not only did the Department and Administration wait until the closing days of the 101st Congress to submit legislative proposals, which died with that Congress, but they have not forwarded to the new Congress any of the legislative proposals the OIG conditionally agreed to support. It is now almost 2 years since we recommended significant changes to ERISA to improve the protection of American workers' pension assets.

Almost 1 year ago, in the Federal Managers' Financial Integrity Act (FMFIA) Report to the President, the Secretary identified the ERISA audit process as a major management control

weakness within the Department of Labor. The Secretary's goal for reintroduction of legislative proposals to correct ERISA weaknesses was March 31, 1991.

Our deepening concern is based on our findings detailed in a November 1989 report on our audit of a statistically valid nation-wide sample of pension plan audits. We found that 46 percent of plan audits were performed using the "limited scope" exemption. This exemption allows up to 43 percent or approximately \$774 billion in private pension plan assets to avoid audit examination each year. Moreover, when this exemption is used, the auditor is generally unable to express any opinion on the accuracy of the plan's financial statements. These "no opinion" audits are not worth the cost.

Based on the same work we also found that 23 percent did not meet one or more of the generally accepted auditing standards and 65 percent did not meet ERISA or DOL reporting and disclosure requirements. The American Institute of Certified Public Accountants (AICPA) Ethics Division investigated a sample of these audits referred by DOL. It also found a variety of problems and took varying disciplinary actions against the auditors who conducted the problem audits.

To remedy these conditions we called for the amendment of ERISA to eliminate the "limited scope" exemption, require participation in "peer reviews" every three years by independent public accountants engaged in pension plan audits, require direct reporting of significant illegal acts by plan auditors and direct reporting of the termination of a plan auditor to the Department, and require that parties separate from plan management oversee plan audits. No legislative proposals have been placed before the present Congress to address these critical needs.

With reference to the reporting of significant illegal acts directly to the department, we wish to point out that the accounting profession's own standards as expressed in the AICPA's Statements on Auditing Standards (SASs) numbers 53 and 54 require that audit work be planned to include testing for errors, irregularities and illegal acts. The AICPA does not distinguish criminal acts

from other illegal acts nor does it in any way limit professional auditors from identifying and reporting any material errors, irregularities or illegal acts.

At this point, we believe that Congress should be guided by the profession's own published standards when amending ERISA to require direct reporting of material illegal acts. By incorporating the language in SAS numbers 53 and 54 into ERISA amendments, the Congress would bring ERISA into conformance with current professional practice and include criminal violations along with other significant illegal acts. By incorporating current professional standards, we believe Congress could avoid potential objections from the auditing community over divergent reporting standards.

We urgently recommend that the Department forward to OMB, and that the Administration forward to the 102nd Congress, the needed amendments to ERISA as outlined above. We further recommend prompt passage of these amendments by the 102nd Congress.

### **Legislation Needed to Address the Fraudulent MEWA Problem**

Based on its extensive investigative experience in the MEWA area, the OIG continues to believe strongly that legislation is needed that would address the problem of fraudulent MEWAs. At a minimum, we recommend that legislation:

(1) Address the MEWA "ERISA Preemption" Problem. The OIG believes that the key objective of any MEWA legislation should be to clarify whether or not a MEWA is covered by State law or could claim ERISA preemption. Since fraudulent MEWA operators often use the "ERISA preemption" tactic to delay effective enforcement action by States, we believe that any MEWA bill should address this problem directly.

(2) Insist on Federal Registration. A proposal by the Department, which was approved by OMB and introduced at the very end of the last Congress, would have mandated Federal registration.

While we believe that Federal MEWA registration is not a panacea, it may have some real value in the overall effort to clarify the ERISA preemption question.

### **Support for the Department of Justice's Proposed "Labor-Management Racketeering Act of 1991"**

The OIG strongly supports such proposed legislation as DOJ's "Labor-Management Racketeering Act of 1991" which would amend the Hobbs Act and implement recommendations of the President's Commission on Organized Crime.

The proposed bill would nullify the effect of the Supreme Court's decision in *U.S. v. Enmons* by making clear that the Hobbs Act can be used to punish the actual or threatened use of force or violence to obtain property as part of a labor-management dispute.

The proposed bill would also implement some important elements of the 1986 report of the President's Commission on Organized Crime. In order to deprive organized crime of its economic resources, the bill would:

(1) amend the Labor Management Relations Act to prohibit the purchase of a union or a union office or the sale of the right to obtain union work;

(2) amend Section 501 of the Labor-Management Reporting and Disclosure Act (LMRDA) to give the Secretary authority, on behalf of union members, to enforce 29 U.S.C. 501(a) (prohibited union officer actions) without a specific complaint and to be able, if needed, to remove fiduciaries who have breached their fiduciary responsibilities;

(3) amend Section 209 of the LMRDA to make delinquent and false reporting of union activities a felony;

(4) conform the lists in the LMRDA and the Employee Retirement Income Security Act (ERISA) which prohibit persons convicted of

specific crimes from acting in certain capacities with a labor union or an employee benefit plan; and

(5) unequivocally reassert that the foregoing inability to serve in certain capacities with a labor union or employee benefit plan, as provided under LMRDA and ERISA, shall not be stayed pending appeal of the disqualifying conviction or otherwise set aside except as provided under these two acts.

## Legislation Affecting OIG Operations

### Law Enforcement Authority and H.R. 1361

The OIG supports legislation such as H.R. 1361, "The Office of Inspector General Law Enforcement Act of 1991," which would provide law enforcement authority for special agents in its Office of Labor Racketeering (OLR) and Office of Investigations (OI). This authority would permit special agents to perform all usual law enforcement functions, including the ability to execute search warrants, make arrests, and carry firearms.

### Exemption of Undercover IG Operations from Certain Laws

The OIG strongly supports legislation to implement its proposal to exempt the Office of Labor Racketeering (OLR) from general procurement and appropriations laws when it conducts specialized types of undercover operations. This legislation would grant to OLR exemptions similar to those received by the Federal Bureau of Investigation and the Department of Treasury criminal investigators. The legislation does not expand the existing investigative jurisdiction of OLR.

The exemption is needed because undercover operations sometimes involve setting up a business, leasing office space, opening a checking account, etc., under a fictitious name. Such an undercover operation must remain secret to ensure the success of the investigation and the safety of the undercover OLR agent.

OLR conducts its undercover operations under strict guidelines similar to those employed by the Federal Bureau of Investigation. The proposed legislation would require the Inspector General to report the undercover activities of OLR annually to the Congress.

## President's Council on Integrity and Efficiency

The President's Council on Integrity and Efficiency (PCIE) was established in 1981 to coordinate and implement Government-wide activities to fight fraud, waste, and mismanagement in Federal programs and operations.

Within the PCIE, there are seven standing committees. IG Julian W. De La Rosa is a member of five of the committees and chairs the Internal Operations Committee. This committee is responsible for developing and maintaining a multimedia public information program for the PCIE and for promoting improved administrative practices within the IG community through special projects.

The OIG continues to actively participate in the various activities and program of the PCIE. Significant activities during this period included:

(1) *Federal Employee Compensation Act Audit Guide*. The Department of Labor's Office of Inspector General has developed and tested, within the Department, an audit program guide which examines how well a Federal agency manages its Federal Employee Compensation Program, especially its efforts to bring employees back to work and its processing of claims. Through coordination with the PCIE, this audit guide will be exported for use by all Government agencies in the near future.

(2) *"The Future Federal Workforce" Management Forum*. The OIG cohosted this management forum at which Representative John Conyers, Jr., Chairman of the House Committee on Government Operations, was the keynote speaker. The forum examined the Chief Financial Officer Act of 1990 (H.R. 5687).

