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THE INSPECTOR GENERAL'S MESSAGE

This semiannual report of the Office of Inspector General (OIG) details some of our most significant activities for the period of October 1, 1996 - March 31, 1997. During this period, my office focused its audit and investigative activities on ensuring the effectiveness and integrity of the following functions of the Department: employment and training, workplace standards and safety and health; workplace benefits; and departmental management. In addition, we continued to carry out our mission of reducing labor racketeering in the workplace.

The OIG has also put great effort in helping to ensure the Department's implementation of the Government Performance and Results Act (GPRA) of 1993, which becomes effective this October. GPRA represents a new era of accountability for Government programs and services. The fundamental purpose of the law is to increase the performance of Government programs and services by identifying their impact and cost, and then measuring their return on the taxpayers' investment. There is no question that meeting the intent of GPRA is a challenge to all of us in Government.

However, performance accountability and results is something that we in the IG community, and certainly this OIG, have promoted for a number of years. Over the years, OIG audits and investigations have identified areas where performance could be improved and cost efficiencies achieved. With our experience and expertise with DOL programs, we believe we can be helpful in achieving the spirit and intent of GPRA at the Department of Labor.

To this end, we have completed drafting a strategic plan which outlines some very ambitious goals for the next few years. Among these goals will be our intent to ensure that our audit and investigative activities help the Department's programs and services reach and maintain an optimum level of performance, address key issues of concern to the Congress, and ensure that taxpayer interests are served. In addition, we intend to expand our traditional audit and investigative functions to increase our focus on improving program performance by providing consultation, technical assistance, and special reviews to the program agencies within the Department. Resources permitting, we also intend to maintain, if not increase, our level of effort in combating labor racketeering in the workplace. This includes utilizing "industry probes," civil RICO cases, and other innovative strategies to detect and investigate a new generation of racketeers.

I look forward to continuing to work with the Secretary, Management, DOL staff at all levels, as well as Congress, in our common goal of ensuring the effectiveness, efficiency, and integrity of the programs that serve -- and protect the employment rights -- of American workers.

Charles C. Masten
Inspector General

SIGNIFICANT CONCERNS

Ensuring the Accuracy and Reliability of Prevailing Wage Data

The Davis-Bacon Act requires that each contractor and subcontractor involved in Federal construction projects pay its employees no less than “locally prevailing” wages and fringe benefits. The Congressional Budget Office estimates that \$42 billion was spent in Federal construction during Fiscal Year 1996. Therefore, the economic effect of this program is substantial. Based on our recent audit, the OIG is concerned that much of the data utilized in determining the prevailing wage and fringe benefit rates for particular geographic areas are inaccurate. As a result, we have made recommendations to the Department on ways to ensure the accuracy and reliability of this data. We strongly encourage the Department to take swift action on this most important issue.

Ensuring the Effective Implementation of GPRA at DOL

The OIG is concerned with ensuring the effective implementation of GPRA at DOL, both from a Department-wide and an OIG perspective.

Improved Performance Measurement and Financial Systems Needed to Meet GPRA Requirements

The Department needs to ensure that it has an effective performance measurement and accounting system in place to be able to meet the intent of GPRA. The Department has made an initial good-faith effort to meet the requirements of the law, including educating its various components on the requirements of the law and coordinating the development of agency-specific strategic plans. However, it needs to ensure that its program agencies develop outcomes-based performance measures, particularly in the employment and training area. The Department also needs to transition from financial accounting to cost accounting and to improve its agency-level accounting systems. These performance and financial systems will be needed to assess the results and costs of DOL programs, which will be crucial in determining return on investment, making decisions on allocation of resources, and reporting to Congress.

Ensuring the Continued Effectiveness of the OIG Labor Racketeering Program

As discussed in the Labor Racketeering Program section of this report, this OIG is unique in that we were given the program mission of identifying and combating organized crime and labor racketeering in the workplace, in addition to the traditional IG

audit and investigative functions. This criminal enforcement function was placed in the OIG because of the need for independence from political influence in carrying out such a program. Over the years, this program has been very successful in removing associates of organized crime syndicates from some of the Nation's largest labor unions and combating related fraud in the employee benefits arena.

However, the nature of our investigations in this area has changed because the criminals are more sophisticated, the schemes are more complex, and a new generation of "white collar racketeers" has emerged. Consequently, the workload has increased and the investigations have become more resource-intensive. While the costs for carrying out this program have increased, our resources for this program have decreased substantially. We are at a point where we are having to scale back important initiatives and to prioritize our work based on cost considerations rather than investigative merit. Just as I have been concerned with the effectiveness of some of the Department's programs, I am becoming more concerned as to how my office will be able to fulfill its mission in this area and meet our performance responsibilities to Congress under GPRA, given our resource limitations.

**Ensuring
Performance and
Fiscal Accountability
in DOL Employment
and Training
Programs**

The Department needs to make performance and fiscal accountability of its job training programs a top priority. This issue has taken on even greater importance with the implementation of GPRA and the welfare reform legislation that was enacted in the last Congress. First, the Department has a statutory requirement under GPRA to report to Congress the impact of these programs. Second, with the advent of welfare reform implementation, it is expected that the Department's job training programs will be a major component of the strategy to train and place welfare recipients into jobs and remove them from the welfare rolls.

However, OIG audits of DOL employment and training programs consistently identify recurring problems, especially with respect to program performance and grant management. Our most significant finding continues to be that participants are too often placed in short-term, low-wage jobs.

***DOL Needs to Measure
the Long-Term Impact
of Its Programs***

Paramount to improving performance accountability will be the need to measure the long-term impact of employment and training services on job retention and wages of program participants. The Department needs to establish a performance measurement system that provides critical outcome information as to what actually happened to that program participant in the long run. Did that person keep the job? Is that person making an adequate living wage? Is that person self-sufficient? Admittedly, this is very difficult to track, especially if agencies cannot access UI and Social Security Administration (SSA) wage records. Our own experience has been that, by not having this authority, we have been severely impeded in assessing the long-term impact of programs. While ETA has access to the UI records for UI purposes, they do not always have access to UI records for program evaluation purposes. To effectively measure the long-term outcomes of program participants, DOL needs to seek statutory authority for its agencies to be able to access UI records and Social Security wage data.

***Greater Emphasis is
Needed on
Grant Management
and
Debt Collection***

As part of improving fiscal accountability, the Department needs to place greater emphasis on grant management to ensure that funds are spent properly. Moreover, the system for the collection of misspent funds needs to be streamlined to ensure that funds are recovered and utilized to serve those in need of employment and training services.

**Ensuring Pension
Assets are
Safeguarded**

Another issue that continues to require major departmental and congressional attention is that of ensuring the security of pension assets, which now total close to \$3.5 trillion. Because of the nature of these assets -- large sums of dollars, entrusted for deposit and long-term investment for a future benefit -- the potential for serious abuses exists. My office's most significant concerns in this area are that the Department effectively ensure that pension funds are deposited fully to workers' accounts in a prompt manner and that funds be safe while held in trust.

***Ensuring Pension
Funds are Fully and
Appropriately
Deposited***

The Department has taken steps, through revamped regulations, to help ensure that pension funds are fully and appropriately deposited. However, while these regulations reduce the time in which someone could temporarily use the pension funds inappropriately and then deposit the funds without being detected, they will not prevent individuals inclined to do so from

Ensuring Pension Assets are Safeguarded While Held in Trust converting funds for their own use. That type of activity needs to be addressed through an aggressive criminal enforcement program. Therefore, enforcement and oversight of this area needs to remain a priority of the Department.

Legislation Needed to Improve Audits of Pension Plans and Reporting of Violations The OIG also has long-standing concerns with respect to ensuring that funds are safeguarded while they are held in trust by plan administrators, service providers, or trustees. Chief among our recommendations in this area is the need to repeal ERISA's limited scope audit provision, which results in inadequate auditing of pension plan assets. This provision exempts from audit all pension plan funds that have been invested in institutions such as savings and loans, banks or insurance companies already regulated by Federal or State Governments. At the time ERISA was passed two decades ago, it was assumed that all of the funds invested in those regulated industries were being adequately reviewed. Unfortunately, as we have found from the savings and loan crisis, that is not always the case. Currently, because of this provision, independent public accountants (IPAs) conducting audits of pension plans cannot render an opinion on the plan's financial statements in accordance with professional auditing standards.

It is important to note that the disclaimer of any opinion on the financial statements includes even those assets that are not held by financial institutions. These "no opinion" audits provide no substantive assurance of asset integrity to benefit participants or the Department.

The OIG has also recommended that IPAs and plan administrators be required to report serious ERISA violations directly to the Department. This requirement will enhance oversight of pension plan assets, ensure the timely reporting of violations, and involve accountants in the kind of active role that they are supposed to play in the safeguarding of pension assets, by providing a first line of defense to plan participants through their timely and direct reporting of potential problems with employee benefit plans.

EXECUTIVE SUMMARY OF OIG ACTIVITIES

OFFICE OF AUDIT

The Office of Audit has begun to reevaluate and modify the way audit products are developed and programs evaluated in efforts to help the Department meet the performance requirements of the Government Performance and Results Act (GPRA). The main thrust of our audit program is to assist DOL management in reexamining programs and processes with a view toward improving the way work is done and, therefore, ensure accountability for achieving results. The OIG also seeks to determine whether reasonable value is obtained for the taxpayer dollars spent on departmental activities and functions and attempts to identify and share successful and cost/beneficial ideas and methods throughout the Department. In addition, we are taking a more active role in providing consultation and technical assistance to the Department.

The following are some of our most significant audit activities this period.

Accuracy of Data Used in Prevailing Wage Determinations

This audit disclosed that inaccurate data were frequently used in Davis-Bacon wage determinations and that 84 percent of the inaccuracies resulted from data reported by employers and third parties. We also identified flaws in the methodology used in the prevailing wage surveys. Because of the substantial economic impact of this program, we concluded that the survey process needs to be reformed. Our recommendations include drawing statistical samples of employers, conducting onsite pay-roll reviews to obtain wage data, and working with BLS to address deficiencies in the survey methodology pg. 14

Wage and Hour's Back Wage Collection Activities

This audit found that there is a need for the Wage and Hour Division (WHD) to improve its management over collected back wages. We found that WHD was effective in conducting compliance investigations, establishing findings, and assuring that employees received the back wages they were due. However, WHD's internal controls over cash that was collected from employers for distribution to affected workers are inadequate. We identified approximately \$8.5 million in back wages that should be transferred to Treasury pg. 16

**OSHA's
Whistleblower Protection
Program**

The audit found that workers who complained directly to their employers about workplace safety or health hazards were more likely to be fired from their jobs than workers who directly complained to OSHA. The OIG also found that OSHA's current operating practices may prevent whistleblowers from obtaining "all appropriate relief," as provided by the OSH Act for complainants with merit cases. As a result of our findings, we made several recommendations to improve the protection provided to whistleblowers *pg. 18*

**Retraining of
Dislocated Workers
Provided Under
JTPA Title III**

This audit determined that while program participants had an edge in obtaining and retaining employment, individuals in a comparison group, who did not go through the retraining program, were reemployed at higher wages. While the program is successful in obtaining employment for participants, additional focus is needed to develop the program's ability to ensure suitable wage opportunities *pg. 22*

**The Department's
Employee Contribution
Project**

This audit found that PWBA's efforts in this project had a positive impact in protecting plan assets, particularly with respect to increasing enforcement in this area, as well as participant awareness of the problem. However, we also found that improvements were needed in the targeting of this enforcement initiative as well as in the accuracy and completeness of its case management system data. Among our recommendations was for PWBA to assess the effectiveness of the Regional Offices' approaches to enforcement in this project *pg. 51*

**DOL Financial
Management**

The OIG audited the Department's financial statements for Fiscal Year 1996. A summary of this comprehensive audit is found in the Departmental Management section on page 60. The Department's financial statements reflect that the Black Lung Disability Trust Fund is in debt for over \$5 billion to the U.S. Treasury. This raises concerns about its continued solvency. *pg. 60*

OFFICE OF INVESTIGATIONS

The Office of Investigations (OI) is committed to the detection and prevention of fraud waste and abuse within DOL programs and operations. OI consists of two components: the Division of Labor Racketeering and the Division of Program Fraud. The Division of Labor Racketeering conducts criminal investigations to eliminate the influence of organized crime, labor racketeering, and corruption in employee benefit plans, labor-management relations, and internal union affairs. The Division of Program Fraud conducts criminal investigations into allegations of fraud or misconduct in the Department's programs and operations.

Some of our more significant investigative activities include the following:

Protecting Workers From the Influence of Labor Racketeering

As part of our continuing efforts to rid unions of corrupt officials and organized crime we successfully completed several investigations in this area. One example is our efforts in Local 54 of the Hotel Employees and Restaurant Employees International Union (HEREIU) with a membership of 15,500 in Atlantic City, New Jersey. This union is one of the first to be given back to its membership after removing organized criminal influence by using the civil provisions of the Racketeer Influenced and Corrupt Organizations statute pg. 42

Two executive officials of Coca-Cola Enterprises, Inc. were indicted for their attempts to interfere with a union's efforts to organize the company's employees pg.45

An attorney for an employee benefit plan pled guilty to charges of conspiring to solicit and receive kickbacks related to influencing an investment of \$10 million of pension funds that was lost in a scheme to temporarily divert pension assets to invest off-shore pg.48

Reducing Fraud Against DOL's Entitlement Programs

In continuing efforts to reduce fraud against the Government's disability programs, the OIG successfully completed several important investigations during this reporting period. An illustration of our work in this area is exemplified by our investigation of a former Department of Army employee who was sentenced to 12 months in prison and ordered to pay restitution following a guilty plea for fraudulently obtaining FECA benefits pg.54

Six individuals pled guilty for participating in a scheme to defraud the Michigan Employment Security Commission by filing fraudulent unemployment insurance claims and receiving over \$443,000 in UI benefits *pg.58*

**OFFICE OF
EVALUATIONS
AND
INSPECTIONS**

As part of our efforts to assist the Department in ensuring the efficiency and effectiveness of its programs, we also continued to respond to requests for quick and objective reviews of specific functions or operations.

During this reporting period, the OIG's Office of Evaluations and Inspections responded to congressional inquiries involving administrative issues. For example, our review of MSHA's proposed training contract with the United Mine Workers of America and the Bituminous Coal Operators Association brought issues and information to the attention of MSHA, which ultimately caused the \$344,274 contract to not be authorized by MSHA *pg.68*

SELECTED STATISTICS

Office of Audit

Reports issued on DOL activities	157
Total questioned costs	\$ 6.6 million
Dollars resolved	\$ 6.0 million
Allowed	\$ 2.4 million
Disallowed	\$ 3.6 million
Recommendations that funds be put to better use	\$ 12.3 million

Office of Investigations

Division of Program Fraud:

Cases opened	191
Cases closed	233
Cases referred for prosecution	96
Cases referred for administrative/civil action	81
Indictments	83
Convictions	56
Debarments	6
Recoveries, cost efficiencies, restitutions, fines/penalties, and civil monetary actions	\$ 5.6 million

Division of Labor Racketeering:

Cases opened	54
Cases closed	103
Indictments	45
Convictions	45
Debarments	26
Fines, restitutions, forfeitures, and civil monetary actions	\$10.4 million

NOTE: The Office of Investigations conducts criminal investigations of individuals which can lead to prosecutions ("convictions") by criminal complaints, warrants, informations, indictments, or pre-trial diversion agreements. Successful prosecutions may carry sentences such as fines, restitutions, forfeitures, or other monetary penalties. The Office of Investigations' monetary results also include administrative and civil actions which are further detailed and defined can be found on page 89 of this report.

WORKPLACE STANDARDS AND SAFETY AND HEALTH

A major function of the Department is to enforce a variety of statutes prescribing standards of employment which must be met by covered employers. These standards cover a wide range of employment issues including wages, working conditions, and employee safety and health.

WAGE AND HOUR

The major goal of the Wage and Hour Division (WHD) is to improve and protect the wages and working conditions of Americans in the private and local government sectors. A tool in accomplishing this mission is WHD's nationwide enforcement of minimum wage, overtime, child labor, and special minimum wage provisions of the Federal labor laws.

THE DAVIS-BACON ACT

One of the programs administered by WHD is the establishment of prevailing wages under the Davis-Bacon Act. The Act requires each contractor and subcontractor involved in the construction, alteration, or repair of Federal works to pay its employees no less than wages and fringe benefits prevailing in the locality. The Congressional Budget Office estimates that \$42 billion was spent in Federal construction during Fiscal Year 1996; therefore, the economic effect of the Davis-Bacon program is substantial. Under the Act, DOL is responsible for determining the wages and fringe benefit rates prevailing in local geographic areas. The WHD establishes prevailing rates through data voluntarily provided by employers and third parties, including union and trade associations.

Inaccurate Data Were Frequently Used in Wage Determinations Made Under the Davis-Bacon Act

In response to a congressional request, the OIG conducted an audit to assess the accuracy of wage and fringe benefit data used by the Department in prevailing wage surveys. The OIG audited a sample of data affecting Calendar Year 1995 wage decisions. The audit found that WHD staff generally did a creditable job in operating the program. The OIG did not find evidence of fraud

or deliberate misreporting of wage data. However, we determined that inaccurate data were frequently used in Davis-Bacon wage determinations.

Specifically, the OIG identified 211 significant errors in 123 (15 percent) of the 837 survey instruments (WD-10 forms) examined. Inaccuracies in data reported by employers and third parties accounted for 84 percent (177 of 211) of the total exceptions. The remaining 16 percent (34 exceptions) were attributed to errors in WHD's compilation of the data. Material errors resulted in wage decisions needing revision in five states. Among these decisions, wages or fringe benefits for certain crafts were overstated by as much as \$1.08 per hour and understated by as much as \$1.29 per hour. However, the errors discovered did not materially change wage decisions in the majority of the cases because the data sampled often represented a small portion of the responses for an individual WHD survey.

The audit report also identified other issues involving WHD's survey methodology, provisions of the Davis-Bacon legislation, and Labor's regulations that either contributed to the exceptions found or caused the accuracy of the wage decisions to be questioned.