**Chapter 5**  
**Audit Schedules and Tables**

# Money Owed the Department of Labor For the Period April 1 - September 30, 1991

Program Name	Beginning Balance		Debt Established During Period	Collections During the Period				Writeoffs			Adjustments Due to:			Ending Balance	
				Cash	Offset	Other	Compromise	Termination	Overturned	Affirmed	Revised Management Decision	In Collection	Under Appeal		
<b>ESA</b>	22,497,496	4,708,847	19,280,074	12,297,422	0	0	313,549	2,033,412	904,465	0	2,789,202	15,934,020	7,365,044	4,849,303	
Black Lung -Disability Trust Fund	5,150,879	113,929,173	8,962,942	7,357,299	0	0	0	6,110,622	0	0	3,164,918	4,528,003	0	106,882,152	
<b>ETA</b>	52,227,404	50,143,031	938,506	2,000,281	6,615	20,966	623,700	22,156,820	335,172	0	14,715,015	25,747,372	4,284,194	33,418,806	
CETA	5,064,807	17,916,794	4,867,525	2,493,556	0	0	0	0	2,861,461	4,740,374	1,879,326	838,470	1,780,695	17,995,618	
JTFA	0	71,589,537	425,548	37	0	363,656	0	0	12,982,613	4,987,321	161,546	425,511	0	58,081,722	
<b>MSHA</b>	8,620,346	2,688,854	16,389,118	6,124,100	0	0	0	973,710	0	0	0	8,019,882	2,138,255	10,442,371	
Assessments/Mine Operator Civil Penalties	20,188,816	54,438,689	55,951,345	35,441,859	0	0	0	1,934,078	0	0	7,526	20,040,685	17,468,784	55,685,918	
OSHA Civil Penalties -From Business -From State Grants	0	0	37,942	37,942	0	0	0	0	0	0	0	0	0	0	
<b>BLS</b>	180,420	0	312,852	0	0	0	0	0	0	0	0	157,155	600	335,517	
<b>PWBA</b>	316,800	0	713,058	58,167	0	0	0	0	0	0	0	714,291	257,400	0	
<b>OASAM</b>	267,909	0	266,625	227,410	0	0	0	0	0	0	0	215,674	91,450	0	
<b>Total</b>	114,514,877	315,414,925	108,145,535	66,038,073	6,615	384,622	937,249	33,208,642	17,083,711	9,727,695	22,717,533	76,621,063	33,386,422	287,691,407	

**Explanations:**

Figures provided by agencies are estimates and are unaudited. Differences between beginning balances on this schedule and ending balances on the prior period schedule result from adjustments made during the period. Almost all delinquent debt has either been referred to DOJ for collection action or is in the process of referral.

Collections during the period includes: money which had been under appeal, subsequently had a debt established, and money collected.

**Definitions:**

Collections: Includes cash, offsets, property, repayment agreements; any amount more than 30 days overdue is delinquent

Under appeal: Formal process in which program recipient/auditee appeals program agency's determination; amounts are "contingent" receivables--not available for collection

Write-Offs: Result from agency administrative procedures to write off uncollectible receivables, a/k/a bad debt

Adjustments due to appeals: Adjustments of contingent receivables which result from ALJ/Judicial process (includes agency actions overturned & compromises)

Adjustments due to audit resolution: Adjustments of contingent receivables which result from reclassification of disallowed costs based on documentation submitted after audit resolution



**Summary of Audit Activity of DOL Programs  
April 1 - September 30, 1991**

Agency	Reports Issued	Grant/Contract Amount Audited <sup>1</sup>	Questioned Costs	
			Unsupported	Other <sup>2</sup>
OSEC	4	\$ 13,700,000	\$ 36,148	\$ 8,254,398
VETS	3	4,828,778	340,251	0
ETA	206	64,330,178,736	6,412,480	4,340,931
ESA	5	12,644,362,808	0	0
MSHA	2	83,412	0	0
OASAM	13	73,322,775,367	4,831,155	1,009
OIG	5	2,008,100	26,815	0
OSHA	4	1,884,422	0	0
BLŞ	2	172,436	0	0
Multi-Agency	26	3,072,794,875	2,668,418	0
Other Agencies	2	0	0	0
<b>Totals</b>	<b>272</b>	<b>\$153,392,788,934</b>	<b>\$14,315,267</b>	<b>\$12,596,338</b>

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

<sup>2</sup>Other Questioned Costs include \$8,254,398 in Funds Recommended for Better Use as reported in Audit Report 02-91-233-01-001, "DOL's Workers' Compensation Program."

**Summary of Audit Activity of ETA Programs  
April 1 - September 30, 1991**

Program	Reports Issued	Grant/Contract Amount Audited	Questioned Costs	
			Unsupported	Other
ADMIN	1	\$62,233,331,000	\$ 0	\$ 0
OFCMS	2	15,071,937	1,485,911	0
OTAA	2	5,600,000	0	0
JTPA	23	164,199,617	2,856,779	4,012,601
CETA	3	25,401	25,401	0
DINAP	58	39,300,556	270,280	0
DOWP	4	67,980,546	2,898	34,019
DSFP	27	43,825,423	350,322	45
OJC	84	1,760,193,784	1,366,783	294,169
OSPPD	2	650,472	54,106	97
Totals	206	\$64,330,178,736	\$6,412,480	\$4,340,931

**Summary of Audits Performed Under the Single Audit Act  
April 1 - September 30, 1991**

Agency	Entities Audited	Reports Issued	DOL Grant/Contract Amount Audited	Questioned Costs	
				Unsupported	Other
VETS	0	1	\$ 924,174	\$ 0	\$ 0
ETA	50	96	275,897,010	455,729	34,064
MSHA	0	1	83,412	0	0
OSHA	1	4	1,884,422	0	0
BLS	2	2	172,436	0	0
Multi-Agency	6	26	3,072,794,875	2,668,418	0
Other Agencies	2	2	0	0	0
<b>Totals</b>	<b>61</b>	<b>132</b>	<b>\$3,351,756,329</b>	<b>\$3,124,147</b>	<b>\$34,064</b>

**Note:** DOL has cognizant responsibility for specific entities under the Single Audit Act. More than one audit report may have been transmitted or issued for an entity during this time period. Reports are transmitted or issued based on the type of funding and the agency/program responsible for resolution. During this period, DOL issued reports on 61 entities for which DOL was cognizant; in addition, DOL issued 71 reports which included direct DOL funds for which DOL was not cognizant.

**Summary of Audits Performed Under the Single Audit Act  
Multi-Agency Program Reports  
April 1 - September 30, 1991**

Program	Number of Recommendations	Questioned Costs	
		Unsupported	Other
ETA:			
UIS	2	\$ 247,095	\$0
USES	1	22,680	0
SESA	5	319,367	0
JTPA	8	2,007,898	0
CETA	1	22,187	0
DSFP	9	39,562	0
OSHA:			
OSHASG	3	8,869	0
BLS:			
BLSG	2	760	0
Totals	31	\$2,668,418	\$0

Note: Multi-Agency Program Reports relate to Single Audit reports. The report may be on a statewide audit where DOL has accepted "lead" cognizancy or it may be on a single entity under the direct responsibility of DOL. If multiple DOL programs were audited, the multi-agency designation was used. Individual recommendations within the report designate which agency/program is responsible for resolution. Thirty-one recommendations are contained within the 26 multi-agency reports issued this period.

Audits by Non-Federal Auditors  
 PCIE Semiannual Reporting - Summary Results of IG Reviews  
 Six Months Ended September 30, 1991

	A-128/102-P Audits			A-133/110 Audits			Grand Total
	Independent Public Accountant	State & Local Auditor	Total	Independent Public Accountant	State & Local Auditor	Total	
1. Reports Issued Without Change or With Minor Changes							
A. Based on Desk Review	96	20	116	12	0	12	128
B. Based on QCR	1	0	1	0	0	0	1
Total Without Change or With Minor Changes	97	20	117	12	0	12	129
2. Reports Issued With Major Changes							
A. Based on Desk Review	1	0	1	1	0	1	2
B. Based on QCR	1	0	1	0	0	0	1
Total With Major Changes	2	0	2	1	0	1	3
3. Reports With Significant Inadequacies							
A. Based on Desk Review	1	0	1	1	0	1	2
B. Based on QCR	1	0	1	0	0	0	1
Total Reports with Significant Inadequacies	2	0	2	1	0	1	3
4. Number of Auditors Referred to State Boards/AICPA	0	0	0	0	0	0	0
5. Number of Auditors Which Other Sanctions Were Taken	0	0	0	0	0	0	0
6. Unsupported Costs in Reports With Direct Funded Findings	\$576,260	\$2,544,989	\$3,121,249	\$2,898	0	\$2,898	\$3,124,147
7. Sustained Unsupported Costs	\$144,385	\$2,410,424	\$2,554,809	\$34,205	0	\$34,205	\$2,589,014
8. Recovered Unsupported Costs	\$348,195	\$13,377	\$361,572	\$413,731	0	\$413,731	\$775,303
9. Other Costs Questioned in Reports With Direct Funded Findings	\$4,007	0	\$4,007	\$30,057	0	\$30,057	\$34,064
10. Sustained Other Questioned Costs	\$32,795	\$68,087	\$100,882	0	0	0	\$100,882
11. Recovered Other Questioned Costs	\$85,979	0	\$85,979	0	0	0	\$85,979