To achieve validity, reliability, and accuracy in the data used to determine locally prevailing wages, OIG recommended the Assistant Secretary for Employment Standards reform the survey process to:

- Select contractors for participation using statistical or other independent means. This helps to prevent outcomes from being skewed by employers and third parties, who more frequently respond to WH surveys, eliminating potential bias in the wage levels that are established.
 - Obtain necessary data directly from contractors' records through onsite collection, thus eliminating the need for third-party reporting. If mail surveys are used for statistically-selected employers, onsite reviews to verify submissions on at least a sample basis should be built into the process.
-

- Obtain assistance from the Commissioner of the Department's Bureau of Labor Statistics in reviewing procedures used in the Davis-Bacon wage determination process and recommending legislative, regulatory or administrative changes as needed in the survey methodology. In the interim, contractor-submitted data can be verified on a sample basis and appropriate enforcement actions initiated against persons making false reports.

In responding to the draft audit report, WHD expressed concern about the large number of significant errors discovered by the audit. However, WHD took issue with OIG's recommendations to draw statistical samples of employers and conduct onsite payroll reviews in order to obtain wage data. WHD did not believe that either of these recommendations would correct the errors cited in the audit. WHD indicated that independent samples of employers would eliminate the input from third parties, which they consider useful. Moreover, it is their position that onsite payroll reviews would be time-consuming, expensive, and more burdensome to employers. WHD did agree to work with BLS in seeking program improvements. They also planned to continue recently increased verification of wage data.

OIG believes that having the WHD independently select employers provides many benefits, including eliminating errors and potential bias in the establishment of wage levels. The time and costs of onsite payroll reviews may be offset by broadening the geographical coverage of the surveys and by combining efforts with other BLS survey efforts. Any resistance from employers could be lessened by the reduced frequency of wage requests due to combined surveys.

BACK-WAGE COLLECTIONS

Audit of WHD's Back-Wage Collections Activities

The OIG examined a sample of cases active during Fiscal Years (FYs) 1995 and 1996, to determine WHD's effectiveness in completing investigations involving violations of Federal labor laws and returning back wages to employees. The OIG found that there is a need for WHD to improve its management over collected back wages.

We sampled 672 FYs 1995 and 1996 active case files, 534 of which resulted in determinations that funds were due employees. Generally, WHD was effective in conducting the compliance investigations, establishing findings and assuring that employees received the back wages they were due.

In the majority of cases we sampled, WHD, either through conciliation or investigation, convinced employers to pay the affected workers. In 92 percent (492 of 534) of the sampled cases in which it was determined that a violation had occurred, WHD was successful in convincing employers to pay some 5,400 employees back wages of about \$2.6 million. Also, cases that we sampled involving complaints were promptly addressed. Over 90 percent of the complaint-initiated cases were assigned to an investigator within 90 days.

However, WHD's internal controls over cash that was collected from employers for distribution to affected workers are inadequate. Reconciliation of amounts recorded in the national office Back-Wage Tracking System (BTS), WHD regional Back-Wage Collection and Disbursement System (BCDS) and cash on deposit with Treasury, is not complete. As a consequence, we identified errors of at least \$4,975,589 in the BCDS that had not been corrected. Inadequate internal controls create opportunities that could lead to undetected misappropriation of funds. Reconciliation of cash between the national office BTS, the BCDS and Treasury should be completed.

The Fair Labor Standards Act (FLSA) requires undistributed back wages to be remitted as miscellaneous receipts to Treasury. WHD interprets the requirement to mean 3 years after the last activity to the account. However, we interpret the FLSA's provisions to require transfer of the funds 3 years after last receipt of cash, which would substantially increase the funds that should be transferred. Nonetheless, we identified approximately \$8.5 million in back wages that, even under WHD's interpretation, should be transferred to Treasury.

We recommended the Assistant Secretary for Employment Standards require WHD to:

- periodically reconcile back wages in the BCDS, BTS and the WHD Treasury account;

- establish verification and training procedures to ensure accuracy of data input and reconciliation; and
- transfer idle funds to Treasury, in accordance with the FLSA.

Notably, the OIG's audit of the Department's consolidated financial statements for FYs 1995 and 1996 identified related weaknesses.

In response to our audit, WHD has promised corrective action that includes completion and maintenance of the reconciliations, data system modifications to track funds better, better monitoring of regional offices' financial activities, and action to comply with FLSA's Treasury remittance provisions. We recommend the Assistant Secretary ensure the corrective action is properly implemented. (Report No. 04-97-016-04-420; issued March 27, 1997).

OCCUPATIONAL SAFETY AND HEALTH

The Occupational Safety and Health Administration (OSHA) administers the Occupational Safety and Health Act of 1970. OSHA develops, reviews and promulgates occupational safety and health standards to assure safe and healthful working conditions for the American worker. Compliance with standards is obtained, in part, by fostering the voluntary cooperation of employers and employees and, in part, by the physical inspection of plants and facilities.

WHISTLEBLOWER PROTECTIONS

Although OSHA is responsible for protecting workers' safety and health, OSHA cannot possibly inspect every work place in the country or identify every potential health and safety hazard that might exist. For these reasons, it is critical that workers feel free to raise health and safety concerns without fear of retaliation by their employers.

Whistleblower Protection Under the OSH Act

Section 11(c) of the Occupational Safety and Health Act (OSH Act) prohibits retaliation by employers against workers who "blow the whistle" by exposing health and safety hazards. Workers who believe they were unfairly treated because they complained about unsafe or unhealthy working conditions can file a complaint with OSHA. If, upon investigation, OSHA finds the allegation

has merit, OSHA attempts to negotiate a settlement between the worker and employer. If a settlement cannot be reached, OSHA refers the case to the Office of the Solicitor (SOL) to consider filing a civil action in the U. S. District Court.

The OIG performed an audit of OSHA's 11(c) whistleblower protection program to examine the extent to which workers were protected by the program and to review the reasonableness and adequacy of OSHA's actions resulting in decisions to settle, dismiss and withdraw employee complaints for the period October 1, 1994 to September 30, 1995.

The OIG audit found that workers who complained directly to their employers about workplace safety or health hazards were more likely to be fired from their jobs than workers who directly complained to OSHA. Based on the random sample of 653 discrimination cases we reviewed, nearly 82 percent of the workers who had asked their employers to correct safety/health hazards stated that they were subsequently fired in retaliation for complaining. Approximately 51 percent of employees who complained directly to OSHA stated that they were improperly terminated from their jobs. Although the incidence of terminations is high in both cases, OSHA's involvement seems to have had a dampening effect on employers' willingness to fire employees who complain about unsafe or unhealthy work places.

Workers in small firms (those who employ 10 or fewer workers) are most vulnerable to being fired for complaining about workplace hazards. Small firms with better than average safety and health records are not subject to OSHA's regular cycle of safety inspections. Without OSHA's whistleblower protection, employees at small firms would have little choice but to work in hazardous environments, or risk termination for complaining.

Our audit also found that OSHA's current operating practices may prevent whistleblowers from obtaining "all appropriate relief," as provided by the OSH Act for complainants with merit cases. OSHA may settle cases too early because of legislated time constraints for conducting investigations. In addition, many case files contained incomplete documentation of workers' lost back wages, and cases referred for litigation were often rejected. We also found that 81 percent of the cases that OSHA referred to SOL for possible legal action

were not acted upon promptly. Moreover, our audit disclosed that OSHA has authority to seek punitive as well as compensatory damages. However, it rarely exercises the authority to seek damages.

Finally, our audit found that OSHA's automated case management system is ineffective for reporting and managing 11(c) cases. The system is not consistently relied on, does not help field offices manage their operations, and does not convey to interested parties information about how well OSHA enforces Section 11(c) program provisions. To improve the protection provided to whistleblowers under the OSH Act, we recommended that OSHA;

- Consult with SOL to reevaluate and agree upon criteria for determining which cases OSHA should attempt to settle and which cases should be referred to SOL for possible litigation;
- Require that documentation be maintained in 11(c) case files specifically identifying "all appropriate relief" due to the complainant;
- Ensure that punitive and compensatory damages are considered when evaluating complainants' entitlements to "all appropriate relief";
- Confer with SOL to identify means to ensure that 11(c) cases referred to litigation are acted upon promptly; and
- Ensure that changes are made to OSHA's management information system to make it a useful tool for reporting and managing 11(c) operations and program results.

OSHA agreed that some whistleblowers may be underserved as a result of OSHA's emphasis on early settlement of cases, as opposed to pursuing cases in court. However, OSHA indicated that the approach recommended by OIG would only serve to further delay a settlement for an employee who, in most cases, is out of a job and has no income. In addition, it stated that no case is settled without the consent of the complainant. OSHA also pointed out that DOL has selected whistleblower complaints as disagreements which should be settled through Alternative Dispute Resolution procedures rather than litigation. (Report No: 05-97-107-10-105; issued March 31, 1997)

EMPLOYMENT AND TRAINING

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 U.S. workers. ETA's decentralized system of skill training and related services is directed toward increasing the post-program employment and earnings of economically disadvantaged persons, dislocated workers and others. This activity is accomplished both through grants to states and through National programs.

Over the years, the OIG has conducted numerous audits and investigations of various aspects of the job training programs administered by the Department and has made numerous recommendations on ways to improve program accountability and performance. Improving performance of its employment and training programs is an important issue facing the Department of Labor. This issue has taken on even greater importance with the implementation of the welfare reform legislation that was enacted in the last Congress. It is expected that the Department's job training programs will be a major component of the strategy to train and place welfare recipients into jobs and off of the welfare rolls. As part of our efforts to effect improvements in these programs and in support of the Department's efforts to protect the wages and employment prospects of the American workers, we continue to devote significant resources to this important area.

JOB TRAINING PARTNERSHIP ACT

The Job Training Partnership Act (JTPA) is the largest training program ETA administers. The purpose of JTPA is to prepare youths and adults facing serious barriers to employment for participation in the labor force, by providing them with training and other services that will result in increased employment and earnings.

THE ECONOMIC DISLOCATION AND WORKER ADJUSTMENT ASSISTANCE ACT PROGRAM

The Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) program under JTPA Title III provides retraining and support services to eligible dislocated workers, including those who have been terminated or laid off; those who have received a notice of termination or layoff; those who are long-term unemployed or self-employed; or displaced homemakers.

Comparative Analysis of JTPA Title III Retraining Outcomes

The OIG performed a nationwide audit of Job Training Partnership Act retraining provided under Title III to dislocated workers who were terminated from the program during Program Year 1991. This audit completes the second stage of a 2-stage effort to examine the impact of retraining on Title III participants. The purpose of this audit was to compare the outcomes of those who participated in the retraining programs to the outcomes for individuals who did not participate in the JTPA program and whose unemployment insurance claims ended during the audit period.

Section 106 (a)(2) of JTPA states: *“The basic return on the investment is to be measured by increased employment and earnings of participants. . . .”*

Audit Results

Participants Had an Edge in Obtaining and Retaining Employment

The program has addressed the employment element of the above measurement. The OIG found that participants of the retraining program had an edge in obtaining and retaining employment. Participants were better able to obtain and retain employment than those who did not receive retraining services. On average, the participant employment rate was 9 percentage points higher over the measurement period. The comparative success of the participants obtaining employment suggests the program had a positive impact.

Participants Were Reemployed at Significantly Lower Wages than Non- Participants

However, there is a need to address the statutory performance element of increasing earnings. Participants were reemployed at significantly lower wages than nonparticipants. Even though both participants and nonparticipants had similar layoff wages, participants were initially reemployed at \$8.55 per hour while nonparticipants started at \$9.54 per hour. Nonparticipants led

participants with higher wages throughout the measurement period and recovered their layoff wages about one and one-half years sooner.

Participants who worked 3 years or more at the company from which they were laid off, experienced a 29 percent drop in wages (from their wage at the point they were laid off) and were reemployed at basically the same rate as less-tenured participants, even though these long-tenured individuals were earning a much higher wage when they were laid off. The 29 percent decline in wages for participants at reemployment is also in sharp contrast with the 9 percent decline in wages experienced by non-participants at the point of reemployment.

These findings are significant because a reasonable assumption is that workers, retrained and supported with additional job-seeking infrastructure, would have an advantage over workers who come to the marketplace without training and program support. Such an advantage should be evident in wages. Yet, the OIG audit demonstrates that those with program intervention recover less in terms of wages.

It is also reasonable to expect that long-tenured participants, while retaining a lower percentage of their layoff wage would, nonetheless, reenter the workforce at a higher wage, or at least, progress at a faster rate than the less-tenured. We would not expect to see the long-tenured remain on the exact same wage line over time as the less-tenured.

Estimated earnings for the two groups were virtually the same over the measurement period as the participant edge in employment offset the nonparticipant wage advantage. In contrast, nonparticipant audit results bear out these expectations.

Conclusion

While the program is successful in obtaining employment for participants, additional focus is needed to develop the program's ability to ensure suitable wage opportunities for dislocated workers, who are experienced and constitute a reliable supply of American labor.

Recommendation

In order to improve program performance, the OIG recommends that ETA identify and address the cause of the decline in participant wages, particularly the wage decline of the long-tenured participants. While we endorse ETA's current efforts at measuring wage recovery, ETA should enhance those efforts by analyzing wage recovery of both long- and less-tenured workers.

ETA disagreed with the audit methodology and data collection, as well as the report's findings and conclusions. We believe the audit is an accurate and useful indicator of program performance, and its findings and conclusions are well supported. (Report No: 02-96-258-03-340; issued February 20, 1997)

Audit of New Horizons Inc., El Paso, Texas

The Secretary's Title III discretionary funds provided a demonstration grant in the amount of \$484,019 to New Horizons, a for-profit contractor, to serve 150 eligible dislocated workers. The purpose of the grant was to provide "specific job opportunities with the development of appropriate curricula and support mechanisms so that those eligible dislocated workers who successfully complete the program would get those jobs, at a cost competitive with other program options available."

The objective of the audit was to analyze the grantee's performance, in accordance with its proposal and the grant agreements, for the period July 1, 1995 through May 31, 1996.

Grantee Was Unable to Deliver Services Promised

The OIG found that New Horizons, Inc., was unable to deliver the services promised. They only provided technical training to 25 percent of the participants (37 of the 150 required by the grant). Moreover, training-related employment was obtained by only 15 percent of the 105 participants required under the grant. The audit determined that:

- The training provided and outcomes obtained under the grant were not what were required in the grant proposal;
- New Horizons never had an agreement with the proposed provider of the technical training that was stated in their grant proposal;
- The technical training provided was reduced by 77 percent and replaced by a basic skills curriculum provided in-house; and
- Area employers were never committed to hiring New Horizons' graduates.

The audit also found that the cost for each valid training-related placement for the eligible participants exceeded the estimated costs in the grant proposal, and the participants earned on average, one dollar less per hour than the wage called for in the proposal.

Following analysis of our findings, the OIG issued a management letter recommending immediate termination of the grant. In response, ETA allowed the grant to expire. As a result, no recommendation was made in the final OIG report. (Report No: 06-97-03-340; issued March 19, 1997)

THE DEFENSE CONVERSION ADJUSTMENT PROGRAM

The Defense Conversion Adjustment Program (DCAP), authorized under JTPA Title III, provides grants for retraining, adjustment assistance, and employment service to eligible employees adversely affected by reduced military spending and closing of military facilities.

**Audit of Grant to
Hughes Aircraft
Company**

Hughes Aircraft Company (Hughes) received two DCAP grants totaling \$16 million to provide basic readjustment and retraining services to approximately 5,000 dislocated workers. This was the first time a DCAP grant was awarded directly to an employer. Hughes subcontracted with DefCon II, a training provider, to perform day-to-day project operations.

The OIG conducted a performance and compliance audit of the Hughes grants. A prior OIG financial audit questioned almost \$2 million of the \$16 million in grants, of which over \$600,000 has been disallowed. Our most recent audit covered the period from June 25, 1993 through September 30, 1995. Our primary objective was to determine if Hughes achieved planned performance goals. Our secondary objective was to test internal control procedures to determine whether Hughes: (1) complied with applicable laws, regulations, ETA Notices, JTPA Directives, and grant provisions; and (2) accurately reported program results. We also included ETA's role in monitoring the two grants in our audit.

We found that Hughes substantially achieved grant performance goals for planned enrollments, cost per participant, and wage rate at placement. However, the job placement rate was 29 percent less than planned and the cost per "entered employment" was 32 percent more than planned. We noted internal control weaknesses in Hughes' administration of the grant, and its compliance with applicable Government requirements. Specifically, we found that: (1) participant eligibility was not always properly documented; (2) a preliminary assessment of skills was not provided to all participants; (3) participants were not always timely terminated from the program; (4) participant follow-up was not timely conducted or properly documented; and (5) grant objectives and scope were changed without grant modification.

Finally, we found that ETA's postaward monitoring of the Hughes grants needed improvement. ETA only conducted one onsite monitoring review; the draft report detailing the results of ETA's review was not issued until one year later; and a final report had not been issued as of our exit conference with Hughes. In addition, ETA took no action when Hughes did not file a required program report or when Hughes filed program reports that contained errors which understated grant accomplishments

related to the number of participants who actually received retraining paid for with grant funds.

We recommended that the Assistant Secretary for Employment and Training direct that grant activities be more closely monitored to ensure: (1) grantees timely submit Corrective Action Plans when actual accomplishments vary from planned goals by more than the established variance margin; (2) grants are administered in compliance with applicable laws, regulations, ETA Notices, JTPA Directives, and grant provisions; and (3) identified grant operation problems are timely resolved, and program reports are tracked and reviewed for timely submission and accuracy.

ETA concurred with OIG's recommendations and stated that it was implementing a more rigorous effort to ensure better oversight and monitoring of similarly funded projects. ETA stated that it had learned some lessons from its first experience in awarding a grant to a non-JTPA entity which should help with future grants of this nature and would have implications for their technical assistance and overall monitoring efforts. (Report No: 09-97-001-03-340; issued February 20, 1997)

FEDERALLY-ADMINISTERED PROGRAMS

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

Job Corps

The Job Corps is authorized under Title IV-B of the JTPA and is funded at almost \$1 billion per year. The Job Corps is a residential education and training program to assist disadvantaged youth to become more employable and productive citizens. Since 1964, Job Corps has served over 1.77 million young men and women. There are currently 111 Job Corps Centers located throughout the country. During this semiannual reporting period, we performed four audits of Job Corps contractors.

**Audit of National
Plastering Industry's
Joint Apprenticeship
Trust Fund**

Under contract to the Job Corps, the National Plastering Industry's Joint Apprenticeship Trust Fund (Trust Fund) provides plastering and cement masonry apprenticeship training at several Job Corps Centers. The OIG performed an audit of costs claimed by the Trust Fund for the contract period August 1993 through July 1996, and an agreed-upon procedures review of a prior contract for the period July 1991 through July 1993. The OIG also performed an agreed-upon procedures review of two contracts the Trust Fund held to provide the same services for the period July 1991 through July 1996 at Job Corps Centers operated by the Department of Interior (DOI).

***OIG Questions
\$1.2 Million***

Of over \$28 million claimed by the Trust Fund, the OIG questioned \$859,115 related to the DOL contracts and \$373,214 related to DOI contracts. For the DOL contracts, about one-half of questioned costs resulted from the contractor drawing and retaining excess cash, charging for unallowable professional services, and for office space not authorized by the contracts. For example, for contract years 1992 through 1996, the OIG questioned \$373,267 of Federal funds which were drawn down early in each contract year and retained by the Trust Fund in excess of immediate cash needs, as well as \$137,127 of imputed interest on this amount.

In addition to recommending recovery of the total amount, the OIG recommended ETA terminate its advanced financing arrangement with the Trust Fund and require that future payments be on a cash reimbursement basis. We recommended this action because this finding was similar to a finding in a previous OIG audit of this contractor.

The OIG also questioned \$124,455 charged to the DOL contracts for legal and accounting services to appeal previous disallowances of costs by the Department. Similar findings resulted for the DOI contracts. Additionally, the OIG questioned costs for office space not authorized by the contracts, costs which exceeded budgeted amounts and were not approved by the Contracting Officer, printing and distribution costs for a newsletter which exceeded the units authorized by the contracts, liability insurance which substantially exceeded the coverage authorized by the contracts, unallowable and unreasonable pension costs, and salaries for certain positions

which exceeded the budgeted amounts and which were not authorized in advance by the Contracting Officer. The OIG also identified weaknesses in the Trust Fund's internal control system for certain accounting-related functions. The Trust Fund disagreed with the OIG findings.

The Trust Fund is operating under sole-source, noncompetitive contracts. Given the audit history of this contractor, the OIG recommended the Department consider revising some of the terms and conditions of the contract to more clearly define the contractor's responsibilities. (Report No. 18-97-014-03-370; issued March 28, 1997)

**Audit of
Calvillo & Associates**

The OIG issued two audit reports on Calvillo & Associates, Inc. (CAI), a contractor providing services to the Job Corps program. Our audit questioned a total of \$356,854 claimed by CAI under Job Corps contracts through May 31, 1996.

The Job Corps awarded CAI a contract to provide special outreach assistance beyond that normally provided by Job Corps. CAI's primary task was to develop linkages to community-based organizations and to strengthen Job Corps' recruitment base with females, Hispanics, and other minorities. CAI was also awarded a contract to increase the recruitment of females from the Dallas region. The OIG audited \$3,566,957 in direct costs claimed by CAI: (1) under the national contract for the period June 1992 through February 1996; and (2) under the regional contract for the period January 1995 through February 1996. The OIG also audited the final indirect cost rates proposed by CAI for the period June 1993 through May 1995.

***Questionable
Financial Practices by
Job Corps Contractor***

Of the direct costs claimed, the OIG questioned \$233,946 primarily because costs claimed were based on budgeted amounts that exceeded actual costs incurred and fringe benefits claimed were unreasonable and unallowable. With respect to fringe benefit claims, we determined CAI: (1) claimed unreasonable profit sharing contributions compared to the compensation practices of other industry firms of the same size; (2) failed to refund to DOL excess profit sharing contributions made on behalf of non-vested terminated employees; and (3) paid unreasonable amounts of bonuses to its owners and employees.

The OIG was especially concerned with CAI's procedures for

***Owners Benefit
Disproportionately
From Contract Fringe
Benefits***

making contributions to its "profit sharing plan" and the vesting provisions for this plan, which disproportionately benefitted CAI's owners and not its employees in general. The total questioned for these activities was \$153,153. CAI disagreed with most of the OIG findings. (Report No.18-97-002-07-735; issued November 1, 1996)

***Supplemental Audit
Identifies Excessive and
Inappropriate Costs to
Government Contract***

The OIG performed a follow on audit of the direct costs: (1) for the national contract from March 1996 through the contract expiration of June 9, 1996; and (2) for the regional contract from March 1996 through May 1996. The OIG also audited the indirect costs charged by CAI for Fiscal Year 1996 (June 1995 through May 1996) and performed supplemental audit work on the prior contract periods. As a result, the OIG questioned direct costs of \$14,201 and indirect costs of \$112,478 for the current audit period, and \$21,469 (both direct and indirect) based upon the supplemental audit work.

The direct costs were questioned because of cost claims based on budgeted rather than actual amounts and on unreasonable and unallowable fringe benefits, as well as unsupported travel costs. The OIG also determined CAI improperly charged the Department for fringe benefits, educational expenses, charitable donations, legal fees and travel expenses in its indirect cost pool in FY 1996. For example, included in the pool were costs for tuition, books, and meals for the son of the CAI President to attend evening classes at a local college. It also included unsupported and unreasonable local travel expenses for the CAI president. CAI was not able to provide information to support the purpose(s) of this inordinate volume of local travel by the president. After removing the questionable charges from the indirect cost pool, the OIG recommended a reduced indirect cost rate. Utilizing the "audit-recommended" indirect cost rate, the OIG questioned a total of \$112,478 of indirect costs proposed by CAI for its two contracts operating in FY 1996.

The OIG also concluded that CAI did not meet the basic performance objectives of its regional Job Corps contract. In addition to the financial aspects of CAI's contract activities, we also questioned CAI's program performance under the DOL Region VI contract. For example, in the first year of the contract, CAI did not recruit the CAI/DOL agreed upon number of females (500) for Job Corps Centers, nor did CAI place the

**Audit of Indirect
Costs and Rates
for Res-Care, Inc.**

number of students (150) in jobs after they completed their training. CAI did not agree with our findings. The Office of Job Corps will not exercise option years on regional contracts in Dallas or Seattle. Also, the National Office Contract was not renewed. (Report No. 18-97-015-07-735; issued March 31, 1997)

Under contracts with the DOL, Res-Care, Inc. operates several Job Corps Centers. The annual indirect cost rate for these contracts are provisional billing rates until Res-Care submits to DOL a final indirect cost rate proposal, based on actual costs incurred, for a certain calendar year. To finalize the indirect costs for 1995, the OIG audited the final indirect costs and rates proposed by Res-Care for the calendar year ended December 31, 1995.

***OIG Questions
\$215,116;
Recommends
Recovery of Other
Costs***

The OIG determined Res-Care claimed \$78,525 in unallowable charges to Government contracts, of which \$18,794 pertains to the Job Corps contracts. The unallowable costs resulted from an inadequate system to determine whether: (1) incurred costs were allowable per the Federal Acquisition Regulation; and (2) whether travel costs were allowable per the Federal Travel Regulation. The audit also disclosed Res-Care had been reimbursed for \$196,322 of indirect costs in excess of the ceilings allowed per DOL contracts in effect as of December 31, 1995. We recommended the recovery of this amount. (Report No. 18-97-012-07-735; issued February 11, 1997)

***Youth Opportunities Unlimited and Youth Fair
Chance Programs***

The Youth Opportunities Unlimited (YOU) demonstration program (JTPA Title IV, Part D) provides for youth programs in small and defined geographical areas with a poverty population of 30 percent or above. The Youth Fair Chance (YFC) demonstration program (JTPA Title IV, Part H) is designed to increase access to educational and job training opportunities for youth residing in high poverty areas. We audited two contractors who received funds to operate programs under YOU and YFC.

For the YFC program, the JTPA requires 30 percent of actual program costs be from matching funds. This matching requirement may be met by the grantee at any point during the grant period, including the grant termination date. While 20

percent of the actual program costs may originate from other Federal funds, not less than 10 percent must originate from non-Federal funds.

Audit of Youth Program Contractors

Grantees Did Not Meet Matching Requirements

The OIG audited the YOU and YFC programs operated by the City of Los Angeles Community Development Department (LACDD) for the period July 1994 through March 1996, and the Fresno Private Industry Council (PIC) for the period July 1994 through December 1995. We questioned \$307,633 (of \$4.7 million audited) for the four grants LACDD operated under these two programs. Of the amount questioned, \$125,777 (about 41 percent) was questioned because the City did not meet the matching requirements of the grants. In addition, we also questioned \$322,093 in required matching costs (of \$851,387 in matching costs identified), which were claimed under one of the YFC grants. These costs were questioned because they were directly charged to the grant or because they lacked documentation to allow a determination as to whether they were reasonable. Of the \$67,739 questioned (of \$1.5 million audited) for the Fresno PIC programs, \$59,609 (about 88 percent) was questioned because the PIC did not meet the matching requirement of the grants. ETA felt that grantees should have the flexibility to find alternate in-kind sources at any time during the grant period. The OIG recommended that ETA require grantees to provide their matching funds proportionally over the entire period of the grant because it would prove to be a better type of control. There is no requirement to obtain matching funds proportionally over the grant period. However, if the required funds are not obtained by the end of the period, the costs that have been tentatively questioned will become questioned costs. (Report Nos. 18-97-013-03-356; issued February 11, 1997 and 18-97-001-03-356; issued October 30, 1996)

Other JTPA Funds

District of Columbia Demonstration Project Grant

The DOL Women's Bureau awarded a grant to the District of Columbia Department of Employment Services (DC-DOES) for the purpose of conducting a demonstration project in support of employment and training services for women in nontraditional occupations. The OIG conducted an audit of the incurred costs and program performance for the grant, which covered the period February 1, 1993 through February 28, 1995 and was funded with \$316,178 of JTPA Title IV funds.

***Grantee Pays
Questioned Costs
to DOL***

The OIG questioned \$69,244 because cash drawdowns exceeded grant expenditures (\$53,753 plus \$5,668 of imputed interest), the grant was overcharged for indirect costs (\$7,356), and because of unsupported direct charges (\$2,517). In February, the Grant Officer disallowed all questioned costs; in March, DC-DOES made a cash payment to the Department for the disallowed costs. (Report No. 18-97-010-01-010; issued January 24, 1997)

**PARTICIPANT
OUTCOMES
DATA
INFORMATION
SYSTEMS**

***Electronically Linked
Data Systems Can
Reduce Costs and
Improve Participant
Follow-up***

The OIG conducted an audit to determine which states use electronically linked data systems to gather information on the outcomes of JTPA and other employment and training programs; and how the electronic systems compare with existing follow-up methods. Because we were also performing an audit of Job Corps placements, the Job Corps data base was used to test whether additional information could be obtained using electronic means. We extracted a sample of students who were classified as "unable to locate" to determine if we could find them using electronically linked data systems. The OIG was successful in finding some students Job Corps was unable to locate.

Currently, seven states are using electronically-linked follow-up systems, including Texas and Florida, and another 10 are in the process of developing such systems, including Florida and Texas, revealed that using electronically linked data to determine outcomes is significantly less costly per follow-up and far more effective than the follow-up methods currently used for ETA programs. The electronically linked follow-up systems provided significant savings, easier access to a full range of participant outcomes, and improved ability to evaluate the long-term effectiveness of various state and federally sponsored training programs. We estimate that by using a system such as Florida's, the JTPA program alone could save over \$3.4 million annually if electronic followup systems were implemented nationwide.

Florida and Texas have already coordinated with the Departments of Education, Health and Human Services and other Federal agencies to monitor the effectiveness of their programs at a reduced cost. This coordination included overcoming the barriers associated with protecting data privacy and confidentiality while giving researchers the tools they need to

do sound statistical analysis for the purpose of improving program outcomes. Currently, Florida and Texas are linking to entities such as Office of Personnel Management (OPM), state welfare agencies, unemployment insurance wage records, the military and various colleges and universities.

We believe ETA should begin now to foster the development and integration of electronically linked follow-up methods into its various employment and training programs, and thus recommended that the Assistant Secretary for ETA:

- Grant Florida and Texas a JTPA follow-up system waiver to test their electronic systems;
- Work with these states to incorporate existing electronic follow-up systems for use with ETA's employment and training programs on a pilot basis;
- Encourage the development of standardized Federal-state cost shared, electronic follow-up systems where they do not already exist and ensure that these systems are compatible with ALMIS, OSCCS, CRS, and other Federal education and workforce development programs; and
- Maintain existing follow-up systems as a backup until installation of state standardized electronic follow-up systems is complete.

ETA agreed with OIG that linking UI wage records and other electronic data may provide outcome information over a longer time period and at a reduced cost. As a result of the audit, the Office of Job Corps has begun efforts to obtain UI wage data for the purpose of following up with Job Corps students to determine long-term employment status. To date, efforts to obtain UI wage data in selected states are under way. An initial pilot, testing the quality and consistency of the data, will determine the extent to which the UI wage records data source is a viable option for Job Corps to pursue nationwide. With respect to recommendations 1, 3, and 4, ETA expressed their support in granting waiver authority when requested. Although ETA indicated they would welcome the opportunity to work with the states to achieve the objectives, the OIG recommends that ETA take the initiative. (Report No. 03-97-024-03-001; issued March 31, 1997)

**MCKINNEY
HOMELESS
ASSISTANCE
ACT PROGRAM**

Funding for this program is authorized under Title VIIC, Section 731 of the Stewart B. McKinney Homeless Assistance Act (Public Law 100-77). Under the program, ETA awards grants to public and private organizations for the development and implementation of employment and training projects for homeless individuals and their families. During this semiannual reporting period, the OIG performed four audits of grants under this program. Two of the audits had no findings. However, the other two audits recommended a total recovery of \$556,717 of the \$2,114,901 awarded.

**Southeastern
Tennessee Private
Industry Council**

We audited "Job Training for the Homeless Demonstration Programs" ETA awarded to the Southeastern Tennessee Private Industry Council (SETPIC). The award amount was \$1,245,227 for two grants. We have recommended recovery of \$509,662.

We identified numerous problems both with SETPIC's financial management of the grants and with the program measures they reported. Financial problems included: (1) failure to submit a closeout package and return unexpended funds in the amount of \$85,318; (2) expenditures totaling \$17,518 that were not supported by SETPIC's accounting system; (3) insufficient documentation for certain grant transactions that totaled \$1,428; (4) SETPIC exceeded their allowable personnel and fringe benefits budget by \$22,739 for one grant; (5) unallowable equipment purchased for \$2,934; and (6) SETPIC was unable to support the \$379,725 of "in-kind" matching contributions they reported.

We found that SETPIC also submitted performance reports that were not supported. For example, the audit found that SETPIC submitted quarterly reports that misstated actual performance; had many discrepancies between information recorded in automated databases, in supporting documentation, and in reports to ETA; was unable to produce 27 percent (73 of 268) of the participant files for individuals enrolled (under one grant); and claimed positive job "placement" and "retention" outcomes for at least nine program participants, although the participants were working for the reported employers prior to their enrollment in the program.

We recommended that ETA obtain a closeout package for the grants and recover unexpended funds in the amount of \$85,318

and recover unsupported matching costs and other grant expenditures in the amount of \$424,344.

ETA has hired a contractor to evaluate the effectiveness of this project. Because of discrepancies found in the reported data, we further recommended ETA ensure the contractor gather data that is consistent with the prescribed data base. (Report No: 04-97-014-03-001; issued March 28, 1997)

**Knoxville-Knox
County Community
Action Committee**

We audited "Job Training for the Homeless Demonstration Programs" awarded by ETA to the Knoxville-Knox County Community Action Committee (CAC). The award amount was \$869,674. We found that financial controls need strengthening. We found that documentation for \$47,055 of "in-kind" matching contributions was not available and have recommended recovery of that amount.

Though most performance data CAC reported was supported by client records, 8 percent (14 of 176) of the performance measures we tested were in error. We also found that ETA's definition of "housing upgrades," a performance measure, was unclear and contributed to inconsistencies in reporting program results.

Because the demonstration will be used as a basis for future training and employment programs for the homeless, data collected from the individual sites must be reliable, valid, and comparable. Reported performance measures should be consistent with prescribed data bases. Consequently, we have recommended ETA clarify the definition of "housing upgrades" to ensure results are consistently reported among grantees. (Report No. 04-97-015-03-001; issued March 31, 1997)

**FRAUD IN
EMPLOYMENT
AND TRAINING
PROGRAMS**

During this reporting period, the OIG's Office of Investigations devoted approximately 12 percent of its resources into conducting investigations of wrongdoing in the job training programs. The amount of money flowing in and out of the DOL employment and training programs, and the complexity of the grant and contracting processes make them particularly vulnerable to fraud.

**OIG Takes Part in
Multi-Agency Fraud
Investigation**

For example, a joint case involving several Federal and State agencies, including the OIG, uncovered a scheme to defraud the Departments of Housing and Urban Development, Health and Human Services, and Labor.

The Council of Jewish Organizations (COJO) of Borough Park was created to promote the well being, betterment and improvement of the Jewish community and inhabitants in the Borough Park community in Brooklyn, New York. COJO received federal funding from several agencies including JTPA funds under the Title IIA (Adult) and Title III (Economic Dislocation and Worker Adjustment Assistance) programs. Over a 7-year period, COJO received in excess of \$6.6 million in JTPA contracts to provide job training services to its constituents. As a result of this joint investigation, COJO officials, Paul Chernick and Elimelech Naiman, have been indicted for their participation in the fraud scheme.