STATISTICAL TABLE

1. Reports Issued Without Change or With Minor Changes
  - A. Based on Desk Review
  - B. Based on QCR
- Total Without Change or With Minor Changes
2. Reports Issued With Major Changes
  - A. Based on Desk Review
  - B. Based on QCR
- Total With Major Changes
3. Reports With Significant Inadequacies
  - A. Based on Desk Review
  - B. Based on QCR
- Total Reports with Significant Inadequacies
4. Number of Auditors Referred to State Boards/AICPA
5. Number of Auditors Which Other Sanctions Were Taken
6. Unsupported Costs in Reports With Direct Funded Findings
7. Sustained Unsupported Costs
8. Recovered Unsupported Costs
9. Other Costs Questioned in Reports With Direct Funded Findings
10. Sustained Other Questioned Costs
11. Recovered Other Questioned Costs

**Summary of Audit Resolution Activity  
Questioned Costs  
April 1 - September 30, 1991**

Agency/ Program	April 1, 1991		Issued (Increases)		Resolved (Decreases)		September 30, 1991	
	Balance Unresolved Reports	Dollars	Reports	Dollars	Allowed	Disallowed	Balance Unresolved Reports	Dollars
OSEC	0	\$ 0	4	\$ 36,148	0	0	1	\$ 36,148
VETS	1	13,494	3	340,251	0	0	4	353,745
ETA:								
ADMIN	2	467,666	1	0	454,306	13,360	1	0
OFCMS	0	0	2	1,485,911	0	0	2	1,485,911
UIS	3	0	0	0	0	0	0	0
USES	1	0	0	0	0	0	1	0
FLC	1	0	0	0	0	0	0	0
SESA	1	6,172,692	0	0	0	0	1	6,172,692
OTAA	1	394,825	2	0	0	0	1	394,825
JTPA	15	46,694,290	23	6,869,380	44,337	666,439	22	52,852,894
CETA	2	3,416	3	25,401	0	28,634	1	183
OSTP	0	0	0	0	0	0	0	0
DINAP	19	176,682	59	270,280	15,417	161,265	12	270,280
DOWP	3	66,026	4	36,917	0	66,026	2	36,917
DSFP	8	38,734	27	350,367	26,551	39,807	3	323,113
OJC	5	313,680	84	1,660,952	1,402	321,928	53	1,674,486
BAT	0	0	0	0	0	0	0	0
OSPPD	1	108,689	2	54,203	102,727	5,962	2	54,203
ESA	3	0	5	0	0	0	2	0
OLMS	0	0	0	0	0	0	0	0
MSHA	0	0	2	0	0	0	1	0
OASAM	18	11,537,982	13	4,832,164	777,071	2,825,777	17	12,767,298
SOL	0	0	0	0	0	0	0	0
OIG	2	2,295	5	26,815	517	1,778	4	26,815
OSHA	2	313,263	4	0	0	313,263	0	0
BLS	0	0	2	0	0	0	0	0
PWBA	1	0	0	0	0	0	0	0
Multi-Agency	26	3,427,321	26	2,668,418	792,390	2,478,470	19	2,824,879
Other Agencies	1	0	2	0	0	0	1	0
<b>TOTAL</b>	<b>116</b>	<b>\$69,731,055</b>	<b>273</b>	<b>\$18,657,207</b>	<b>\$2,214,718</b>	<b>\$6,922,709</b>	<b>150</b>	<b>\$79,274,389</b>

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

DISALLOWED COSTS include \$23,554 of additional claim amounts. Additional claim amounts occur when the grant/contract officer disallows an amount in addition to the finding amount.

AUDIT RESOLUTION occurs when the program agency and the OIG agree on action to be taken on reported findings and determinations. Thus, this table does not represent any activity subsequent to management's final action such as results of the appeals process or program agency debt collections. Information such as this may be found in the Secretary's Report to Congress. See Chapter 1, Section 4 for discussion on revision of prior management decisions.

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

**Summary of Audit Resolution Activity  
Unsupported Costs  
April 1 - September 30, 1991**

Agency/ Program	April 1, 1991		Issued (Increases)		Resolved (Decreases)		September 30, 1991			
	Balance Unresolved	Dollars	Reports	Dollars	Reports	Allowed	Disallowed	Balance Unresolved	Reports	Dollars
OSEC	0	\$0	0	\$36,148	0	\$0	\$0	1	1	\$36,148
VETS	1	13,494	2	340,251	0	0	0	3	3	353,745
ETA:										
ADMIN	1	467,666	0	0	1	454,306	13,360	0	0	0
OFCMS	0	0	1	1,485,911	0	0	0	1	1	1,485,911
UIS	0	0	0	0	0	0	0	0	0	0
SESA	1	6,172,692	0	0	0	0	0	1	1	6,172,692
OTAA	1	93,572	0	0	0	0	0	1	1	93,572
JTPA	6	40,628,107	10	2,856,779	3	44,337	666,439	13	13	42,774,110
CETA	2	3,416	3	25,401	4	0	28,634	1	1	183
DINAP	5	141,855	9	270,280	5	13,340	128,515	9	9	270,280
DOWP	1	66,026	1	2,898	1	0	66,026	1	1	2,898
DSEF	2	34,592	2	350,322	3	22,409	39,762	1	1	323,113
OJC	2	300,146	24	1,366,783	2	1,402	321,928	24	24	1,366,783
OSPPD	1	108,689	2	54,106	1	102,727	5,962	2	2	54,106
ESA	0	0	0	0	0	0	0	0	0	0
MSHA	0	0	0	0	0	0	0	0	0	0
OASAM	8	11,179,055	6	4,831,155	5	730,053	2,745,891	9	9	12,534,266
OIG	2	2,295	4	26,815	2	517	1,778	4	4	26,815
OSHA	1	313,263	0	0	1	0	313,263	0	0	0
Multi-Agency	14	3,303,234	9	2,668,418	11	736,390	2,410,383	12	12	2,824,879
Other Agency	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>48</b>	<b>\$62,828,102</b>	<b>74</b>	<b>\$14,315,267</b>	<b>39</b>	<b>\$2,105,481</b>	<b>\$6,741,941</b>	<b>83</b>	<b>83</b>	<b>\$68,319,501</b>

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

**Summary of Audit Resolution Activity  
Funds Put to Better Use  
April 1 - September 30, 1991**

Agency/ Program	April 1, 1991		Issued (Increases)		Resolved (Decreases)		September 30, 1991		
	Balance Unresolved Reports	Dollars	Reports	Dollars	Reports	Disagreed Management	Agreed Management	Balance Unresolved Reports	Dollars
OSEC	0	\$ 0	1	\$8,254,398	1	\$0	\$ 8,254,398	0	\$ 0
ETA:									
FLC	1	100,000,000	0	0	1	0	100,000,000	0	0
ESA	1	3,116,539	0	0	0	0	0	1	3,116,539
<b>TOTAL</b>	<b>48</b>	<b>\$103,116,539</b>	<b>1</b>	<b>\$8,254,398</b>	<b>2</b>	<b>\$0</b>	<b>\$108,254,398</b>	<b>1</b>	<b>\$3,116,539</b>