The investigation disclosed that, in addition to their positions with COJO, Chernick and Naiman were officials for the Private Sector Resource Center, Inc. (PSRC) and Community Service and Resource Development, Inc. (CSRD). These three entities were principally managed by the defendants. The investigation revealed that for a period of approximately 4 years, Chernick, Naiman and others caused COJO, PSRC, and CSRD to disburse over \$750,000 to Program Development Resources, an unincorporated for profit business, solely owned by Chernick, with no employees and working almost exclusively for the three entities. Investigation has also revealed that, between 1990 and 1995, Chernick and Naiman disbursed or caused to be disbursed money from COJO/PSRC/CSRD for payment of personal expenses of Chernick, Naiman, other COJO employees, and individuals who had no business association with any of these entities. These disbursements included payments to a political action committee, school tuition for a public official's niece, and a trip to Florida.

This is an ongoing joint investigation with the New York City Department of Investigations, Postal Inspection Service, the Internal Revenue Service, and the U. S. Attorney's office. *U.S. v. Chernick* (E.D. New York)

Three Indicted for Defrauding JTPA Program

An OIG investigation in Kentucky resulted in the indictments of three individuals for defrauding the JTPA program by filing false attendance and progress reports in a General Equivalency Diploma (GED) training program. Under JTPA, states receive grants to operate training programs for disadvantaged and dislocated workers and other disadvantaged adults. The investigation in this case disclosed that the State of Kentucky was defrauded of approximately \$80,000 of the \$122,000 granted to the JTPA contractor based upon these false reports. *State of Kentucky v. Ferguson, et al* (Kentucky)

Individual Sentenced to Prison for Soliciting Kickbacks

Another investigation illustrates the vulnerabilities of the complex contracting process to fraud. In Philadelphia, Stephen Organ pled guilty to soliciting funds on behalf of an organization receiving Federal funds. Organ, who was contracted to work for the Private Industry Council of Philadelphia (PIC), attempted to obtain kickback payments for his services in helping proprietary schools obtain JTPA contracts. Organ confessed to soliciting kickback payments of \$15,000 from five proprietary schools he had been dealing with on behalf of the PIC, although he did not actually receive any of the payments. Organ was sentenced to 6 months of house arrest, 5 years of probation, and fined \$10,000. *U.S. v. Organ* (E.D. Pennsylvania)

Former Louisiana SDA Operator Indicted for Embezzling JTPA Funds

An investigation in New Orleans, Louisiana, uncovered a JTPA fraud scheme perpetrated by an individual who worked for a Louisiana Service Delivery Area (SDA) and seven other individuals all working together. Quinton Lamont Golman, a data input operator for the Tangipahoa Parish School SDA, was indicted on charges of stealing from a Government program. The OIG investigation disclosed that one of his duties as a data input operator was to enter participant information into the SDA computer system and generate checks using that information. The indictment charges Golman with using his position to generate checks in the names of friends, relatives, and past participants. The relatives and friends would then cash the checks and share the proceeds with Golman. Golman's scheme resulted in a loss of \$66,713 in JTPA funds. Golman's cousins: Stephony Brumfield, Shirley Harrell, Stacie Wilson, Tonia Wilson, Valerie Wilson, and his friends: Lawrence Smith and Derek Moore, have also been indicted on charges of conspiring to defraud the United States. *U.S. v. Golman* (W.D. Louisiana)

**Investigation
Uncovers a Scheme
to Defraud the TJTC
Program**

Another recent OIG investigation illustrates the vulnerabilities of the programs to a different aspect of fraud concerning the Targeted Jobs Tax Credit Program (TJTC), now the Work Opportunities Tax Credit. This program provides tax incentives to employers for hiring disadvantaged individuals from certain targeted groups.

In a Florida case, Derrick Brown; his corporation, Derrick Brown and Associates, Inc. (DBA); DBA employee Lisa Moore; and a former employee of the Florida State Job Service, Dena Curles, pled guilty to charges of mail fraud and filing false statements stemming from their involvement in a scheme to defraud the TJTC program. The defendants falsified TJTC vouchers stating that they had hired individuals and were claiming the tax credits for them. In addition, Curles filed reports stating that she had interviewed and qualified as being eligible many of the TJTC applicants when in fact, she had not. A total of approximately \$37,000 in fraudulently-obtained tax credits were received by the defendants. This investigation was conducted jointly with the Criminal Investigative Division of the Internal Revenue Service. *U.S. v. Brown, et al* (N.D. Florida)

THE OIG LABOR RACKETEERING PROGRAM

Criminal Enforcement Program is Unique to the DOL-OIG

The Department of Labor OIG is unique in that it is mandated by Congress to carry out a criminal enforcement program to combat organized crime influence and labor racketeering in the workplace. This responsibility was given to our office because Congress recognized the need for an aggressive criminal investigative program carried out by Federal investigators who possessed a high degree of labor expertise and were shielded from political interference. The OIG's labor racketeering mission is a "program" function which is distinguishable from the more traditional Inspector General "oversight" functions related to audits, evaluations, and program investigations.

OIG Has Been Instrumental in Removing Organized Crime from Unions

Our Labor Racketeering Program has been very effective over the past 20 years and has been instrumental in removing associates of organized crime syndicates from some of the Nation's largest labor unions. Our work has been most recently used to establish patterns of racketeering in several civil filings by DOJ against corrupt unions and their officers under the Racketeer Influenced and Corrupt Organizations Act (RICO). The OIG has also worked closely with court-appointed monitors in these cases to remove corrupt officials from unions and help restore democratic representation for their membership.

Emergence of Non-Traditional Organized Crime

While the civil RICO process has made an impact on traditional organized crime groups, our investigations are showing that the labor racketeering arena is changing. Over the past few years, we have seen a significant increase in labor racketeering activities by non-traditional organized crime groups (e.g., Russian, Asian, etc.) and by a new generation of "white-collar racketeers" such as lawyers, accountants, and brokers, who utilize complex financial schemes to defraud the public. In particular, we have seen an increase in the activities of these non-traditional criminal elements in the employee benefit plan arena.

Schemes Are More Complex

In addition, the nature of our Labor Racketeering investigations has changed drastically because the schemes are more sophisticated and complex. As a result, these types of

investigations have become more resource-intensive and require more specialized training for agents, particularly in the area of investments and securities regulations.

INDUSTRY PROBES

The influence and control by traditional and non-traditional organized crime figures in the workplace continues to have an adverse impact on the economy and results in reduced competitiveness in industries, thereby creating additional costs being borne by American workers, businesses, and consumers. The strategy developed by the OIG to combat this influence has been to conduct "industry probes." During these probes, all the segments of a particular industry are examined to expose the corrupt relationships that form the core of the criminal enterprise. It is our opinion that this strategy will have a long-term impact by addressing the underlying causal factors of the criminal activity within the industry, thereby restoring stability and competition.

We have conducted large-scale regional industry probes in the garment, newspaper and magazine publishing, painting, and gambling industries. As an example of the effectiveness of this strategy, our probe into the New York City painting industry exposed the collusion between painting contractors, union officials, and organized crime. Through a pattern of bribery, kickbacks, and extortion during an 18-month period, the mob was responsible for adding a "tax" of more than 10 percent to municipal painting contracts (totaling \$40 million) which were awarded by the local government.

CIVIL RICO ACTIONS

The Labor Racketeering Program is continuing its emphasis on the utilization of the RICO Act to address labor racketeering problems. The Act allows the Government to seek court-appointed trusteeship of a union with appointed monitors who are responsible for removing organized criminal influence from the union. Past and present LR cases and convictions have been used by the Department of Justice as "predicate acts" which establish a pattern of racketeering within the union. After a monitor is appointed, OIG Special Agents work closely with the monitor to investigate and remove organized crime's influence in the union.

This strategy has shown some impressive results, particularly in the unions identified by the President's Commission on Organized Crime (PCOC). In 1986, the PCOC issued a report on the influence of organized crime on labor unions. This report identified four unions that were particularly influenced by organized crime corruption: the International Brotherhood of Teamsters (IBT), the Laborers' International Union of North America (LIUNA), the Hotel Employees and Restaurant Employees International Union (HEREIU), and the International Longshoremen's Association. Currently, with the exception of the International Longshoremen's Association, all of the international unions identified in the PCOC report now have agreed to remove corruption from their ranks.

Since 1986, the OIG's Labor Racketeering Program has devoted 35 percent of its investigative resources exclusively to combating corruption in the four international unions identified by the PCOC. Since 1986, OIG investigations resulted in 1,575 criminal indictments and 1,226 convictions. In 1989, the Department of Justice entered into a consent decree with the IBT and, in March 1995, the Department of Justice entered into a consent decree with LIUNA. In January 1996, the LIUNA agreed to hold its first direct election of international officers by the union's membership. LR continues to cooperate with the monitor for the IBT, as well as the IBT's own ethical practices committee, to address corruption within the union. In September 1995, the HEREIU entered into an agreement with the Government. During this reporting period, the Labor Racketeering Program has achieved some significant results with the HEREIU and its affiliated local unions as well as the Teamsters.

**HERE Local 54 --
Atlantic City,
New Jersey**

The Labor Racketeering Division has worked closely with the HEREIU monitor to remove from office union officials having identified ties to organized crime. In December 1990, a Civil RICO complaint was filed alleging a 20-year pattern of racketeering by the Scarfo *La Cosa Nostra* (LCN) Family. Included in the complaint were allegations that the LCN took control of Local 54 (Atlantic City, New Jersey) by force and maintained their control of the union by threatening to kill any members who attempted to run against them in general elections. There were no contested elections in 20 years, and less than 5 percent of the 15,500 members voted.

In April 1991, the U.S. District Court appointed a monitor of Local 54, and eight officers and employees of the union were forced from office. In August 1993, the monitor held open elections for office in the union. Investigations revealed that eight of the candidates were associates of the organized crime figures that were removed from the union when the Civil RICO was first filed with the Court. In addition, several investigations identified individuals with organized crime associations who were subsequently barred from holding office because of these associations. During this election, 3,400 members, or 22 percent, voted.

The next elections were held in August 1996. Over 90 persons were nominated for office and not one of them had any known associations with organized crime. As a result, an entire new group of candidates was elected and took office on October 13, 1996. During this election, 5,098, or 33 percent of the union membership, voted. In March 1997, a Federal Judge dissolved the monitorship of HERE Local 54 based upon a motion filed by the United States Attorney for New Jersey. This is the first time that a union has been returned to the membership after a Civil RICO Action was filed by the Government.

This case is significant because it marks the final stage in the Civil RICO process -- after removing organized criminal influence, the Government returns the union back to its members free of corruption. As a result of the court-appointed Monitorship in Local 54 an entire new group of officers -- with no organized crime associations -- has been elected to run the union. These positive results illustrate that the strategy of filing a Civil RICO complaint and appointing a monitor of Local 54 has succeeded in its primary objective: the removal of organized crime from the union and the return of democratic leadership to the union. *U.S. v. HERE Local 54, et al.* (D. New Jersey)

**HERE Local 69 --
Secaucus,
New Jersey**

In another Civil RICO action involving a local of the HEREIU, the court-appointed monitor banned the president, vice-president, secretary treasurer, and health and welfare fund administrator of HERE Local 69 for life from holding any position of trust in Local 69 and its health and welfare fund. The monitor found that Local 69 President, John Agathos, Sr., and fund administrator, John Agathos, Jr., were associated with the Genovese LCN

Family. Such an association is prohibited under a consent decree with the HEREIU that was filed in 1995. The monitor also determined that John Agathos, Sr. embezzled approximately \$150,000 from the Local. Michael Santoli, the vice president, and Fred Paone, the secretary treasurer, were found to have aided and abetted the embezzlement of the union's funds. In addition, Santoli and Paone had a fiduciary duty to act with respect to the misconduct of Agathos, Sr. and Agathos, Jr. Since they failed to do anything, they were barred for life as well. *U.S. v. HERE 69, et al.* (D. New Jersey)

Teamsters Officials Removed from Union Positions

In March 1995, the Government reached an agreement, through a consent decree, with the International Brotherhood of Teamsters (IBT) concerning an earlier Civil RICO lawsuit filed against IBT Local 282 in New York. Local 282 represents about 3,000 workers, mainly in the construction industry. This agreement divided the responsibilities of rooting out corruption between the International and the Government. The IBT President appointed a trustee to run Local 282, and agreed to provide an educational program for Local 282 members on issues such as union democracy and collective bargaining. The Court-appointed a corruption officer with the responsibility of conducting investigations and taking actions to eliminate organized crime's influence and corruption. LR continues to work with the court appointed officer to identify individuals in this union who are associates of organized crime families. In the previous reporting period, three shop stewards of Local 282 were removed for committing acts of corruption and their association with Gambino LCN family members.

During this reporting period, four union officials were also banned for life from ever earning wages and/or benefit fund credits in any teamster-related capacity. The four officials included the former Local 282 President, Aneillo "Neill" Madonna, and three on-site stewards: Charles Lanza, Ronald Forino, and Glenn Boggia. In addition, two shop stewards for the local, Charles Moran, Jr. and Ignatius Mangiaracina, were removed from their positions by the Local's corruption officer for corrupt activity in violation of the consent decree. *U.S. v. IBT Local 282, et al.* (E.D. New York)

LABOR- MANAGEMENT CORRUPTION

Two Coca-Cola Officials Indicted for Attempting to Interfere With a Union's Efforts to Organize Employees

Another example of labor racketeering is the organized attempt to corrupt the statutorily-regulated relationship between labor and management. An example that illustrates our efforts in removing union-related corruption outside of the RICO process involves two officials of Coca-Cola Enterprises, Inc. who were indicted for their attempts to interfere with a union's efforts to organize Coca-Cola employees. James Wardlaw, the regional vice-president and general manager of the Atlanta Region, and Eric Turpin the regional vice-president of human resources, were charged with conspiring to give a Coca-Cola employee a job promotion and \$10,000 cash in return for the employee's efforts to influence his co-workers to vote against Local 42 of the Bakery, Confectionery, & Tobacco Workers Union. The union was seeking to be certified by the National Labor Relations Board (NLRB) as the collective bargaining representative for Coca-Cola's workers. The certification was to be granted if the union won enough votes in an NLRB election. The union lost the election. The indictment also alleges that a third individual structured the withdrawal of \$10,300 in cash from his personal bank accounts to avoid filing Currency Transaction Reports and therefore have untraceable cash to make the alleged payoffs. This case was conducted with the assistance of the Criminal Investigation Division of the Internal Revenue Service. *U.S. v Turpin* (N.D. Georgia)

EMPLOYEE BENEFIT PLANS

HEALTH PLAN FRAUD

Multiple Employer Welfare Arrangements

Through our labor racketeering program, we have also identified criminal activity in the employee benefits arena, particularly in health insurance and pension plans. We identified the problem of fraudulent Multiple Employer Welfare Arrangements (MEWAs), which are used by small employers to provide health insurance to their employees. In most cases these arrangements are legitimate, however, loopholes in Federal and State law have left the door open to fraud by unscrupulous service providers, leaving thousands of individuals with millions of dollars in unpaid medical exams.

Operator of Fraudulent MEWA Convicted

For example, an operator of a fraudulent MEWA was convicted of wire fraud and money laundering in connection with a failed health insurance plan he marketed in California. Ronald Loetz, a San Ramon businessman, was convicted for making false claims in order to induce consumers to purchase his health plan, including claims that he was fully insured by Lloyd's of London and other

insurance companies when there was no such insurance available. Loetz avoided California State insurance regulators by claiming that his plan was covered under ERISA, and was, therefore, exempt from State scrutiny. Loetz obtained approximately \$5.8 million in premiums and association dues from consumers throughout the country. He used the plan assets for his personal use and to attempt to purchase an insolvent insurance company in Florida in order to continue the ruse that the plan was fully insured. When his plan ultimately failed, participants were left with over \$3.7 million in unpaid medical claims. This case was conducted jointly with the California Department of Insurance's Investigative Division and the Criminal Investigative Division of the Internal Revenue Service. *U.S. v. Loetz* (N.D. California)

Bogus Unions

More recently, we have also identified and focused on the problem of "bogus unions," which are often a ruse for selling fraudulent health plans. These "unions" generally do not provide representation to members with respect to labor-management issues. However, under ERISA, health plans associated with unions are not subject to state regulation, and these bogus unions often escape state scrutiny.

President of a Health Plan Indicted for Embezzling Over \$750,000 in Benefits

An example of this type of activity involves an OIG case in which the President and owner of a health plan known as Employee Health Plan Administrators, Inc. (EHPA), of Westbury, New York, was indicted for allegedly embezzling more than \$750,000 in employee health benefit contributions. Clarke Lasky was the designated administrator and collective bargaining representative on behalf of hundreds of employers that had entered into "Associate Membership" collective bargaining agreements with Local 119 of the Brotherhood of Industrial Workers union. EHPA would represent these employers concerning health benefit coverage issues with the Local 119 Health & Welfare Fund. EHPA was also authorized to collect the monthly employee health benefit contributions from these employers, and then forward them to the Local 119 fund. Lasky was charged with failing to forward more than \$750,000 in benefit contributions to the Local 119 fund, and converting the money over to his personal use. Lasky additionally was charged with committing mail fraud, and if convicted on all counts, he could receive a sentence of 60 years in prison and fines totaling \$3 million. This investigation was

conducted jointly with the Pension and Welfare Benefits Administration. *U.S. v. Lasky* (E.D. New York)

ENSURING THE INTEGRITY OF PENSIONS

Another program issue to which we continue to devote attention is that of ensuring the security of pension plan assets. Because of the nature of these assets -- large sums of dollars (current pension plan assets now total close to \$3.5 trillion), entrusted for deposit and long-term investment for a future benefit -- the potential for serious abuses exists. And no one is really exempt from becoming a victim. OIG's criminal investigations of pension plan fraud demonstrate that the people being defrauded come from all walks of life.

Oversight responsibility over various aspects of the Nation's pension system and assets rests with four Federal agencies: the Department of Labor's Pension and Welfare Benefits Administration (PWBA); the Internal Revenue Service (IRS); the Pension Benefit Guaranty Corporation (PBGC); and the Department of Labor, Office of Inspector General (OIG). PWBA is responsible for administering Title I of the Employee Retirement Income Security Act 1974 (ERISA), which governs the rights and financial security of employee benefit plan participants and beneficiaries in the Nation's private pension and welfare benefit plan system. PWBA's responsibilities include the promulgation of regulations, providing interpretations of ERISA, and the enforcement of provisions found in Title I. The IRS is responsible for enforcement of ERISA's Title II tax-related provisions, while PBGC is responsible for Title IV, which provides Government insurance in the event of failure of certain types of pension plans. Title III of ERISA provides the framework for all of the agencies to coordinate their activities.

OIG Investigative Responsibilities

Under the Inspector General Act of 1978, the OIG has responsibility for conducting investigations into: (1) labor-related criminal conduct involving unions and industries with demonstrated ties to, or influences by, known organized criminal groups, whether they be traditional organized crime groups or newer, non-traditional groups; and (2) significant, prolonged, systematic and related criminal conduct which may be categorized as labor racketeering.

In the pension plan arena, we have been very successful in identifying abuses by service providers, administrators, and others, with respect to union pension funds and investment activities. The OIG is currently conducting investigations into pension plans where more than \$200 million in plan assets are suspected of being misused or defrauded.

**Company Owner
Convicted for
Embezzling Over
\$4 Million in Pension
Plans**

For example, in an OIG case in New Jersey, Leonard Pelullo, the owner of the Compton Press Company, was convicted on all 54 counts of an indictment that charged him with embezzlement, money laundering, and conspiracy. The jury in the case found that Pelullo had looted over \$4 million from the company's pension and profit sharing plans over a 3-year period. The investigation disclosed that Pelullo had bilked the money from the Compton Press Employees' Profit Sharing Retirement Plan and the Compton Press Employees' Thrift Plan through a series of financial transactions through numerous companies to conceal and disguise the source and ownership of the embezzled funds. This case was conducted by the OIG, the Department's Pension and Welfare Benefits Administration, and the Federal Bureau of Investigation. *U.S. v. Pelullo* (D. of New Jersey)

Service Providers

From an investigative perspective, the OIG continues to focus on identifying abuses by service providers, administrators, and others, with respect to union pension funds and investment activities. Our investigations continue to uncover abuses of employee benefit plans in the manner in which pension assets are managed and invested. The size of these plan assets offer inviting targets to unscrupulous service providers and individuals who offer services to the plan administrators such as accountants, attorneys, or investment advisors.

**Employee Benefit
Plan Attorney
Incarcerated**

One example of abuse we have identified involves an attorney for an employee benefit plan with over \$30 million in assets. In this case, the attorney engaged in a scheme to temporarily divert pension assets to invest in an off-shore, lucrative (yet high-risk) investment scheme. Some \$10 million in pension assets were lost in the scheme when the off-shore investors stole the money. The attorney, who pled guilty to charges of conspiring to solicit and receive kickbacks related to influencing the investment of the \$10 million of pension funds, is currently incarcerated. *U.S. v. Pollock* (E.D. New York)

Investment Advisor Sentenced to Prison for Embezzlement and Theft of \$2.5 Million of a Union's Pension Plan

In another service provider case during this reporting period, a pension fund investment advisor to the Roofers Local Union 12 pension plan in Connecticut was sentenced to more than 7 years in prison for embezzlement and theft of \$2.5 million from the union's pension plan. August Mezzetta, the pension fund investment advisor, was also ordered to make restitution of \$2.8 million to the pension plan, told to serve 300 hours of community service, and given 3 years probation.

The investigation disclosed that Mezzetta and co-defendant, Barbara Nolan, operated as investment managers to the pension plan for over ten years. The plan covered over 200 roofers in the Connecticut area. Mezzetta and Nolan were accused of using over \$600,000 in pension assets to purchase and renovate an apartment building in New York City in which they had a personal financial interest. In addition, they used more than \$1 million in pension plan assets for personal expenses, including the purchase of individual life insurance policies. Nolan had previously pled guilty to the embezzlement and theft charges. This investigation was conducted jointly with the Federal Bureau of Investigation. *U.S. v. Mezzetta* (D. of Connecticut)

Construction Loan Activity

The OIG, in conjunction with its probe into labor racketeering in the construction industry, has also been looking into the use of pension plan assets as loans for construction projects and other related loan activity. These cases are very complex in terms of the way the fraud is concealed.

Investigation Uncovers a Scheme to Defraud Pension Funds Through Construction Loans

An example of this type of activity involved a case where an individual in California pled guilty to charges that he was involved in a scheme to defraud pension funds through the use of construction loans. Bernard Kramer, acting as the general managing partner of the River Oaks Limited Partnership, obtained over \$10 million in construction financing through First California Mortgage Company from four union pension funds: the Pension Trust Fund of the Operating Engineers; the Sheet Metal Workers of Northern California Pension Trust Fund; Pipe Trades District Council #36 Pension Trust Fund; and the Carpenters Pension Trust Fund for Northern California. As part of the loan agreement, the defendant was advanced funds in order to directly pay subcontractors for any work that they performed on the project. To obtain a release for some of the funds, the defendant

was obligated to provide the First California Mortgage Company with documentation supporting the use of the funds to pay the subcontractors for construction materials and services.

The OIG investigation revealed that the defendant submitted an inflated invoice to the mortgage company overcharging the pension funds by \$156,000. In addition, Kramer never paid the legitimate amount owed to the subcontractor, using the money on other unrelated real estate construction projects. The River Oaks Project failed, the 86 proposed single-family houses were not built, and the pension plans suffered the monetary loss. Kramer was sentenced to 12 months in prison, ordered to pay \$156,000 in restitution, 3 years probation, and to serve 250 hours of community service. *U.S. v. Kramer* (N.D. California)

WORKPLACE BENEFITS

The Department administers several entitlement programs (i.e., workers' disability and unemployment insurance benefits) which are designed to help workers when their income is interrupted through no fault of their own. Ensuring their integrity, therefore, is very important and a priority of the OIG. The Department is also responsible for ensuring the security of pension assets covered under ERISA.

PENSION AND EMPLOYEE BENEFIT PLAN ENFORCEMENT

As detailed in the Labor Racketeering Program section of this report, PWBA administers ERISA which regulates the majority of private pension and welfare group benefit plans in the U.S. PWBA is responsible for enforcing fiduciary and reporting/disclosure requirements, administering a reporting and public disclosure program, and developing policy related to pension and welfare benefit plans. PWBA also conducts civil and criminal investigations of potential benefit plan abuse. The OIG, in turn, is the investigating unit within DOL for labor racketeering and organized crime matters.

Over the years, the OIG has conducted audits to identify weaknesses in the system and has made recommendations to improve PWBA's oversight of the Nation's pension assets and we continue our efforts in this area.

Audit of PWBA's Employee Contributions Project

During this reporting period, the OIG conducted an audit of the PWBA's Employee Contributions Project (ECP). Our objective was to determine if PWBA is effectively addressing the issue of delayed/diverted remittances of employee contributions to benefit plans.

The OIG found that PWBA's efforts in this project had a positive impact in protecting plan assets, particularly with respect to increasing enforcement in this area as well as participant awareness of the problem. However, we also found that improvements were needed in the targeting of this enforcement initiative as well as in the accuracy and completeness of their

Case Management System (CMS) data. Specifically, we found:

- PWBA had not focused ECP investigative resources on plans with the most serious potential for delayed/diverted contributions. The agency used ineffective targeting methods in some regions and suspended the use of a promising targeting method in others.
- CMS data for this project was inaccurate and lacked information on assets lost and unrecoverable. For example, the audit disclosed that data supplied to Congress regarding the number of investigations opened in the first year of this project actually reflected PWBA's efforts over a 4-year period. In the two regions we visited, almost 65 percent of the cases we reviewed had been started prior to the implementation of the project. These types of inaccuracies along with the incompleteness of the database, did not provide a reliable basis for decisions regarding where and how PWBA should allocate its investigative resources.

We recommended that the Assistant Secretary for Pension and Welfare Benefits:

- Evaluate the effectiveness of the Regional Offices' approaches to ECP enforcement;
- Determine whether the ECP needs the additional positions requested for FY 1997 or if other enforcement activities need them more;
- Clarify the CMS coding instructions to the Regional Offices regarding case sources and results; and
- Develop the capability to capture in the CMS data regarding plan assets that are not restored.

PWBA responded to the draft report with general and specific comments and individual responses to the four recommendations. PWBA acknowledged the constructive criticism regarding the ECP and agreed with the first three OIG recommendations. As a result of discussions, recommendation number 2 was

resolved and closed. The agency disagreed with our fourth recommendation, stating that there is no uniform and objective methodology for determining plan asset losses. (Report No. 09-97-002-12-121; issued February 27, 1997)

WORKER DISABILITY BENEFITS

The Department is responsible for administering several worker disability benefit programs to compensate and pay medical related costs for certain workers who have experienced a job-related injury or disease. These programs are the Federal Employees' Compensation Act (FECA) program (which provides disability compensation to Federal employees injured on the job; the Longshore and Harbor Workers' Compensation Act program, which provides medical benefits to certain injured and disabled maritime employees; and the Black Lung Benefits program, which provides medical benefits and compensation to former coal miners disabled from pneumoconiosis (more commonly known as Black Lung).

HEALTH CARE FRAUD

The OIG has contributed significantly towards identifying and eradicating fraud in the DOL disability programs. Since 1990, the OIG has devoted approximately 32 percent of its Program Fraud Division resources to investigate the \$1.84 billion FECA Program as well as other health care-related fraud. Successful completion of health care-related investigations over this same period resulted in 304 indictments, 277 convictions and monetary accomplishments exceeding \$30 million.

In addition, in response to our investigative findings in this area, FECA legislation was enacted in 1994 that required immediate termination of benefits of those claimants convicted of FECA fraud, as well as the suspension of benefits to those claimants who are incarcerated for any felony conviction. According to OWCP, as of March 1997, 75 Federal employees have had their FECA benefits terminated upon their conviction or incarceration. The termination of benefits of these corrupt employees or former employees has already resulted in a recognized savings to OWCP of over \$2.8 million.

Under the recently enacted Health Insurance Portability and Accountability Act of 1996 (HIPAA), the OIG will have enhanced investigative responsibilities in the Federal health care programs administered by DOL as well as certain health care

plans covered by ERISA. HIPAA provides Federal agencies involved in combating health care fraud against the Government, including this OIG, with significant new tools, such as a series of new criminal violations and greater authority to utilize existing civil monetary penalties. As a result, we intend to intensify our investigative program in this area.

FEDERAL EMPLOYEES' COMPENSATION ACT PROGRAM

CLAIMANT FRAUD

During this reporting period, the OIG opened 88 FECA and other health care-related investigations. Also, FECA and health care-related investigations resulted in 21 indictments, 17 convictions and \$3.8 million in monetary results. The OIG devotes substantial effort to investigate allegations that individual claimants are defrauding the FECA program.

Former Army Employee Pleads Guilty to Fraudulently Obtaining FECA Benefits

For example, OWCP recently terminated the FECA benefits of Jerry W. Mitchell, Sr., after he pled guilty to fraudulently obtaining FECA benefits. Mitchell, a former civilian employee with the Department of the Army at Fort Polk, Louisiana, had been receiving over \$2,200 in wage compensation benefits every 28 days based on his claims to be totally disabled after a work-related injury in 1983. An OIG investigation disclosed that Mitchell was involved in several work activities, including real estate sales, raising and selling cattle, and serving as an overseer of a hunting lodge. Mitchell was sentenced to 12 months in prison, 3 years supervised probation after release, and ordered to make restitution of over \$55,129. At sentencing, the judge told Mitchell "the Court is tired of the rampant fraud in this program occurring at Fort Polk and the Court finds this type of conduct reprehensible." Had this individual not been removed, it is projected that he would have received compensation benefits totaling \$108,362 over a 10-year period, or \$492,936 based on life expectancy tables. *U.S. v. Mitchell* (W.D. Louisiana)

Former Veteran's Affairs Employee Pleads Guilty to FECA Fraud

Another example involves, William Smart, a former electrician foreman for the Northport, New York Department of Veterans Affairs (DVA) Medical Center. Smart had his compensation benefits of \$2,318 every 28 days terminated by OWCP in December 1996 after he entered his guilty plea to a felony charge of defrauding the FECA program. A joint investigation with DVA determined that, over a 3-year period, Smart had

been working as an electrician at several New York locations including a strip mall while failing to report his employment or income to OWCP. Since his reported stress claim in 1989, Smart had received in excess of \$200,000 in FECA benefits.

U.S. v. Smart (S.D. New York)

MEDICAL PROVIDER FRAUD

Fraud within the health care community is estimated to cost the American taxpayers millions of dollars annually. In an attempt to help thwart this fraudulent activity, the OIG began a nationwide investigative initiative designed to identify, prosecute, and remove from these programs, those medical and health care providers who have been convicted of fraud. Currently, the OIG is conducting several investigations in this area. Over the years, our investigations have uncovered schemes where doctors, clinics, pharmacists, physical therapists, medical technicians, and providers of medical equipment have billed the Government for services that were not rendered, filed multiple bills for the same procedure, billed for non-existent illnesses or injuries, or overcharged for services.

Chiropractor Assessed over \$102,160 in Fines, Penalties and Restitution

For example, during this reporting period, criminal and civil monetary fines, assessments, restitutions and penalties totaling more than \$102,160 were assessed against Paul L. Schutz, a Washington State chiropractor, as a result of a joint OIG investigation conducted with the Department of Health and Human Services, the Washington State Department of Labor, the Secret Service, and the FBI. The investigation determined that Schutz had submitted almost \$58,500 in false claims to OWCP, Medicare, private insurance companies, and the State, by billing for missed or canceled appointments as office visits with treatments, and for examinations which were never provided. In addition to the monetary penalties, Schutz was placed on three years probation and he consented to being excluded as a provider of medical services under FECA for a period of five years. *U.S. v. Schutz* (E.D. Washington)

The Longshore and Harbor Workers' Compensation Act Program

The Longshore and Harbor Workers' Compensation Act (LHWCA) program is an entitlement program administered by the Department of Labor. This program provides benefits for injuries to maritime workers who are injured while working.

**Longshore Claimant
Sentenced**

An example is a recent investigation into allegations of a disability insurance fraud scheme in the Newport News Shipyard, in Virginia. This investigation resulted in the guilty plea of Johnny L. Stinson to charges of mail fraud. Stinson was a former employee of the Newport News Shipyard and Dry Dock Company. Under the LHWCA, maritime employees who are injured on the job are entitled to receive disability payments from their employers in compensation for their lost wages. The investigation revealed that from 1988 to 1996, Stinson received approximately \$125,000 in LHWCA compensation benefits from the Newport News Shipyard and Dry Dock Company after being injured on the job. While receiving compensation for lost wages, Stinson was operating a construction business from 1992 to 1996. During this time, he continually reported false earning statements to the Newport News Shipyard. Stinson was sentenced to 3 years imprisonment, 3 years probation, and ordered to pay over \$83,000 in restitution. *U.S. v. Stinson* (E.D. Virginia)

**INDEBTEDNESS
OF THE BLACK
LUNG
DISABILITY
TRUST FUND**

The Black Lung Benefits Program is one of the three work-related disability compensation programs administered by ESA's Office of Workers' Compensation Programs. This program provides disability benefits and medical services to eligible workers in the coal mining industry when a responsible coal mine operator cannot be determined liable for these benefits.

***The Trust Fund is in
\$5 Billion Debt***

The OIG audited the Department's financial statements for Fiscal Year 1996, in accordance with our statutory requirements under the Chief Financial Officers Act. A summary of this comprehensive audit is found in the Departmental Management section of this report. The Department's financial statements reflect that the Black Lung Disability Trust Fund (BLDTF) is in debt for over \$5 billion to the U.S. Treasury. This raises concerns about its continued solvency. The debt results from advances provided to the program. These advances, which have become an annual necessity for the fund, were originally obtained to fund benefit payments that could not be met by coal excise tax collections (the principal source of revenue to the fund). Currently, the excise taxes are sufficient to pay benefits and administrative costs; however, the fund must continue to borrow from the Treasury to pay the interest due on past advances. Of the current \$5 billion of cumulative advances,

only \$2 billion were spent for benefit payments—\$3 billion were spent on interest. The fund has been unable to repay any principal on these advances, and it must continue to borrow to pay interest.

Management's annual projections of future receipts and outlays indicate that cumulative borrowings from Treasury could total \$30 billion (unaudited) or more by 2038. At this point annual benefit payments by the fund arising under the Black Lung Benefits Revenue Act of 1977 are expected to be less than 10 percent of current benefit payments. However, based on legislation enacted in 1987, coal tax rates will be dropping by 50 percent after the year 2013. Therefore, the debt problem is compounded and, according to management's estimates, the excise tax collections by 2038 would cover less than 30 percent of the interest that is accruing and annual advances will exceed \$1.2 billion per year. DOL's FY 1996 consolidated financial statements present only the next 6 years of this projection. During those 6 years (1997 - 2002), however, cumulative outstanding advances are expected to grow from \$5 billion to \$7.5 billion. As the notes to the Department's FY 1996 consolidated financial statements indicate, if current operating conditions continue, repayment of existing and future advances will require a change in the statutory operating structure of the fund.

UNEMPLOYMENT INSURANCE BENEFITS

Another worker benefit program in which the OIG has concentrated its efforts is the Unemployment Insurance (UI) system. UI benefits are the initial financial support provided to workers who lose their job through no fault of their own. Its mission, coupled with the fact that this is a multi-billion dollar program, makes monitoring and ensuring its integrity extremely important.