## Unresolved Audits Over 6 Months April 1 - September 30, 1991

Agency	Program	Audit Report Number	Name of Audit/Auditee	No of Rec	Questioned Costs
<b>Under Litigation:</b>					
ETA	SESA	05-90-014-03-325	OHIO BUREAU OF EMPL SERVICES	7	\$ 6,172,692
MULTI	ALLDOL	03-89-083-50-598	COMMONWEALTH OF PA	1	78,270
MULTI	ALLDOL	03-91-012-50-598	COMMONWEALTH OF PA	10	39,737
<b>Awaiting Resolution:</b>					
VETS	VETSPM	09-91-503-02-210	SAN DIEGO R.E.T.C. <sup>1</sup>	1	13,494
ETA	OTAA	05-91-054-03-330	SEL ELEM OF TAA ADMIN BY MESC <sup>2</sup>	12	394,825
ETA	JTPA	02-90-229-03-340	PUERTO RICO II-A TRAINING <sup>3</sup>	5	38,243,826
ETA	JTPA	06-91-011-03-340	LA RESEARCH & DEVELOPMENT <sup>1</sup>	48	507,909
ETA	JTPA	06-91-013-03-340	NATIONAL ALLIANCE OF BUSINESS <sup>4</sup>	7	0
ETA	JTPA	18-91-009-03-340	OIC OF AMERICA <sup>5</sup>	1	35,945
ETA	OJC	03-91-014-03-370	PITTSBURGH JCC & RELATED <sup>6</sup>	1	11,176
ESA	FECA	02-91-232-04-431*	FECA THIRD PARTY LIABILITY <sup>7</sup>	7	955,797
OASAM	ADMIN	12-91-011-07-001	INTNL CNTRLS DO NOT REASNBLY <sup>8</sup>	2	0
OASAM	ADMIN	17-90-013-07-001	POSSIBLE VIOLATION OF APPROPR <sup>9</sup>	1	0
OASAM	ADMIN	19-91-002-07-001	DOL MICROCOMPUTERS <sup>10</sup>	5	0
OASAM	OPGM	18-91-020-07-735	JOHN GRAY INSTITUTE - OSHA <sup>11</sup>	9	74,370
OASAM	OPGM	18-91-022-07-735	JOHN GRAY INSTITUTE - OSHA <sup>11</sup>	2	0
MULTI	ALLDOL	05-91-060-50-598	MICHIGAN EMPLOY SECURITY <sup>12</sup>	1	2,004
OTHER	OTHER	03-91-011-98-599	COUNTY OF YORK, PA <sup>1</sup>	8	0
<b>Pending Indirect Cost Negotiations:</b>					
ETA	JTPA	12-88-038-03-370	VINNELL CORP <sup>13</sup>	1	2,358
OASAM	OPGM	05-90-049-07-735	ILLINOIS CMS, BCCS <sup>13</sup>	1	7,917,169
OASAM	OPGM	18-90-010-07-735	HOME BUILDERS INSTITUTE <sup>13</sup>	8	1,747,000
OASAM	OPGM	18-90-022-07-735	TAG - INDIRECT COSTS 86 & 87 <sup>13</sup>	6	188,285
OASAM	OPGM	18-91-007-07-735	TAG - INDIRECT COSTS <sup>13</sup>	4	43,738
OASAM	OPGM	18-91-024-07-735	NATL GOVERNORS ASSOCIATION <sup>13</sup>	3	646,002
<b>TOTAL AUDIT EXCEPTIONS:</b>				<b>151</b>	<b>\$57,074,597</b>

\*Includes \$955,797 of funds put to better use.

Notes are located on the following page.

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

<sup>1</sup>The States have 180 days to issue a final management decision. Program Agencies and OIG have an additional 180 days to accept the State-level decision.

<sup>2</sup>ETA is using the TAA regulations at 20 CFR 617.52 (c) to resolve the issues raised in this audit report. Under these regulations, the Secretary will decide whether the State will be required to restore funds to the Federal government.

<sup>3</sup>An OIG/ETA joint review disclosed \$13.1 million in misclassified non-training costs and an additional \$10.1 million in unpaid vouchers. OIG concluded that a detailed analysis of program costs prepared by the Puerto Rico Balance of State SDA (BOS) was reasonable and, accordingly, adjustments were adequate to reduce the misclassified cost liability to zero. As part of the adjustments, BOS and the Puerto Rico Volunteer Youth Corps (PRVYC) agreed that BOS will not reimburse the PRVYC the \$10.1 in unpaid vouchers. To resolve our recommendation on the reclassification of non-training costs, we require ETA's written concurrence with our conclusions pertaining to the \$13.1 million.

<sup>4</sup>In the response to the final report, ETA stated they would "explore the feasibility of developing more specific directives on the matter of program income that would apply to all partnership grantees." This response is not sufficient to resolve the report.

<sup>5</sup>The Office of Procurement Services in the National Capital Service Center is responsible for resolution of this ETA contract. They expect to issue their management decision by November 15, 1991.

<sup>6</sup>Per agreement with the OIG, all responses needed to resolve Job Corps regional reports will be provided by November 30, 1991.

<sup>7</sup>ESA and OIG are currently working toward resolution of this report.

<sup>8</sup>The Department and OIG have resolved all but one recommendation in this report. The Department and OIG are working towards a solution on the recommendation.

<sup>9</sup>OASAM and OIG have jointly requested an opinion from GAO on the unresolved recommendation.

<sup>10</sup>OASAM is currently coordinating resolution with the agencies involved to provide documentation.

<sup>11</sup>As of the September 30, 1991, this report was over 180 days; however, on October 17, 1991, OSHA issued a management decision which resolved the report.

<sup>12</sup>The Office of Procurement Services in the National Capital Service Center is responsible for resolution of this ETA contract. They expect to issue their management decision by October 31, 1991.

<sup>13</sup>OMB Circular A-50 does not require resolution within 180 days.

**Summary of Final Action Activity  
April 1 - September 30, 1991**

Agency Program	April 1, 1991		Resolved (Increases)		Final Action (Decreases)		September 30, 1991	
	Balance No Final Action Reports	Disallowed	Reports	Disallowed	Write-Offs	Recovered	Balance No Final Action Reports	Dollars
OSEC	1	\$ 0	3	\$ 8,254,398	2	\$ 0	2	\$ 8,254,398
VETS	5	361,108	0	0	1	0	4	361,108
ETA:								
ADMIN	6	0	2	13,360	1	0	7	0
OFAM	1	129,099	0	0	0	0	1	129,099
UIS	13	189,701,640	3	0	5	25,480,591	11	158,314,981
FLC	0	0	1	100,000,000	1	0	0	0
SESA	20	308,910,067	0	0	2	0	18	308,906,583
OTAA	1	1,911,839	2	0	2	0	1	1,911,839
JTAA	37	15,612,940	16	666,439	16	582,246	37	15,432,604
CETA	69	61,879,214	4	28,634	23	2,754,515	50	56,175,713
OSTP	20	6,059,392	0	0	8	2,024,181	12	3,822,527
DINAP	93	11,927,608	66	161,265	78	754,617	81	10,307,037
DOWP	6	914,156	5	66,026	3	0	8	566,451
DSFP	46	7,259,410	32	39,807	44	2,769,508	34	4,418,096
OJC	18	1,512,125	36	321,928	39	39,205	15	1,780,792
OSPPD	9	582,179	1	5,962	3	492,637	7	75,005
ESA	10	0	6	0	7	0	9	0
OLMS	0	0	0	0	0	0	0	0
MSHA	0	0	1	0	1	0	0	0
OASAM	23	13,526,724	14	2,825,777	18	2,401	19	13,071,488
SOL	0	0	0	0	0	0	0	0
OIG	0	0	3	1,778	3	0	0	0
OSHA	11	173,363	6	313,263	9	0	8	92,621
BLS	2	0	2	0	3	0	1	0
PWBA	2	0	1	0	1	0	2	0
Multi-Agency	40	3,455,327	33	2,478,470	28	0	45	5,907,223
Other Agency	0	0	2	0	2	0	0	0
<b>TOTAL</b>	<b>433</b>	<b>\$623,916,191</b>	<b>239</b>	<b>\$115,177,107</b>	<b>300</b>	<b>\$34,899,901</b>	<b>372</b>	<b>\$589,527,565</b>

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

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

The resolved column of this schedule does not agree with the resolved schedule reported by the OIG. The difference is due to adjustments made during the period.