FRAUD IN THE UNEMPLOYMENT INSURANCE PROGRAM

The OIG remains concerned about fraud activity related to this program. As with any multi-billion dollar Federal benefit program, there are those, both claimants and individuals responsible for administering the program, who try to defraud it. OIG investigations continue to identify fraudulent claims for benefits by individual claimants and incidents of embezzlement by employees who administer the program (particularly at the state level). The OIG is particularly concerned with an

increase in fictitious employers schemes perpetrated against the UI system in which individuals set up fictitious employer accounts and, after establishing themselves as a liable employer and making minimal tax payments, file numerous fraudulent claims under assumed names and social security numbers. Many of these schemes are carried out in multiple states.

Six Plead Guilty For Participating in UI Fraud Scheme

For example, during this reporting period, six Detroit individuals pled guilty to mail fraud charges for their participation in a scheme to defraud the Michigan Employment Security Commission (MESC) out of UI benefits in a fictitious employer scheme. A joint OIG and MESC investigation found, that from 1985 to 1991, Bruce and Jerzine Carter owned and operated a company known as Landy's Janitorial Services, Inc., and in 1991, the company lost its only contract and ceased doing business. The investigation revealed that from 1991 to 1993, the Carters conspired with other individuals to file false unemployment benefit claims with the MESC. The individuals claimed that they had been employed by Landy's Janitorial Services, and that they had been subsequently laid off. As a result of this ruse, the MESC mailed benefit checks to the applicants. These individuals cashed the UI benefit checks, and shared a portion of the proceeds with the Carters. MESC calculated that it had been defrauded out of over \$443,000 in UI benefits to over 45 different individuals. *U.S. v. Carter, et al* (E.D. Michigan)

Three Individuals Charged in UI Fictitious Employer Fraud Scheme

In another Michigan case, Brian Johnson, Timothy Johnson, and Charles Dixon were charged for their involvement in a scheme to defraud the Michigan State UI program. An OIG investigation revealed that for three years, the defendants filed fraudulent UI claims against four fictitious companies created by Brian Johnson and Charles Dixon. The scheme involved the services of a business agent/bookkeeper who would incorporate the fictitious business for a fee. He would then educate Johnson and Dixon about the filing specifics and establishing tax liabilities. The defendants would recruit individuals to file claims to the State requesting UI payments due to being laid off from the fictitious companies. The defendants and the claimants would then split the proceeds. The State of Michigan estimated that it was defrauded of over \$168,000 in UI benefits as a result of this scheme. *U.S. v. Johnson, et al* (E.D. Michigan)

**New York Man
Indicted for His
Involvement in UI
Fraud Scheme**

In New York, a 14-count indictment was returned against Mark J. Esposito charging him with mail fraud and money laundering violations in connection with a scheme where he fraudulently obtained over \$110,000 in UI benefits from September 1991 to July 1995. A joint investigation with the New York State Department of Labor's OIG, determined that Esposito had used the U.S. Mail to file at least 34 different fraudulent UI claims using various aliases and addresses and supporting his claims with bogus W-2 Forms and false Social Security Numbers. Two counts charged him with violating Federal money laundering statutes by depositing funds from an unlawful activity in order to conceal and disguise the source of those illegally-obtained funds. In addition, at the time of his indictment, Esposito was already serving a 30-month sentence at a federal correction facility in Pennsylvania for a mail fraud conviction involving a car lease scheme. *U.S. v. Esposito* (E.D. New York)

DEPARTMENTAL MANAGEMENT AND INTEGRITY

Departmental management provides leadership and direction to the smaller agencies and components of the Department and assists in administering and managing all DOL programs. This function covers a wide array of activities, including management of the Department's financial and human resources. During this reporting period, the OIG devoted significant resources to meet our statutory requirements to audit the Department's financial statements. We also conducted an audit of the Department's Safety and Health Program. Through investigative efforts, the OIG assisted the Department in their efforts to ensure the integrity and ethical standards of DOL employees.

FINANCIAL MANAGEMENT

The Chief Financial Officers Act of 1990 (CFO Act) requires agencies to report annually to Congress on their financial status and any other information needed to fairly present the agencies' financial position and results of operations. To meet the CFO Act reporting requirements, the Department prepares annual financial statements, which we audit.

FY 1996 Consolidated Financial Statements

The Department's financial statements for FY 1996 reflect \$36.6 billion in expenses, of which approximately 82 percent are "pass through" funds, or funds actually expended by state or local governments. Of the total, \$22.7 billion was expended by the states for unemployment insurance benefit payments, and another \$7.4 billion by state and local governments that operate state unemployment insurance, employment service, and JTPA programs. The balance of the expenses were for benefit payments and services provided directly by the Department.

As in previous years, the OIG's report on the FY 1996 financial statements contained a scope restriction related to the lack of audit assurance for tax revenues for the Unemployment Trust Fund and Black Lung Disability Trust Fund (BLDTF). This scope restriction is not a reflection on the Department. Management has worked diligently with both GAO and Treasury to ensure that the Department's funds are audited.

Implementation of the CFO Act

In our FY 1994 audit, we reported that the Department had not fully implemented the functions of a Chief Financial Officer in accordance with the CFO Act. The Department has worked with the OIG and OMB to develop an organizational structure and related departmental policies that provide the CFO with the appropriate authority to carry out the duties embodied in the CFO Act. The Department is in the process of finalizing this structure and policies; however, they were not final when the FY 1996 audit report was issued.

Opinion

In previous years, we issued an opinion on each fund or component of a fund as presented by the Department in the various combining and consolidating statements. This year, however, we have opined on the consolidated financial statements taken as a whole and the individual financial statements of the Federal Employees Workers' Compensation Special Benefit Fund and the Unemployment, Black Lung Disability, Longshore and Harbor Workers' and District of Columbia Compensation Act Trust Funds.

Accounting Change

Pursuant to the adoption of Statement of Federal Financial Accounting Standards Numbers 1 through 8, the Department changed its method of recognizing employer tax revenues and liabilities for benefit payment expenses for the Unemployment Trust Fund and the BLDTF. The change requires the recognition of a liability for disability benefits only to the extent of unpaid benefits which are due and payable as of the current period. Previously, a liability for benefits was recognized (based on an estimate using wages earned in covered employment during the current period) whether currently due and payable, or not. As a result, the Department's reported liabilities decreased from \$33.4 billion in FY 1995 to \$8 billion in FY 1996, a 75 percent reduction.

Report on Internal Control Structure

Our report on internal controls identified three material weaknesses:

ADP Systems Access

We noted that controls over user access and segregation of duties need to be developed. We found that ETA did not restrict access to certain Grant Contract Management Information System (GCMIS) modules or functions based on user profiles. The GCMIS system is used by ETA to process over \$7 billion in

grant expenses each year. There are 90 ETA employees that have access to the system. Any of these employees could use the GCMIS to change amounts made available to grantees and contractors for drawdown in the HHS-Payment Management System. Certain employees could increase contractor obligation amounts recorded in the GCMIS, and had authority to certify payments using the Electronic Certification System (ECS) to such contractors.

Wage and Hour's Civil Monetary Penalty and Back Wage Systems

In our FY 1993 audit, we made several recommendations pertaining to Wage and Hour's Civil Monetary Penalty (CMP) and back wage activities. The problems that resulted in these recommendations continue to exist. The recommendations address the need for improvements in the accounting and collection of CMPs and back wage agreed-to-pay amounts, as well as the need to distribute back wage collections to the affected employees or reverting the funds to Treasury.

Back wages are tracked by both national and regional systems, which do not agree as to the amount of cash payments received or cash balances pending disbursement to employees. In addition, the activity recorded in these systems does not agree with supporting case file documentation, and there are no procedures calling for routine reconciliations. While a CMP tracking system is being developed (currently being tested at one test site), it was not complete as of September 30, 1996.

Allowance for Uncollectible Accounts

In our FY 1995 audit, we recommended that the Chief Financial Officer ensure that procedures were established for reassessing reserves for uncollectible accounts in accordance with Federal accounting standards. Although guidance was issued by the CFO in FY 1996, we found that adequate procedures were not followed regarding Unemployment Trust Fund receivables. This resulted in a \$366 million understatement of the reserve for uncollectible accounts. The financial statements were adjusted to reflect this.

Reportable Conditions. In addition to the material weaknesses discussed above, the report on Internal Controls included three new reportable conditions.

**FECA Program:
Actuarial Model and
Medical Bill Processing
System**

We noted that several improvements could be made to FECA's actuarial model, used to estimate liabilities by agency, including consideration of a new model using the "first principles" method for compensation liability calculation. We believe this would result in a more precise and equitable distribution by agency. This is more important now that DOL is preparing this liability for other Agencies' financial statements.

Improvements are needed in the Medical Bill Processing System (BPS) at the district office level to ensure that medical bills are keyed correctly, bypass codes are properly utilized, procedure code modifiers are entered properly and medical bills receive adequate review prior to payment.

**Miscellaneous
Revenues**

The accounting systems used by the Mine Safety and Health Administration (MSHA), Occupational Safety and Health Administration (OSHA), and the Pension and Welfare Benefits Administration (PWBA) to track proposed assessments and civil penalties were not integrated with DOLAR\$, the Department's central accounting system, to provide agency-wide financial information in an efficient and effective manner. Additionally, some systems did not provide transaction-level detail to support billings, collections, write-offs, accrued interest and administrative fees.

Also, the Department did not have adequate procedures in place to ensure that agency-reported receivable balances were accurate. MSHA receivables were not recorded on an accrual basis and were recorded at year end only. Additionally, we noted incorrect accounts receivable in the OWCP and Back Wage accounts due to incorrect postings, unrecorded adjustments and inaccurate subsidiary detail.

Previously Reported Conditions: Our report on Internal Controls noted the following areas identified in previous years that continue to need improvement.

**Black Lung Disability
Trust Fund Actuarial
Liability**

Several assumptions used by the Black Lung actuarial model have not been updated recently or should be reviewed to determine if changes are necessary. Although ESA agreed to review and revise elements of the model, our actuarial review indicates that no changes have been made to the model for FY 1996.

**ETA Debt
Management**

We identified numerous problems with ETA's debt management subsidiary system that affected the accuracy of debt management related accounts and related reports.

**Property and
Equipment****Job Corps Real and Personal Property**

We have previously reported the systems ETA uses to account for Job Corps Program's real and personal property, estimated at \$717 million and \$159 million, respectively, are insufficient. ETA maintains that their property systems are adequate.

Beginning in FY 1996, ETA changed its accounting policy to capitalize certain vocational skills training projects and established a more realistic life for real property (i.e., from 10 to 40 years). These changes were implemented prospectively; however, OIG continues to believe these changes should be implemented retroactively.

SESA Real Property

ETA does not maintain sufficient accountability over real property position to monitor and develop written guidance for recording of SESA real property. ETA could not provide a complete and up-to-date state SESA inventory list or state certifications of SESA real property.

Interest on Repayable Advances**Black Lung Disability
Trust Fund (BLDTF)**

The rate of interest charged on advances to the Trust Fund is not in compliance with the Black Lung Benefits Revenue Act of 1977, as amended. ESA has initiated discussions with the U.S. Treasury to revise their existing Memorandum of Understanding (MOU) to include specific provisions which would preclude Treasury from revising interest rates retroactively on advances, even if such rates were improperly established. ESA's position is that Treasury has no legal authority to change an interest rate once it has been established. The OIG believes ESA's position conflicts with Treasury's authority and responsibility provided in the Act.

**Job Corps Program
Accounting**

Although Job Corps has made progress in addressing the weaknesses identified in 1995, corrective action on the Job Corps' Student Pay, Allotment and Management Information System is not complete.

**Unemployment Trust
Fund (UTF)****Cost of Federal and State Unemployment Benefit Programs**

There is a need to properly account for the cost of Federal and state unemployment benefit programs, and a need to establish an accounting system for the Federal Employment Compensation (FEC) Account. The OCFO, Unemployment Insurance Service (UIS), and ETA Comptroller's Office have continued their joint efforts to complete the comprehensive accounting system.

**DOL'S SAFETY
AND HEALTH
PROGRAM**

We completed an audit of the Department's internal safety and health program covering Fiscal Years 1994 and 1995. This program is administered by the Office of the Assistant Secretary for Administration and Management (OASAM). The objectives of the audit were to determine the effectiveness of the Safety and Health Center (SHC) in managing this program and to follow-up on deficiencies OSHA identified in evaluations conducted in 1987 and 1992.

Although the design and intent of the program are adequate to meet its mission, we found that the SHC is still ineffective in managing the program. This is demonstrated by an increase in total accident/injury rates and workers compensation costs. Workers compensation costs in the Department rose from \$19.7 million in chargeback year 1994 to \$21.9 million in chargeback year 1995. Numerous deficiencies OSHA reported in its 1987 and 1992 evaluations continue to exist. One area of particular concern is the Job Corps Program. In 1992, OSHA reported serious deficiencies in the way the safety and health program for Job Corps Centers was structured and implemented.

We believe the SHC's ineffectiveness can be attributed to: (1) SHC focusing on providing policy guidance rather than oversight; (2) no authority by SHC to enforce goals, policies, and procedures; (3) internal control program compliance weaknesses; and (4) lack of full commitment from agency heads and regional administrators.

We recommended that the OASAM request that the Secretary of Labor make safety and health a Secretarial Initiative with quantifiable performance goals for the entire Department; empower the SHC with authority to provide more oversight of the safety and health program; develop, with the Job Corps, a comprehensive Memorandum of Understanding clarifying the roles and responsibilities of OASAM and Job Corps in ensuring that Job Corps Centers comply with the OSH Act.

OASAM concurred with most of the findings in the report. The Acting Assistant Secretary indicated that she is working with the SHC, Regional Administrators, regional safety and health officers, ETA and OSHA to improve the overall safety and health program.

EMPLOYEE INTEGRITY AND ETHICS

The numerous responsibilities of the Federal Government, and the trust placed upon its employees by the public, require the highest of standards of ethics and integrity to be maintained for all employees. The specific official actions taken by all DOL employees has a significant, and often direct, impact on the public. Thus the significance and the potential consequences of DOL employee decisions and efforts require professional and personal conduct be measured against these high standards.

The OIG's Office of Investigations is charged with the responsibility for conducting investigations into possible criminal activities within the Department's programs as well as by the employees of the Department. The OIG is of the opinion that the prosecution of individuals who have violated the high standards that all Federal employees are measured against, will have the long-term impact of promoting integrity in the Federal workforce. Narratives on some of the OIG's employee integrity investigations from this reporting period follow.

MSHA Inspector Pleads Guilty to Bribery

One function of the Department of Labor that most directly impacts the public is in the mining industry where the Department's Mine Safety and Health Administration (MSHA) is responsible for inspecting and safeguarding the Nation's mines. When an MSHA Mine Inspector is compromised through bribery, his actions may place the safety of hundreds of miners in jeopardy. During this reporting period, Ted Phillips, an MSHA

Coal Mine Safety Inspector in Tennessee was indicted for soliciting cash payments from a mine owner during the course of a mine inspection. Phillips subsequently plead guilty to one count of bribery and faces up to 2 years in prison and a maximum fine of \$250,000. *U.S. v. Phillips* (E.D. Tennessee)

In another case, a former employee of the DOL Office of the Assistant Secretary for Administration and Management (OASAM) was arrested in Atlanta on charges of mail fraud, theft of Government property, and using false Social Security Numbers. The complaint alleges that Senetra Jones used her position in the Atlanta OASAM office to obtain names, Social Security Numbers, and other pieces of personal information to fraudulently acquire credit cards and other services. The investigation has thus far linked over 170 pieces of personnel information to the fraudulent credit card applications. The known losses from this scheme total around \$20,000. *U.S. v. Jones* (N.D. Georgia)

SPECIAL REVIEWS AND TECHNICAL ASSISTANCE

SPECIAL REVIEWS

As part of our commitment to help the Department improve its management and effectiveness, we provide quick and objective reviews of Department programs and operations. These reviews are carried out by the OIG's Office of Evaluations and Inspections (OEI) and are conducted largely in response to requests from the Department or the Congress. For example, during this reporting period, OEI initiated a series of reviews on administrative issues involving the Mine Safety and Health Administration (MSHA) at their request in response to a Congressional inquiry. While additional work is in progress, we have completed the following two reviews.

Review of MSHA Training Contract

Our review of MSHA's proposed training contract with the United Mine Workers of America (UMWA) and the Bituminous Coal Operators Association (BCOA) brought issues and information to the attention of MSHA which ultimately caused the contract not to be authorized.

OIG Review Questioned Propriety of Awarding the \$344,274 Contract

A total of \$344,274 was originally requested in the proposed contract by the union to fund a health and safety training course for union members serving on mine safety and health committees. The specific purpose of the funds was to pay all travel-related costs, including mileage, lodging and food for the 700 committee members and 195 company representatives expected to attend, as well as the purchase of equipment for the training.

MSHA Cancels Plan to Execute Contract

However, our review identified serious concerns regarding the propriety of the proposed contract as well as several questionable policy issues. In particular, a clause in the collective bargaining agreements between the union and the coal operators established an obligation between the parties to fund the training program and some of the parties acknowledged their responsibility and readiness to finance the program during interviews. In addition to the issues raised about a valid need for MSHA's financial assistance for the training program, we noted concerns about the relevance of several training modules

that would be offered, the suitability of contract payment provisions and the waiver of MSHA academy fees for participants in the training program. The Assistant Secretary for MSHA concurred with our recommendation to cancel the agency's plan to execute the training contract and to require the payment of room and board fees for the use of the Academy. (Report No.08-OEI-97-MSHA; issued November 5, 1996)

**Review of the MSHA
Pittsburgh Safety and
Health Technology
Center**

We also reviewed selected operations of MSHA's Pittsburgh Safety and Health Technology Center. While our review focused on efficiency and program compliance issues, it did not confirm the specific concerns regarding such issues as an inefficient or unnecessary soil testing laboratory or the duplication of responsibilities within two divisions in the center. Rather, we concluded that such complaints were based upon incomplete or inaccurate information. Furthermore, no other conditions at the Center requiring corrective action came to our attention. (Report No. 09-OEI-97-MSHA; issued February 20, 1997)

**TECHNICAL
ASSISTANCE**

We have also been expanding our efforts to provide technical assistance to the agencies of the Department, as a complement to our comprehensive audit and investigative programs. Our efforts in this area are largely in support of the intent of the Government Performance and Results Act (GPRA). For example, we have begun to provide technical assistance to various programs of the Department, as they transition to performance accountability. This includes providing recommendations on ways to maximize and measure the impact of their programs, particularly with respect to various aspects of the Department's employment and training programs. The OIG is also working with the Department in identifying and preventing overpayments to medical providers in the FECA program.

Consistent with our commitment to ensure that we not just detect, but also prevent abuse and mismanagement of DOL funds, the OIG participated in speaking engagements before DOL grantees and contractors. The common thread of these engagements was the OIG's emphasis on mistakes made by recipients of DOL funding which ultimately resulted in audit findings, questioned costs, and disallowed costs.

For example, at two national conferences, the OIG explained recent audit findings to Migrant and Seasonal Farmworker Program grantees and measures they could take to prevent similar findings. The OIG also was a participant in several financial management training programs for School-to-Work grantees across the country. The OIG expects to continue these efforts to assist the Department in educating the Department's contractors and grantees on fiscal and performance requirements.

AUDIT RESOLUTION

In this reporting period, several audit reports were resolved. Audit resolution occurs when the funding agency issues a final management decision (Final Determination) on the findings of the audit report and the OIG accepts the decision of program management.

\$8 Million in Dislocated Worker Training Funds Reprogrammed as Result of OIG Audit

The Philadelphia Private Industry Council (PIC), through the Commonwealth of Pennsylvania, received combined funding of \$28.15 million of Defense Conversion Adjustment (DCA) and National Reserve Account (NRA) funds to administer services for the dislocated workers at the Philadelphia Naval Base and Shipyard (PNBSY). An OIG audit estimated that \$15.9 million of these funds will remain unexpended at the end of the program and recommended that ETA reallocate the excess funds for other dislocated workers program.

At ETA's request, the Commonwealth reassessed the need for funds for the PNBSY project and reprogrammed \$8 million in excess NRA funds to other dislocated worker and disaster relief programs. Based on ETA's action, OIG considers closed the recommendation dealing with reprogramming of NRA funds. ETA is evaluating the remaining \$7.9 million in DCA funds.

ETA Disallows \$1.8 Million in Costs of the Puerto Rico Migrant and Seasonal Farmworker Program

Previously, the OIG reported the results of its financial and performance audit of the Migrant and Seasonal Farmworkers Program (MSFP) operated by the Puerto Rico Department of Labor and Human Resources. In addition to reporting a (1) low rate of return on taxpayers' investment in classroom training and (2) substantial portion of OJT had no value to participants, the OIG questioned \$1,891,189 in grant expenditures primarily because of inappropriate and/or ineffectual OJT. ETA has issued a Management Decision disallowing \$1,876,909. In addition to the disallowance, ETA convened a special team to develop and implement a corrective action plan in partnership with the DLHR and placed the grantee on conditional funding status. (Report No. 18-96-005-03-365; issued February 27, 1996)

**ETA Disallows
\$600,000 in Defense
Conversion
Adjustment Program
Funds**

The OIG audited two Defense Conversion Adjustment Program grants DOL awarded to the Hughes Aircraft Company (Hughes) to provide basic readjustment and retraining services to workers dislocated because of reduced military spending and the closing of military facilities. During this reporting period, ETA disallowed \$603,240 of the \$1.9 million questioned by the OIG.

Over \$1 million was questioned because Hughes failed to meet the grant's minimum percentage expenditure for the retraining cost category, and simultaneously exceeded the approved budget for services. However, Hughes subsequently requested, and the Grant Officer approved, a modification to one of the grants which significantly reduced the minimum expenditure requirement for the retraining cost category. An effect of this action was that the Grant Officer subsequently allowed all but \$15,558 questioned. However, the Grant Officer disallowed all the questioned costs related to excessive and untimely pension plan contributions, improper payments to an unauthorized subcontractor, and salaries and fringe benefits for subcontractor officials for which the grant received a disproportionate allocation. Other questioned costs were allowed or disallowed largely based on additional documentation submitted by Hughes. (Report No. 18-96-016-03-340; issued July 1, 1996)

**DOL and Former Job
Corps Contractor
Reach \$300,000
Settlement**

On January 10, 1997, DOL and the Leo A. Daly Co. (Daly) entered into a Settlement Agreement in which DOL accepted Daly's offer of \$300,000 in full satisfaction of the \$833,270 that was previously disallowed. The agreement is the resolution to a series of OIG audits on Daly's claims for reimbursement of indirect costs related to engineering and architectural services Daly provided at various Job Corps Centers. (Report Nos. 18-92-027-03-370; 18-94-009-03-370; 18-94-010-03-370; 18-94-011-03-370)

**U.S. Attorney Files
Complaint Against
Former Job Corps
Contractor**

The OIG had audited two contracts of the Technical Assistance Group, Inc. (TAG), which provided real estate management services to the Job Corps. The OIG concluded TAG's president (and sole shareholder) had caused TAG to bill the Department for: excessive and unauthorized salary payments for himself and family members, excessive fringe benefits, personal vacation costs, college tuition costs for his son, a variety of personal and family expenses, and other unallowable costs. The Department

disallowed a total of \$365,323 in direct and indirect cost claimed by TAG.

TAG's president dissolved the corporation and refused to repay the Department. On January 6, 1997, the U.S. Attorney filed a Complaint against Donald R. Ward, in the U.S. District Court for the District of Maryland (Court), under the False Claims Act. Under this Act, the Government can recover up to treble the actual damages plus a \$10,000 civil penalty for each instance of false or fraudulent claim made by the Defendant. (Audit Nos. 18-90-022-07-735; 18-91-007-07-735; 18-92-026-07-735)

**ETA Disallows
\$124,610 of Grant
Funds**

For the period July 1993 to March 1995, the OIG audited \$663,422 of grant funds expended by the Native American Indian Association (NAIA) and questioned \$126,037. The OIG has also questioned the location of an NAIA field office, because the area served contained a low percentage of Native Americans. The Grant Officer has disallowed \$124,610, the majority of which resulted from misclassification of claimed costs and unsupported costs. In response to the grantee's decision to move the affected field office, the Grant Officer has determined this finding will remain open until ETA has had sufficient opportunity to determine the effectiveness of the new location in serving Native Americans. (Report No. 18-96-008-03-355; issued March 20, 1996)

**UNRESOLVED
AUDITS OVER
180 DAYS OLD**

An audit report on the East Texas Council of Governments (ETCOG) was issued on September 30, 1992, which questioned \$5.8 million in profits, interest income, program income and expenditures. The report specifically questioned \$4.5 million in profits earned. Even before our audit was issued, the two nonprofit subcontractors that ran the program for the ETCOG filed a lawsuit to prevent the State from recovering any of the profits and interest earned on the profits.

**East Texas Council
of Governments**

Following a lengthy legal battle, on April 17, 1995, the Fifth Circuit Court of Appeals vacated a previous District Court decision favoring the subcontractors, stating that both the State and DOL were free to pursue final agency action regarding whether the subcontractors' costs and revenues were reasonable and necessary.

ETA has not issued an initial determination in the 2 years since the decision of the Fifth Circuit Court of Appeals gave ETA authority to start resolution action following a lengthy legal battle with the affected parties. Nor has ETA taken any action to resolve issues in the final audit report that were not part of the lawsuit. (Report No. 06-92-010-03-340; issued September 30, 1992)

APPENDIX

REPORTING REQUIREMENTS

Requirement Under the Inspector General Act of 1978

Section 4(a)(2) - Review of Legislation and Regulation	4-7
Section 5(a)(1) - Significant Problems, Abuses, and Deficiencies	ALL
Section 5(a)(2) - Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	ALL
Section 5(a)(4) - Matters Referred to Prosecutive Authorities	1
Section 5(a)(5) and Section 6(b)(2) - Summary of Instances Where Information Was Refused	None
Section 5(a)(6) - List of Audit Reports	83
Section 5(a)(8) - Statistical Tables on Management Decisions on Questioned Costs	78
Section 5(a)(9) - Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	79
Section 5(a)(10) - Summary of Each Audit Report Over 6 Months Old for Which No Management Decision Has Been Made	80
Section 5(a)(11) - Description and Explanation for Any Significant Revised Management Decision	None
Section 5(a)(12) - Information on Any Significant Management Decisions with which the Inspector General Disagrees	None

Senate Report No. 96-829

Resolution of Audits	71
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Note: This table cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, and Senate Report No. 96-829 (Supplemental 1980 Appropriations and Rescissions Bill) to the specific pages where they are addressed. The amount of "delinquent debts" owed to the Department can be found in the annual Consolidated Financial Statement Audit.

EXPLANATION OF AUDIT SCHEDULES

Questioned Costs 78

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

Disallowed Costs 78

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

Recommendations that Funds be Put to Better Use (Agreed & Implemented) 79

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

Unresolved Audits Over 6 Months 80

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

Final Audit Reports Issued by the OIG 83

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

Final Single Audit Reports 85

This schedule is a listing of audit reports that were issued during the 6-month reporting period as required by the Single Audit Act of 1984, whereby Federal awards administered by non-federal entities are audited. This listing also provides for each audit report, where applicable, the total dollar value of questioned costs and the total dollar value of recommendations that funds be put to better use.

Note: The schedule that lists the significant audit recommendations which have not been resolved for over 1 year and on which corrective action has not been completed is reported in the Secretary's Semiannual Management Report.

QUESTIONED COSTS*

	Number of Audit Reports ¹	Total Questioned Costs (\$ million)
Management decisions not made from prior reporting period	150	25.7
Issued during the period	157	6.6
Total reports needing management decisions	307	32.3
Amounts management disallowed during this period	N/A	3.6
Amounts management allowed during this period	N/A	2.4
Total management decisions made during this period	140	6.0
Management decisions not made at the end of this period**	167	26.3

¹ This number overstates the number of audits with questioned costs because it includes audit reports with non-monetary recommendations and no recommendations.

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

** Program agencies have 180 days to issue a final management decision. This number includes audits where final decisions have not been made, as well as unresolved audits over 6 months.

DISALLOWED COSTS

	Number of Audit Reports ¹	Total Disallowed Costs (\$ million)
Management decisions awaiting final action from prior reporting period	237	46.4
Questioned costs disallowed during the reporting period	141	3.6
Total management decisions awaiting final action	378	50.0
Settlement agreements obtained during the period	N/A	1.5
Cash recovered during the period	N/A	.2
Disallowed costs written off during the period	N/A	4.0
Final action on management decisions during the period	162	5.7
Management decisions awaiting final action at the end of this period	216	44.3

¹ This number includes audit reports with non-monetary recommendations and disallowed costs.

RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE (AGREED)

	Number of Audit Reports	Recommendations that Funds be Put to Better Use (\$ millions)
Management decisions not made from prior reporting period	2	50.4
Issued during the period	4	12.3
Total reports needing management decisions	6	62.7
Value of recommendations agreed to by management during this period	0	0
Value of recommendations not agreed to by management during this period	0	0
Management decisions not made at the end of this period	6	62.7

RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE (IMPLEMENTED)

	Number of Audit Reports	Recommendations that Funds be Put to Better Use (\$ millions)
Value of recommendations awaiting final action from prior reporting period	1	15.9
Value of recommendations agreed to by management during the current reporting period	0	0
Total reports awaiting implementation	1	15.9
Value of recommendations implemented during the period	1	8.0
Value of recommendations awaiting final action at the end of this period	1	7.9

UNRESOLVED AUDITS OVER 6 MONTHS**October 1, 1996 - March 31, 1997**

Agency	Program	Date Issued	Audit Report Number	Name of Audit/Auditee	No. of Rec.	Questioned Costs
Under Investigation or Litigation:						
ETA	DSFP	31-MAR-95	18-95-013-03-365	MISSISSIPPI DELTA COUNCIL	4	229,969
ETA	JTPA	14-SEP-94	02-94-263-03-340	JTPA OJT BROKER	1	1,181,720
Awaiting Resolution:						
ETA	ASP	29-MAR-96	17-96-006-01-010	AIRLINE REHIRE PROGRAM ⁷	1	0
ETA	ADMIN	25-AUG-92	12-92-022-03-001	ETA FY 91 FIN STMTS ¹	2	0
ETA	ADMIN	30-SEP-93	12-93-001-03-001	ETA FY 92 FIN STMTS ¹	7	0
ETA	UIS	09-MAY-96	17-96-004-03-315	ALLEGATIONS OF WRONGDOING ⁸	2	65,906
ETA	FLC	22-MAY-96	06-96-002-03-321	DOL FOREIGN LABOR CERTIFICATION ²	2	0
ETA	SESA	17-JAN-96	06-96-001-03-325	PROPOSED FY 96 RENTAL RATES ²	4	194,815
ETA	JTPA	29-AUG-96	03-96-009-03-340	PHILADELPHIA SHIPYARD \$15.9 M ²	1	0
ETA	JTPA	22-DEC-94	04-95-003-03-340	SELECTED CONTRACTS CSRA ⁵	3	236,538
ETA	JTPA	28-FEB-95	04-95-013-03-340	GEORGIA DEPT OF LABOR ⁹	3	0
ETA	JTPA	18-MAY-95	04-93-046-03-340	GEORGIA DOL FIXED FEE CONTRACTS ⁵	15	296,892
ETA	JTPA	28-SEP-95	04-95-041-03-340	METRA NASHVILLE ³	4	299,771
ETA	JTPA	25-MAR-96	04-96-016-03-340	COBB COUNTY GEORGIA ³	7	302,949
ETA	JTPA	23-AUG-96	04-96-028-03-340	NALT BUSINESS INSTITUTE ³	1	82,792
ETA	JTPA	30-SEP-96	04-96-029-03-340	DEFENSE CONVERSION GRANTS IN SC ²	2	0
ETA	JTPA	13-SEP-96	04-96-030-03-340	GA TECHNICAL ²	3	409,512
ETA	JTPA	30-SEP-96	04-96-031-03-340	NATIONAL BUSINESS INST ³	1	36,268
ETA	JTPA	26-FEB-96	05-96-001-03-340	CITY OF CHICAGO ³	3	679,773
ETA	JTPA	25-SEP-92	06-92-010-03-340	EAST TEXAS CNCL OF GOVT ²	13	5,780,925
ETA	JTPA	22-MAY-96	18-96-012-03-340	OPPORTUNITIES INDUSTRIALIZATION ¹⁰	2	116,075
ETA	DINAP	16-FEB-96	06-96-117-03-355	NATIONAL INDIAN COUNCIL ON AGING ²	2	0
ETA	DINAP	20-MAY-96	02-96-247-03-355	SENECA NATION ²	1	0
ETA	DINAP	08-MAR-96	06-96-223-03-355	CHEROKEE NATION ²	2	0
ETA	DINAP	29-AUG-96	02-96-259-03-355	CENTRAL MAINE INDIAN ²	4	0
ETA	DINAP	29-AUG-96	02-96-260-03-355	CENTRAL MAINE INDIAN ²	6	0
ETA	DINAP	29-AUG-96	02-96-261-03-355	CENTRAL MAINE INDIAN ²	4	0
ETA	DINAP	07-JUN-96	06-96-239-03-355	BLACKFEET TRIBE ⁵	9	77,562
ETA	DINAP	22-JUN-96	09-96-551-03-355	TOHONO O'ODHAM NATION ²	2	1,530
ETA	DINAP	06-SEP-96	09-96-555-03-355	SHOSHONE-BANNOCK TRIBES ²	2	0
ETA	DINAP	27-SEP-96	09-96-564-03-355	CALIFORNIA INDIAN MANPOWER ⁵	1	10,108
ETA	DINAP	20-SEP-96	09-96-573-03-355	COLORADO RIVER INDIAN ⁵	1	11,798
ETA	DINAP	28-AUG-96	18-96-021-03-355	NATIVE AMERICAN EDUCATIONAL ¹⁰	5	97,074
ETA	DINAP	05-SEP-96	18-96-022-03-355	CALIFORNIA INDIAN MANPOWER ²	13	161,195
ETA	DINAP	30-SEP-96	18-96-026-03-355	AMERICAN INDIAN CENTER ²	4	15,775
ETA	YFC	03-JUL-96	18-96-017-03-356	CITY OF BALTIMORE ³	1	16,714
ETA	DOWP	30-SEP-96	18-96-028-03-360	NATIONAL CAUCUS AND CENTER ²	10	117,824
ETA	DSFP	30-AUG-96	06-96-128-03-365	HOME EDUCATION ²	1	0
ETA	OJC	02-APR-96	02-96-208-03-370	PUERTO RICO VOLUNTEER YOUTH ²	21	219,435
ETA	OJC	02-APR-96	02-96-209-03-370	PUERTO RICO VOLUNTEER YOUTH ²	13	1,716
ETA	OJC	23-MAY-96	02-96-248-03-370	PUERTO RICO VOLUNTEER YOUTH ²	6	0
ETA	OJC	23-MAY-96	02-96-249-03-370	PUERTO RICO VOLUNTEER YOUTH ²	6	0