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

## Final Audit Reports Issued April 1 - September 30, 1991

Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
02-91-233-01-001	OSEC	ADMIN	23-AUG-91	DOL'S Workers' Compensation Program
02-91-248-03-310	ETA	OFCMS	30-SEP-91	The Virgin Islands JTPA and UI Programs
02-91-207-03-340*	ETA	JTPA	19-AUG-91	OEO Puerto Rico - SA
02-91-231-03-345	ETA	CETA	17-MAY-91	Municipality of Mayaguez - SA
02-91-236-03-345	ETA	CETA	17-MAY-91	County of Ocean - SA
02-91-253-03-345	ETA	CETA	23-JUL-91	Town of Barnstable, MA - SA
02-91-215-03-355	ETA	DINAP	08-APR-91	The Seneca Nation of Indians - SA
02-91-235-03-355*	ETA	DINAP	13-MAY-91	American Indians for Development Inc. - SA
02-91-254-03-355*	ETA	DINAP	04-SEP-91	Abenaki Self-Help Association, Inc. - SA
02-91-230-03-365*	ETA	DSFP	17-MAY-91	Rural Opportunities, Inc. - SA
02-91-234-03-370	ETA	OJC	13-AUG-91	Puerto Rico Volunteer Youth Corps
02-91-237-03-370	ETA	OJC	30-JUL-91	Grafton Job Corps Center
02-91-238-03-370	ETA	OJC	11-JUL-91	Glenmont Job Corps Center
02-91-255-03-370	ETA	OJC	30-JUL-91	Grafton Job Corps Center Cost Overrun
02-91-201-50-598	MULTI	AL/DOL	01-MAY-91	State of New Jersey - SA
02-91-202-50-598*	MULTI	AL/DOL	19-AUG-91	Department of Labor and Human Resources - SA
02-91-203-50-598	MULTI	AL/DOL	29-APR-91	State of New York - SA
02-91-213-50-598	MULTI	AL/DOL	29-APR-91	State of New Jersey - SA
02-91-218-50-598	MULTI	AL/DOL	29-APR-91	State of New Jersey - SA
02-91-220-50-598	MULTI	AL/DOL	08-APR-91	Suffolk County, NY - SA
02-91-228-50-598*	MULTI	AL/DOL	02-MAY-91	State of New Hampshire - SA
02-91-229-50-598	MULTI	AL/DOL	30-SEP-91	State of Massachusetts - SA
03-91-032-03-340	ETA	JTPA	04-APR-91	Cities in Schools, Inc. - SA
03-91-041-03-340	ETA	JTPA	03-MAY-91	JTPA Program Accomplishments
03-91-057-03-340*	ETA	JTPA	18-JUN-91	VA Governor's Employment & Training Dept - SA
03-91-033-03-360*	ETA	DOWP	08-APR-91	Natl Council of Senior Citizens - SA
03-91-058-03-360	ETA	DOWP	18-JUN-91	Dept for the Aging, VA - SA
03-91-006-03-370	ETA	OJC	09-JUL-91	Pittsburgh JCC PY 88 & 89 Financial Audit
03-91-025-03-370	ETA	OJC	12-APR-91	Potomac JCC Cost Overrun Review
03-91-031-03-370	ETA	OJC	27-AUG-91	San Diego JCC Program Results Statements
03-91-042-03-370	ETA	OJC	29-APR-91	Prospective Contractor - Adams & Associates
03-91-048-03-370	ETA	OJC	25-JUN-91	Clearfield JCC Program Results Statements
03-91-049-03-370	ETA	OJC	15-JUL-91	Clearfield JCC PY 88 AUP & Fin Info
03-91-051-03-370	ETA	OJC	15-JUL-91	Clearfield JCC PY 89 AUP & Fin Info
03-91-055-03-370	ETA	OJC	30-SEP-91	Prog Results Stmt & Auditor's Report PY 88 & 89
03-91-068-03-370	ETA	OJC	16-SEP-91	Bamberg JCC Program Results Statements PY 88

## Final Audit Reports Issued April 1 - September 30, 1991

Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
03-91-069-03-370	ETA	OJC	16-SEP-91	Bamberg JCC Program Results Statements PY 89
03-91-073-03-370	ETA	OJC	27-SEP-91	Results Allowance & GTR Testing, Supplement Info
03-91-056-03-370	ESA	ADMIN	28-JUN-91	FY 90 Financial Stmts and Independent Audit Rpt
03-91-053-04-433	ESA	CMWC	18-JUL-91	Black Lung Disability Trust Fund Disbursements
03-91-026-06-001	MSHA	ADMIN	27-SEP-91	Program Results Statements & Auditor's Rpt
04-91-068-02-210	VETS	VETSPM	14-AUG-91	City of Jacksonville - SA
04-91-033-03-330	ETA	OTAA	17-APR-91	TN Survey Rpt on Implementation of OTC
04-91-034-03-330	ETA	OTAA	17-APR-91	KY Survey Rpt on Implementation of OTC
04-91-017-03-340	ETA	JTPA	11-APR-91	N Central FL Regional Planning Cncl SDA #5
04-91-030-03-340	ETA	JTPA	19-SEP-91	JTPA Audit Mgmt and Resolution - FL
04-91-032-03-340	ETA	JTPA	26-JUL-91	Federal Cash Mgmt within FL JTPA Program
04-91-038-03-340	ETA	JTPA	18-SEP-91	FL JTPA Revenue Account
04-91-039-03-340*	ETA	JTPA	24-MAY-91	Catawba Indian Nation - SA
04-91-035-03-355	ETA	DINAP	05-APR-91	Miccosukee Corp - SA
04-91-059-03-355*	ETA	DINAP	16-AUG-91	Metrolina Native American Association, Inc - SA
04-91-064-03-355*	ETA	DINAP	01-APR-91	FL Governor's Council on Indian Affairs, Inc - SA
04-91-065-03-355*	ETA	DINAP	08-AUG-91	Haliwa-Saponi Indian Tribe - SA
04-91-036-03-365*	ETA	DSFP	18-APR-91	Delta Housing Development Corp - SA
04-91-052-03-365*	ETA	DSFP	27-JUN-91	MS Delta Council for Farm Workers - SA
04-91-060-03-365*	ETA	DSFP	22-JUN-91	Homes in Partnership - SA
04-91-062-03-365*	ETA	DSFP	23-JUL-91	FL Non-Profit Housing, Inc - SA
04-91-040-03-370	ETA	OJC	07-AUG-91	Earle C. Clements JCC PY 88
04-91-042-03-370	ETA	OJC	07-AUG-91	Earle C. Clements JCC PY 89
04-91-043-03-370	ETA	OJC	07-AUG-91	Earle C. Clements JCC PY 90
04-91-044-03-370	ETA	OJC	07-AUG-91	Earle C. Clements JCC PY 90
04-91-045-03-370	ETA	OJC	07-AUG-91	Brunswick JCC SP PY 88
04-91-046-03-370	ETA	OJC	07-AUG-91	Brunswick JCC PY 90
04-91-047-03-370	ETA	OJC	07-AUG-91	Brunswick JCC PR PY 88 & 89
04-91-048-03-370	ETA	OJC	30-SEP-91	Gulfport JCC SP AUP PY 89
04-91-049-03-370	ETA	OJC	30-SEP-91	Gulfport JCC SP AUP PY 90
04-91-050-03-370	ETA	OJC	30-SEP-91	Gulfport JCC PR PY 89 & 90
04-91-053-03-370	ETA	OJC	07-AUG-91	Earle C. Clements JCC PY 88
04-91-054-03-370	ETA	OJC	07-AUG-91	Earle C. Clements JCC PY 89
04-91-055-03-370	ETA	OJC	07-AUG-91	Brunswick JCC AUP PY 89
04-91-056-03-370	ETA	OJC	07-AUG-91	Brunswick JCC AUP PY 90
04-91-057-03-370	ETA	OJC	30-SEP-91	Gulfport JCC AUP PY 89
04-91-058-03-370	ETA	OJC	30-SEP-91	Gulfport JCC AUP PY 90

## Final Audit Reports Issued April 1 - September 30, 1991

Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
04-91-041-11-111*	BLS	BLSG	06-JUN-91	Alabama Department of Labor - SA
04-91-005-50-598	MULTI	AL/DOL	24-SEP-91	State of Kentucky - SA
04-91-067-50-598*	MULTI	AL/DOL	15-AUG-91	State of Tennessee - SA
04-91-069-50-598	MULTI	AL/DOL	30-AUG-91	State of Mississippi - SA
04-91-051-98-599*	OT AGY	NO/DOL	25-JUN-91	Orange County, FL - SA
04-91-061-98-599*	OT AGY	NO/DOL	30-SEP-91	Brevard County, FL - SA
05-91-012-03-340	ETA	JTPA	17-APR-91	Seattle/King County OJT Broker
05-91-040-03-340	ETA	JTPA	17-APR-91	Louisville/Jefferson County OJT Broker
05-91-041-03-340	ETA	JTPA	23-AUG-91	South Florida E&T Consortium OJT Broker
05-91-042-03-340	ETA	JTPA	17-APR-91	Alamo SDA OJT Broker
05-91-043-03-340	ETA	JTPA	17-APR-91	PIC of Dallas OJT Broker
05-91-044-03-340	ETA	JTPA	17-APR-91	Cook County, IL P.O.E.T. OJT Broker
05-91-046-03-340	ETA	JTPA	23-AUG-91	Los Angeles OJT Broker
05-91-066-03-355*	ETA	DINAP	15-APR-91	Milwaukee Area American Indian Council, Inc - SA
05-91-067-03-355*	ETA	DINAP	16-APR-91	Indian Center, Inc - SA
05-91-068-03-355*	ETA	DINAP	13-MAY-91	Wisconsin Indian Consortium - SA
05-91-072-03-355	ETA	DINAP	18-SEP-91	Lac Courte Oreilles Tribal Council - SA
05-91-074-03-355	ETA	DINAP	20-SEP-91	White Earth Reservation - SA
05-91-076-03-355*	ETA	DINAP	30-MAY-91	Minneapolis American Indian Center, Inc - SA
05-91-077-03-355*	ETA	DINAP	04-JUN-91	MI Indian Employment & Training Services, Inc. - SA
05-91-114-03-355*	ETA	DINAP	25-JUL-91	United Tribes Kansas & Southeast Nebraska, Inc - SA
05-91-116-03-355*	ETA	DINAP	01-AUG-91	Nebraska Indian Inter-Tribal Development Corp - SA
05-91-118-03-355*	ETA	DINAP	12-AUG-91	American Indian Business Association - SA
05-91-070-03-360	ETA	DOWP	24-SEP-91	Illinois Department on Aging - SA
05-91-069-03-365*	ETA	DSFP	17-MAY-91	Minnesota Migrant Council - SA
05-91-075-03-365*	ETA	DSFP	28-MAY-91	Rural Missouri, Inc - SA
05-91-117-03-365*	ETA	DSFP	07-AUG-91	Homes/Casas, Inc - SA
05-91-119-03-365*	ETA	DSFP	22-AUG-91	Nebraska Association of Farmworkers - SA
05-91-120-03-365*	ETA	DSFP	13-SEP-91	SER Corporation - SA
05-91-078-03-370	ETA	OJC	30-SEP-91	Humphrey JCC PY 88 Financial External
05-91-079-03-370	ETA	OJC	30-SEP-91	Humphrey JCC PY 89 Financial External
05-91-080-03-370	ETA	OJC	30-SEP-91	Humphrey JCC Program External
05-91-084-03-370	ETA	OJC	30-SEP-91	Laredo JCC PY 88 Financial External
05-91-085-03-370	ETA	OJC	30-SEP-91	Laredo JCC PY 89 Financial External
05-91-086-03-370	ETA	OJC	30-SEP-91	Laredo JCC Program External
05-91-090-03-370	ETA	OJC	30-SEP-91	Blackwell JCC PY 88 Financial External
05-91-091-03-370	ETA	OJC	30-SEP-91	Blackwell JCC PY 89 Financial External
05-91-096-03-370	ETA	OJC	16-SEP-91	Cleveland JCC PY 88 Financial Information
05-91-097-03-370	ETA	OJC	16-SEP-91	Cleveland JCC PY 89 Financial Information

## Final Audit Reports Issued April 1 - September 30, 1991

Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
05-91-098-03-370	ETA	OJC	16-SEP-91	Cleveland JCC Program Results
05-91-104-03-370	ETA	OJC	16-SEP-91	Atterbury JCC PY 88 AUP Financial
05-91-105-03-370	ETA	OJC	16-SEP-91	Atterbury JCC 7/1/89-1/31/90 AUP Financial
05-91-106-03-370	ETA	OJC	06-SEP-91	Atterbury JCC 2/1/90-6/30/90 AUP Financial
05-91-107-03-370	ETA	OJC	06-SEP-91	Atterbury JCC AUP Program Results
05-91-059-50-598	MULTI	AL/DOL	08-APR-91	State of Wisconsin - SA
05-91-071-50-598	MULTI	AL/DOL	27-SEP-91	State of Missouri - SA
05-91-073-50-598	MULTI	AL/DOL	26-SEP-91	IL Dept of Commerce and Community Affairs - SA
05-91-113-50-598*	MULTI	AL/DOL	15-JUL-91	IN Dept of Labor - SA
05-91-115-50-598*	MULTI	AL/DOL	26-JUL-91	IN Dept of Employment & Trng Services - SA
06-91-003-03-340	ETA	JTPA	27-SEP-91	Adequacy ETA Fin Reporting & Acctng for JTPA
06-91-019-03-340	ETA	JTPA	27-SEP-91	Denver SDA - Comp Fed & State Req
06-91-220-03-355	ETA	DINAP	23-APR-91	Turtle Mountain Band of Chippewa Indians - SA
06-91-221-03-355	ETA	DINAP	25-APR-91	Sisseton-Wahpeton Sioux Tribe - SA
06-91-223-03-355	ETA	DINAP	13-MAY-91	Ute Indian Tribe - SA
06-91-224-03-355	ETA	DINAP	16-MAY-91	Comanche Indian Tribe - SA
06-91-225-03-355	ETA	DINAP	16-MAY-91	Inter-Tribal Council, Inc - SA
06-91-228-03-355	ETA	DINAP	05-JUN-91	Northern Cheyenne Tribe - SA
06-91-230-03-355	ETA	DINAP	26-JUL-91	Caddo Indian Tribe of Oklahoma - SA
06-91-232-03-355	ETA	DINAP	29-JUL-91	Confederated Salish & Kootenai Tribes - SA
06-91-235-03-355	ETA	DINAP	02-AUG-91	Tigua Indian Tribe - SA
06-91-236-03-355	ETA	DINAP	05-AUG-91	United Sioux Tribe Development Corp - SA
06-91-238-03-355	ETA	DINAP	02-AUG-91	Pawnee Tribe - SA
06-91-239-03-355	ETA	DINAP	06-AUG-91	Ute Indian Tribe - SA
06-91-242-03-355	ETA	DINAP	13-AUG-91	Osage Nation - SA
06-91-244-03-355	ETA	DINAP	10-SEP-91	Comanche Indian Tribe - SA
06-91-245-03-355	ETA	DINAP	12-SEP-91	United Tribes Technical College - SA
06-91-246-03-355	ETA	DINAP	12-SEP-91	Chippewa Cree Tribe - SA
06-91-247-03-355	ETA	DINAP	13-SEP-91	Chippewa Cree Tribe - SA
06-91-248-03-355	ETA	DINAP	19-SEP-91	Eight Northern Indian Pueblos Council - SA
06-91-249-03-355	ETA	DINAP	23-SEP-91	Pueblo of Zuni - SA
06-91-250-03-355	ETA	DINAP	24-SEP-91	Santo Domingo Tribe - SA
06-91-251-03-355	ETA	DINAP	25-SEP-91	Cherokee Nation of Oklahoma - SA
06-91-252-03-355	ETA	DINAP	30-SEP-91	Assinboine & Sioux Tribes - SA
06-91-253-03-355	ETA	DINAP	30-SEP-91	Rosebud Sioux Tribe - SA
06-91-112-03-365*	ETA	DSFP	16-APR-91	San Patricio County Comm on Youth Educ & Job - SA
06-91-113-03-365*	ETA	DSFP	19-APR-91	San Patricio County Comm on Youth Educ & Job - SA
06-91-114-03-365*	ETA	DSFP	24-APR-91	Rocky Mountain SER/JOBS for Progress - SA
06-91-116-03-365*	ETA	DSFP	10-MAY-91	Tierra Del Sol Housing Corp - SA
06-91-118-03-365*	ETA	DSFP	14-MAY-91	Rural Employment Opportunities, Inc - SA
06-91-119-03-365*	ETA	DSFP	03-JUN-91	Oro Development Corp - SA
06-91-120-03-365*	ETA	DSFP	19-JUL-91	Arkansas Human Development Corp - SA

## Final Audit Reports Issued April 1 - September 30, 1991

Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
06-91-122-03-365*	ETA	DSFP	04-JUN-91	Motivation, Education & Training, Inc - SA
06-91-020-03-370	ETA	OJC	20-AUG-91	Gary JCC Special Purpose AUP PY 88
06-91-021-03-370	ETA	OJC	20-AUG-91	Gary JCC Special Purpose AUP PY 89
06-91-022-03-370	ETA	OJC	20-AUG-91	Gary JCC AUP PY 88
06-91-023-03-370	ETA	OJC	20-AUG-91	Gary JCC AUP PY 89
06-91-024-03-370	ETA	OJC	20-AUG-91	Gary JCC Program Results PYs 88 & 89
06-91-025-03-370	ETA	OJC	04-SEP-91	Shreveport JCC Special Purpose AUP PY 88
06-91-026-03-370	ETA	OJC	04-SEP-91	Shreveport JCC Special Purpose AUP PY 89
06-91-027-03-370	ETA	OJC	04-SEP-91	Shreveport JCC AUP PY 88
06-91-028-03-370	ETA	OJC	04-SEP-91	Shreveport JCC AUP PY 89
06-91-029-03-370	ETA	OJC	04-SEP-91	Shreveport JCC Program Results PYs 88 & 89
06-91-030-03-370	ETA	OJC	04-SEP-91	Tulsa JCC Special Purpose AUP PY 88
06-91-031-03-370	ETA	OJC	04-SEP-91	Tulsa JCC Special Purpose AUP PY 89
06-91-032-03-370	ETA	OJC	04-SEP-91	Tulsa JCC AUP PY 88
06-91-033-03-370	ETA	OJC	04-SEP-91	Tulsa JCC AUP PY 89
06-91-034-03-370	ETA	OJC	04-SEP-91	Tulsa JCC Program Results PYs 88 & 89
06-91-035-03-370	ETA	OJC	03-SEP-91	McKinney JCC SP AUP Rpts & Fin Stmt PY 88
06-91-036-03-370	ETA	OJC	03-SEP-91	McKinney JCC SP AUP Rpts & Fin Stmt PY 89
06-91-037-03-370	ETA	OJC	03-SEP-91	McKinney JCC AUP Rpts & Related Fin Info PY 88
06-91-038-03-370	ETA	OJC	03-SEP-91	McKinney JCC AUP Rpts & Related Fin Info PY 89
06-91-039-03-370	ETA	OJC	03-SEP-91	McKinney JCC Program Results PYs 88 & 89
06-91-040-03-370	ETA	OJC	05-SEP-91	Regional Job Corps Management Letter
06-91-041-03-370	ETA	OJC	19-JUL-91	McKinney JCC Special Review of GED
06-91-042-03-370	ETA	OJC	21-AUG-91	McKinney JCC Special Review - AWOL
06-91-017-04-431	ESA	FECA	01-AUG-91	FECA FY 90 Compliance Review
06-91-241-06-601	MSHA	GRTEES	09-AUG-91	ND State Board for Vocational Education - SA
06-91-005-09-001	OIG	ADMIN	30-SEP-91	Leonard G. Birnbaum & Co
06-91-007-09-001	OIG	ADMIN	09-JUL-91	Sanson, Kline, Jocomino & Co
06-91-014-09-001	OIG	ADMIN	08-SEP-91	Hazlett, Lewis & Bieter
06-91-015-09-001	OIG	ADMIN	20-SEP-91	Brodin, Johnson, Lee & Co
06-91-016-09-001	OIG	ADMIN	30-SEP-91	Williams, Young & Associates
06-91-121-10-101*	OSHA	OSHAG	19-JUL-91	Wyoming Dept of Labor & Statistics - SA
06-91-234-10-101	OSHA	OSHAG	01-AUG-91	New Mexico Health & Environment Dept - SA
06-91-240-10-101	OSHA	OSHAG	06-AUG-91	Dept of Health Consolidated Lab - SA
06-91-243-10-101	OSHA	OSHAG	29-AUG-91	New Mexico Health & Environment Dept - SA
06-91-126-11-111*	BLS	BLSG	23-SEP-91	Arkansas Workers' Compensation Commission - SA
06-91-115-50-598*	MULTI	AL/DOL	25-APR-91	Arkansas Employment Security Division - SA
06-91-222-50-598	MULTI	AL/DOL	10-MAY-91	Cherokee Nation - SA



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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
06-91-226-50-598	MULTI	AL/DOL	12-APR-91	State of Texas - SA
06-91-227-50-598	MULTI	AL/DOL	17-MAY-91	State of Utah - SA
06-91-229-50-598	MULTI	AL/DOL	06-JUN-91	State of Colorado - SA
06-91-231-50-598	MULTI	AL/DOL	17-JUL-91	State of Oklahoma - SA
06-91-237-50-598	MULTI	AL/DOL	08-AUG-91	State of Louisiana - SA
09-91-202-03-340	ETA	JTPA	26-SEP-91	Program Outcomes - Tacoma/Pierce County PIC
09-91-558-03-340	ETA	JTPA	24-MAY-91	County of Kern - SA
09-91-530-03-355	ETA	DINAP	31-MAY-91	Cook Inlet Tribal Council - SA
09-91-541-03-355*	ETA	DINAP	12-APR-91	Indian Development District of AZ - SA
09-91-550-03-355*	ETA	DINAP	30-APR-91	Kawerak Inc - SA
09-91-551-03-355	ETA	DINAP	11-APR-91	Puyallup Tribe - SA
09-91-552-03-355	ETA	DINAP	09-MAY-91	The Navajo Nation - SA
09-91-553-03-355*	ETA	DINAP	22-APR-91	Confederated Tribes of Warm Springs - SA
09-91-555-03-355*	ETA	DINAP	22-APR-91	Gila River Indian Community - SA
09-91-564-03-355	ETA	DINAP	31-MAY-91	Shoshone-Bannock Tribes, Inc - SA
09-91-565-03-355*	ETA	DINAP	26-JUN-91	American Indian Association of Tucson - SA
09-91-566-03-355*	ETA	DINAP	26-JUN-91	American Indian Association of Tucson - SA
09-91-567-03-355	ETA	DINAP	17-JUL-91	Colorado River Indian Tribes - SA
09-91-569-03-355*	ETA	DINAP	17-JUL-91	California Indian Manpower Consortium - SA
09-91-572-03-355	ETA	DINAP	29-JUL-91	Pascua Yaqui Tribe - SA
09-91-573-03-355	ETA	DINAP	02-AUG-91	Shoshone-Paiute Tribes of the Duck Valley Res - SA
09-91-574-03-355*	ETA	DINAP	07-AUG-91	The North Pacific Rim - SA
09-91-575-03-355*	ETA	DINAP	24-SEP-91	Phoenix Indian Center - SA
09-91-576-03-355*	ETA	DINAP	12-AUG-91	Affiliation of Arizona Indian Center - SA
09-91-554-03-360*	ETA	DOWP	15-MAY-91	Assoc Nacional Pro Personas Mayores - SA
09-91-548-03-365	ETA	DSFP	09-APR-91	Self-Help Enterprises - SA
09-91-549-03-365	ETA	DSFP	23-APR-91	Portable Practical Education Prep - SA
09-91-557-03-365	ETA	DSFP	09-MAY-91	Rural Community Assistance Corp - SA
09-91-559-03-365	ETA	DSFP	29-MAY-91	Self-Help Enterprises - SA
09-91-560-03-365	ETA	DSFP	29-MAY-91	Self-Help Enterprises - SA
09-91-561-03-365*	ETA	DSFP	29-MAY-91	Central Valley Opportunity Center - SA
09-91-562-03-365*	ETA	DSFP	29-MAY-91	Idaho Migrant Council - SA
09-91-563-03-365*	ETA	DSFP	31-MAY-91	California Human Development Corp - SA
09-91-568-03-365*	ETA	DSFP	17-JUL-91	Center for Employment Training (CET) - SA
09-91-003-03-370	ETA	OJC	26-JUL-91	San Jose JCC & Regional Office Review
09-91-004-03-370	ETA	OJC	26-JUL-91	San Jose JCC Program Results
09-91-005-03-370	ETA	OJC	26-JUL-91	San Jose JCC AUP Rpt & Related Fin Info
09-91-006-03-370	ETA	OJC	26-JUL-91	San Jose JCC AUP Rpt & Related Fin Info
09-91-020-03-370	ETA	OJC	05-AUG-91	Columbia Basin Placement PYs 88, 89 & 90
09-91-021-03-370	ETA	OJC	26-JUL-91	Columbia Basin Program Results Stmt 6/30/89
09-91-022-03-370	ETA	OJC	26-JUL-91	Columbia Basin Program Results Stmt 6/30/90

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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
09-91-025-03-370	ETA	OJC	26-JUL-91	Columbia Basin 6/30/89
09-91-026-03-370	ETA	OJC	26-JUL-91	Columbia Basin 6/30/90
09-91-009-07-751	OASAM	OFMS	25-SEP-91	OASAM Financial Managment and Internal Controls
09-91-546-50-598	MULTI	AL/DOL	08-APR-91	Government of Guam - SA
09-91-547-50-598	MULTI	AL/DOL	11-APR-91	American Samoa Government - SA
09-91-556-50-598	MULTI	AL/DOL	15-MAY-91	Republic of the Marshall Islands - SA
12-90-014-02-210	VETS	VETSPM	23-JUL-91	University of Colorado at Denver
12-91-023-03-001	ETA	ADMIN	27-JUN-91	FY 90 ETA Financial Statements
12-91-002-03-370	ETA	OJC	25-APR-91	Joint Action in Community Service, Inc
12-91-006-03-370	ETA	OJC	16-MAY-91	North American Biologicals, Inc
12-91-032-03-370	ETA	OJC	30-SEP-91	Job Corps Financial Stmtns and Auditor's Rpt
12-91-033-03-370	ETA	OJC	30-SEP-91	Analysis of Costs Invested in Human Capital
12-91-034-03-370	ETA	OJC	30-SEP-91	Analysis of Costs Invested in Human Capital-Region
12-91-003-03-380	ETA	SPPD	17-MAY-91	National Council of La Raza
12-91-005-03-380	ETA	SPPD	07-MAY-91	Lawrence Johnson Associates, Inc
12-91-009-07-001	OASAM	ADMIN	28-JUN-91	FY 90 Consolidated Financial Statements
12-91-025-07-735	OASAM	OPGM	03-MAY-91	ITT Federal Electric Corp 1985
12-91-026-07-735	OASAM	OPGM	03-MAY-91	ITT Federal Electric Corp 1986
12-91-027-07-735	OASAM	OPGM	03-MAY-91	ITT Federal Electric Corp 1987
17-91-004-01-001	OSEC	ADMIN	25-SEP-91	ESA Procurement of TQM Trng & Related Services
17-91-015-01-001	OSEC	ADMIN	30-SEP-91	Status Rpt on Efforts to Improve Dept Enforcement
17-91-002-04-001	ESA	ADMIN	25-SEP-91	ESA Procurement of TQM Trng & Related Services
17-91-001-04-420	ESA	WHD	30-SEP-91	Effectiveness of Wage and Hour Enforcement
17-91-003-07-001	OASAM	ADMIN	25-SEP-91	ESA Procurement of TQM Trng & Related Services
18-91-030-01-001	OSEC	ADMIN	30-SEP-91	Pres Comm on Employ of People with Disabilities
18-91-041-02-201	VETS	CONTR	30-SEP-91	Urban Revitalization - USA 5/2/88-5/1/89
18-91-021-03-340	ETA	JTPA	30-SEP-91	70001 (WAVE, Inc)
18-91-034-03-340	ETA	JTPA	12-JUL-91	OIC of America, Inc
18-91-045-03-340	ETA	JTPA	27-SEP-91	Philadelphia Private Industry Council
18-91-028-03-355	ETA	DINAP	20-SEP-91	American Indian Fellowship Association

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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
18-91-033-03-370	ETA	OJC	21-AUG-91	National Maritime Union of America
18-91-005-07-735	OASAM	OPGM	01-JUL-91	Transportation Communication International Union
18-91-017-07-735	OASAM	OPGM	09-JUL-91	Res-Care Indirect Costs - CY 88
18-91-018-07-735	OASAM	OPGM	19-JUL-91	National Council on Aging, Inc
18-91-019-07-735	OASAM	OPGM	23-SEP-91	Res-Care Indirect Cost Rate CY 89
18-91-031-07-735	OASAM	OPGM	13-MAY-91	Johnson, Bassin & Shaw, Inc
18-91-035-07-735	OASAM	OPGM	30-SEP-91	OIC of America Direct & Indirect Costs 7/89-9/90
18-91-042-07-735	OASAM	OPGM	23-SEP-91	Home Builders Institute Indirect Cost FY 86
19-91-007-03-310	ETA	OFCMS	20-SEP-91	GCMIS: Strong Coordination & Careful Evaluation Needed to Reduce Risk

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

## Abbreviations Used in this Report

ADMIN	Agency Administration
AICPA	American Institute of Certified Public Accountants
AL/DOL	All DOL agencies involved in the audit
ASAM	Assistant Secretary for Administration and Management
BAT	Bureau of Apprenticeship Training (ETA)
BL	Black Lung Benefits Program (ESA)
BLDTF	Black Lung Disability Trust Fund (ESA)
BLS	Bureau of Labor Statistics
CETA	Comprehensive Employment and Training Act (ETA)
CMWC	Coal Mine Workers' Compensation (ESA)
COMP	Comptroller
DBRA	Davis Bacon and Related Acts
DFEC	Division of Federal Employees' Compensation (ESA)
DINAP	Division of Indian and Native American Programs (ETA)
DIRM	Directorate of Information Resources Management (OASAM)
DOJ	Department of Justice
DOL	Department of Labor
DOLARS\$	Department of Labor Accounting Related Systems (OASAM)
DOWP	Division of Older Workers Program (ETA)
DSFP	Division of Seasonal Farmworker Programs (ETA)
DVOP	Disabled Veterans Outreach Program (VETS)
ECN	Executive Computer Network
ERISA	Employee Retirement Income Security Act
ESA	Employment Standards Administration
ETA	Employment and Training Administration
FECA	Federal Employees' Compensation Act
FMFLA	Federal Managers' Financial Integrity Act
FLC	Foreign Labor Certification
GAO	Government Accounting Office
GAAP	Generally Accepted Accounting Principles
GRTEES	Grantees
ILO	International Labor Organization
ILAB	Bureau of International Labor Affairs
ILGWU	International Ladies Garment Workers' Union
JFMIP	Joint Financial Management Improvement Program
JTPA	Job Training Partnership Act (ETA)
LAN	Local Area Network
LMRDA	Labor Management Reporting and Disclosure Act
MEWA	Multiple Employer Welfare Arrangement
MSHA	Mine Safety and Health Administration
MSHAG	Mine Safety and Health Administration Grantees
NCOA	National Council on the Aging
NO/DOL	No DOL funds involved in the audit
OASAM	Office of Assistant Secretary for Administration and Management
OI	Office of Investigations (OIG)
OIC/A	Opportunities Industrial Centers of America, Inc.
OIG	Office of Inspector General
OJC	Office of Job Corps
OJT	On-the-Job Training
OLMS	Office of Labor-Management Standards
OLR	Office of Labor Racketeering (OIG)

OMB	Office of Management and Budget
OPGM	Office of Procurement and Grant Management (OASAM)
ORMLA	Office of Resource Management and Legislative Assessment (OIG)
OSEC	Office of the Secretary
OSHA	Occupational Safety and Health Administration
OSHAG	Occupational Safety and Health Administration Grantees
OT AGY	Agency other than DOL
OWCP	Office of Workers' Compensation Programs (ESA)
PFCRA	Program Fraud Civil Remedies Act of 1986
PIC	Private Industry Council
PWBA	Pension and Welfare Benefits Administration
SESA	State Employment Security Agency
SOL	Solicitor of Labor
SPPD	Statagic Planning and Policy Development Office (ETA)
TAA	Trade Adjustment Act
UIS	Unemployment Insurance Service (ESA)
VETS	Veterans' Employment and Training Services

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