UNRESOLVED AUDITS OVER 6 MONTHS**October 1, 1996 - March 31, 1997**

Agency	Program	Date Issued	Audit Report Number	Name of Audit/Auditee	No. of Rec.	Questioned Costs
ETA	OJC	19-SEP-96	12-96-004-03-370	JOB CORPS COMBINING SCHEDULES ¹⁴	3	0
ETA	OJC	10-SEP-96	18-96-023-03-370	DAU, WALKER AND ASSOCIATES ²	5	101,468
ETA	OJC	10-SEP-96	18-96-024-03-370	NATIONAL PLASTERING INDUSTRY ¹⁰	2	145,344
ETA	STW	03-JUL-96	05-96-003-03-385	STW OPPORTUNITIES ²	13	135,298
ETA	STW	13-JUN-96	05-96-114-03-385	FOX CITIES ²	6	0
ETA	STW	12-JUL-96	18-96-015-03-385	CAPITAL AREA TRAINING ²	7	632,460
OASAM	ADMIN	30-SEP-93	12-93-008-07-001	FY 92 CONSOLIDATED FIN STMTS ¹	1	0
OASAM	ADMIN	02-SEP-94	12-94-012-07-001	DOL CONSOLIDATED FIN STMTS ⁶	2	0
OASAM	ADMIN	15-JUL-95	12-95-004-07-001	FY 94 CONSOLIDATED FIN STMTS ⁶	3	0
OASAM	ADMIN	30-SEP-93	12-93-011-07-710	FY 92 WORKING CAPITAL FUND ¹¹	1	0
OASAM	OPGM	30-SEP-91	18-91-035-07-735	OIC OF AMERICA ⁵	2	83,764
OASAM	DAPP	04-MAR-96	17-96-002-07-730	DOL FITNESS ASSOCIATION ²	2	0
OSHA	ADMIN	29-SEP-92	05-92-014-10-001	FY 91 OSHA FIN STMTS ¹²	2	0
OSHA	ADMIN	17-JAN-95	05-95-004-10-001	OSHA FY 93 INTERNAL CONTROL ¹²	1	0
OSHA	EN/PRG	21-AUG-96	17-96-008-10-105	IMPROVE FEDERAL SAFETY/HEALTH ²	3	0
CFO	ADMIN	01-MAY-96	12-96-007-13-001	FY 95 CONSOLIDATED FIN STMTS ⁶	13	0
MULTI	ALLDOL	01-APR-96	02-96-210-50-598	DEPT OF LABOR ²	39	287,065
MULTI	ALLDOL	01-APR-96	02-96-211-50-598	DEPT OF LABOR ²	28	15,943
MULTI	ALLDOL	01-APR-96	02-96-212-50-598	DEPT OF LABOR ²	29	60,680
MULTI	ALLDOL	25-APR-96	02-96-216-50-598	STATE OF CONNECTICUT ²	8	374
MULTI	ALLDOL	30-MAY-96	02-96-221-50-598	STATE OF MAINE ²	6	0
MULTI	ALLDOL	17-JUN-96	02-96-238-50-598	MASSACHUSETTS ²	10	7,022
MULTI	ALLDOL	19-SEP-96	02-96-251-50-598	STATE OF CONNECTICUT ²	4	0
MULTI	ALLDOL	04-SEP-96	02-96-263-50-598	U.S. VIRGIN ISLANDS ²	7	0
MULTI	ALLDOL	14-MAR-96	03-96-008-50-598	STATE OF DELAWARE ⁵	12	87,106
MULTI	ALLDOL	19-JAN-96	04-96-005-50-598	STATE OF FLORIDA ¹³	9	0
MULTI	ALLDOL	30-NOV-96	05-96-103-50-598	INDIANA DEPT OF EMPLOYMENT ⁵	12	191,550
MULTI	ALLDOL	18-DEC-96	05-96-104-50-598	INDIANA DEPT OF EMPLOYMENT ⁵	12	52,274
MULTI	ALLDOL	01-APR-96	02-96-210-50-598	NY DEPARTMENT OF LABOR ²	39	287,065
MULTI	ALLDOL	01-APR-96	02-96-211-50-598	NY DEPARTMENT OF LABOR ²	28	15,943
MULTI	ALLDOL	01-APR-96	02-96-212-50-598	NY DEPARTMENT OF LABOR ²	29	60,680
MULTI	ALLDOL	14-MAR-96	03-96-008-50-598	STATE OF DELAWARE ⁵	12	87,106
MULTI	ALLDOL	30-APR-96	04-96-004-50-598	STATE OF KENTUCKY ⁵	4	0
MULTI	ALLDOL	18-JUL-96	04-96-012-50-598	STATE OF NORTH CAROLINA ²	1	150,232
MULTI	ALLDOL	30-NOV-95	05-96-103-50-598	INDIANA DEPARTMENT OF LABOR ⁵	12	191,550
MULTI	ALLDOL	18-DEC-95	05-96-104-50-598	INDIANA DEPARTMENT OF EMPLOY ⁵	12	52,274
MULTI	ALLDOL	29-APR-96	05-96-209-50-598	STATE OF WISCONSIN ²	4	124,680
MULTI	ALLDOL	01-AUG-96	05-96-222-50-598	STATE OF OHIO ²	9	0
MULTI	ALLDOL	25-JUL-96	06-96-252-50-598	STATE OF LOUISIANA ²	1	0
MULTI	ALLDOL	10-APR-96	09-96-544-50-598	GOVERNMENT OF GUAM ²	1	0
MULTI	ALLDOL	03-MAY-96	09-96-550-50-598	STATE OF WASHINGTON ⁵	6	43,057
MULTI	ALLDOL	30-SEP-96	09-96-559-50-598	STATE OF CALIFORNIA ⁵	8	3,674
MULTI	ALLDOL	20-SEP-96	09-96-560-50-598	STATE OF ARIZONA ⁵	12	16,295
MULTI	ALLDOL	10-SEP-96	09-96-562-50-598	DEPT OF LABOR AND INDUSTRY ²	4	0

UNRESOLVED AUDITS OVER 6 MONTHS**October 1, 1996 - March 31, 1997**

Agency	Program	Date Issued	Audit Report Number	Name of Audit/Auditee	No. of Rec.	Questioned Costs
Pending Indirect Cost Negotiations:						
ETA	STW	30-SEP-96	18-96-025-03-385	TEXAS COUNCIL ON COMPETITIVENESS ⁴	4	249,514
ETA	STW	27-SEP-96	18-96-027-03-385	TULARE COUNTY ⁴	4	0
OASAM	OPGM	04-NOV-94	18-95-001-07-735	HOME BUILDERS INSTITUTE ⁴	1	628,158
OASAM	OPGM	04-NOV-94	18-95-002-07-735	HOME BUILDERS INSTITUTE ⁴	2	748,379
OASAM	OPGM	11-NOV-94	18-95-003-07-735	HOME BUILDERS INSTITUTE ⁴	7	353,479
OASAM	OPGM	17-SEP-93	18-93-011-07-735	INTERNATIONAL MASONRY INST ⁴	1	72,926
OASAM	OPGM	20-JUL-95	18-95-014-07-735	CENTRAL VALLEY OPPORTU CENTER ⁴	13	294,590
OASAM	OPGM	18-AUG-95	18-95-018-07-735	NATIONAL COUNCIL ON THE AGING ⁴	15	1,764,588
OASAM	OPGM	27-AUG-94	18-94-021-07-735	WAVE INC ⁴	3	1,206,216
OASAM	OPGM	20-SEP-95	18-95-025-07-735	ASOC NACIONAL PRO PER MAYORES ⁴	6	76,274
OASAM	OPGM	12-APR-96	18-96-006-07-735	EVKOPRODUCTIONS ⁴	5	520,938
OASAM	OPGM	14-MAY-96	18-96-011-07-735	U.S. DEPT OF AGRICULTURE ⁴	1	0
TOTAL AUDIT EXCEPTIONS					681	\$19,392,602

Notes to "Unresolved Audits Over 6 Months"

¹ Recommendations were referred to the Deputy Secretary for resolution.

² Unresolved pending a response to the final audit report.

³ 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.

⁴ Pending completion of indirect cost negotiations and closure.

⁵ ETA Initial Management Decision issued, awaiting Final Management Decision.

⁶ Recommendations were reviewed under the current FY 95 audit and remain unresolved.

⁷ Awaiting outcome of proposed congressional action to repeal Airline Rehire Program.

⁸ OIG and OASAM are working to resolve these recommendations.

⁹ Pending completion of DOL study.

¹⁰ Under review by the Office of Cost Determination or with Contracting Officer.

¹¹ Recommendations are being resolved in conjunction with FY 1996 DOL Consolidated Audit.

¹² Unresolved during the period.

¹³ Administrative findings remain unresolved.

¹⁴ A revised final determination was received on August 2, 1996. We asked the Grant Officer to make additional changes.

FINAL AUDIT REPORTS ISSUED BY THE OIG

October 1, 1996 - March 31, 1997

Name of Audit	Program	Report Number	No. of Non-Monetary Rec.	Questioned Costs	Funds Put to Better Use
INCOME SECURITY					
EQUITY IN SESA REAL PROPERTY - STATE OF LOUISIANA	SESA	06-97-002-03-325	0	0	0
EQUITY IN SESA REAL PROPERTY - STATE OF DELAWARE	SESA	06-97-003-03-325	0	0	0
EQUITY IN SESA REAL PROPERTY - CONNECTICUT	SESA	06-97-005-03-325	0	0	0
EQUITY IN SESA REAL PROPERTY - DISTRICT OF COLUMBIA	SESA	06-97-006-03-325	0	0	0
EQUITY IN SESA REAL PROPERTY - WYOMING	SESA	06-97-007-03-325	0	0	0
EQUITY IN SESA REAL PROPERTY - MAINE	SESA	06-97-008-03-325	0	0	0
EQUITY IN SESA REAL PROPERTY - TEXAS	SESA	06-97-009-03-325	0	94,234	0
EQUITY IN SESA REAL PROPERTY - COLORADO	SESA	06-97-010-03-325	0	79,346	0
EQUITY IN SESA REAL PROPERTY - VERMONT	SESA	06-97-012-03-325	0	0	0
EQUITY IN SESA REAL PROPERTY - MASSACHUSETTS	SESA	06-97-013-03-325	0	0	0
EQUITY IN SESA REAL PROPERTY - WEST VIRGINIA	SESA	06-97-014-03-325	0	0	0
EQUITY IN SESA REAL PROPERTY - ILLINOIS	SESA	06-97-015-03-325	0	0	0
EQUITY IN SESA REAL PROPERTY - MISSISSIPPI	SESA	06-97-017-03-325	0	0	0
EQUITY IN SESA REAL PROPERTY - PENNSYLVANIA	SESA	06-97-018-03-325	0	0	0
EQUITY IN SESA REAL PROPERTY - VIRGINIA	SESA	06-97-019-03-325	2	940,465	0
EQUITY IN SESA REAL PROPERTY - TENNESSEE	SESA	06-97-025-03-325	3	281,260	0
EQUITY IN SESA REAL PROPERTY - SOUTH DAKOTA	SESA	06-97-028-03-325	0	0	0
JOB TRAINING					
COMPARATIVE ANALYSIS OF JTPA TITLE III RETRAINING OUTCOMES	JTPA	02-96-258-03-340	2	0	0
NEW HORIZONS, INC. PERFORMANCE AUDIT	JTPA	06-97-001-03-340	0	0	155,000
HUGHES AIRCRAFT COMPANY	JTPA	09-97-001-03-340	3	0	0
AMERICAN ELECTRONICS ASSOCIATION	JTPA	09-97-003-03-340	0	29,530	0
MATHEMATICA POLICY RESEARCH, INC.	JTPA	18-97-004-03-340	0	0	0
ACADEMY FOR EDUCATIONAL DEVELOPMENT	JTPA	18-97-007-03-340	0	180,162	0
HOMELESS GRANTS AT THE SE TENN PIC	JTPA	04-97-014-03-001	6	509,662	0
HOMELESS GRANTS KNOXVILLE-KNOX COUNTY	JTPA	04-97-015-03-001	4	47,055	0
ROSEBUD SIOUX TRIBE	DINAP	18-97-003-03-355	0	0	0
AMERICAN INDIAN OPPORTUNITIES INDUSTRIALIZATION CENTER	DINAP	18-97-009-03-355	1	32,739	0
FRESNO PRIVATE INDUSTRY COUNCIL	YFC	18-97-001-03-356	6	67,739	0
LOS ANGELES COMMUNITY DEVELOPMENT DEPARTMENT	YFC	18-97-013-03-356	3	629,726	0
NAT'L PLASTERING INDUSTRY'S JOINT APPRENTICESHIP TRUST FUND	OJC	18-97-014-03-370	5	859,115	137,127
MISSISSIPPI DEPT. OF EDUCATION - SCHOOL TO WORK	STW	18-97-008-03-385	0	19,168	0
PIMA COUNTY HOMELESS GRANT	OPR	18-97-011-03-380	0	0	0
CITY OF SAINT PAUL HOMELESS GRANT	OPR	18-97-017-03-380	0	0	0
CALVILLO AND ASSOCIATES, INC.	OJC	18-97-002-07-735	4	233,946	0
RES-CARE, INC	OJC	18-97-012-07-735	1	215,116	0
CALVILLO AND ASSOCIATES, INC.	OJC	18-97-015-07-735	0	126,679	0
D.C. DEPARTMENT OF EMPLOYMENT SERVICES	ASP	18-97-010-01-010	0	69,244	0
ELECTRONICALLY LINKED DATA SYSTEMS CAN REDUCE COSTS	ADMIN	03-97-024-03-001	4	0	3,400,000

FINAL AUDIT REPORTS ISSUED BY THE OIG

October 1, 1996 - March 31, 1997

Name of Audit	Agency/Program	Report Number	No. of Non-Monetary Rec.	Questioned Costs	Funds Put to Better Use
SAFETY AND HEALTH					
FY 1995 OSHA PERFORMANCE MEASURES AUDIT	ACMIN	12-97-001-10-001	2	0	0
MERIDIAN RESEARCH, INC.	OSHAG	18-97-005-10-101	0	7,386	0
EASTERN RESEARCH GROUP	OSHAG	18-97-006-10-101	0	32,247	0
OSHA'S SECTION 11(C) DISCRIMINATION INVESTIGATION	ENPRO	05-97-107-10-105	9	0	0
LABOR RIGHTS ENFORCEMENT					
INACCURATE DATA FREQUENTLY USED IN WAGE DETERMINATIONS	WHD	04-97-013-04-420	3	0	0
WAGE & HOUR DIVISION BACK WAGE COLLECTION	WHD	04-97-016-04-420	3	0	8,568,445
PENSIONS					
PWBA'S EMPLOYEE CONTRIBUTIONS PROJECT	ENFORC	09-97-002-12-121	4	0	0
DEPARTMENTAL MANAGEMENT					
DEPARTMENT'S SAFETY AND HEALTH PROGRAM	ADMIN	17-97-001-07-001	5	0	0
FY 95 WORKING CAPITAL FUND FINANCIAL STMTS. AND RELATED RPTS.	ADMIN	12-96-015-13-001	0	0	0
FY 96 DOL CONSOLIDATED FINANCIAL STATEMENTS	ADMIN	12-97-005-13-001	29	0	0
Totals			48	4,454,819	12,260,572

FINAL SINGLE AUDIT REPORTS

October 1, 1996 - March 31, 1997

Name of Audit	Program	Report Number	No. of Non-Monetary Rec.	Questioned Costs	Funds Put to Better Use
SINGLE AUDITS					
CITY OF DETROIT, MICHIGAN	CONTR	05-97-204-02-201	0	0	0
COOPERATIVE PERSONNEL SERVICES	USES	09-97-511-03-320	0	0	0
HUMAN RESOURCES & OCCUP. DEVEL. COUNCIL	JTPA	02-97-208-03-340	2	0	0
HUMAN RESOURCES & OCCUP. DEVEL. COUNCIL	JTPA	02-97-209-03-340	2	0	0
RESEARCH FOUNDATION OF SUNY	JTPA	02-97-212-03-340	0	0	0
PREP, INC.	JTPA	05-97-106-03-340	0	0	0
FOCUS: HOPE	JTPA	05-97-202-03-340	0	0	0
SERVICE JOBS FOR PROGRESS NATIONAL, INC.	JTPA	06-97-114-03-340	0	0	0
MASHPEE WAMPANOAG INDIAN TRIBAL COUNCIL. INC.	DINAP	02-97-202-03-355	6	0	0
SAINT REGIS MOHAWK TRIBE	DINAP	02-97-205-03-355	0	0	0
TRIBAL GOVERNORS, INC.	DINAP	02-97-206-03-355	0	0	0
TRIBAL GOVERNORS, INC.	DINAP	02-97-207-03-355	0	0	0
MILWAUKEE AREA AMERICAN INDIAN MANPOWER COUNCIL	DINAP	05-97-101-03-355	0	0	0
INDIANA AMERICAN INDIAN MANPOWER COUNCIL	DINAP	05-97-103-03-355	0	0	0
MINNEAPOLIS AMERICAN INDIAN CENTER, INC.	DINAP	05-97-105-03-355	0	0	0
LAC COURTE OREILLES BAND OF LAKE SUPERIOR INDIANS OF WI	DINAP	05-97-203-03-355	0	0	0
BOIS FORTE RESERVATION TRIBAL COUNCIL	DINAP	05-97-207-03-355	0	0	0
AMERICAN INDIAN CENTER OF ARKANSAS, INC.	DINAP	06-97-101-03-355	0	0	0
INDIAN TRAINING AND EDUCATION CENTER, INC.	DINAP	06-97-104-03-355	0	0	0
FOUR TRIBES CONSORTIUM OF OKLAHOMA	DINAP	06-97-105-03-355	0	0	0
FOUR TRIBES CONSORTIUM OF OKLAHOMA	DINAP	06-97-106-03-355	0	0	0
OKLAHOMA TRIBAL ASSISTANCE PROGRAM, INC.	DINAP	06-97-107-03-355	0	0	0
NATIONAL INDIAN COUNCIL ON AGING INC.	DINAP	06-97-108-03-355	2	0	0
UNITED URBAN INDIAN COUNCIL, INC	DINAP	06-97-113-03-355	0	0	0
CROW TRIBE OF INDIANS	DINAP	06-97-200-03-355	0	0	0
MUSCOGEE (CREEK) NATION	DINAP	06-97-202-03-355	1	0	0
CHEYENNE RIVER SIOUX TRIBE	DINAP	06-97-203-03-355	0	0	0
PONCA TRIBE OF OKLAHOMA	DINAP	06-97-205-03-355	0	0	0
CONFEDERATED SALISH & KOOTENAI TRIBES	DINAP	06-97-206-03-355	0	0	0
ASSINIBOINE & SIOUX TRIBES	DINAP	06-97-207-03-355	0	0	0
MESCALERO APACHE TRIBE	DINAP	06-97-208-03-355	2	0	0
CHEROKEE NATION	DINAP	06-97-210-03-355	8	0	0
CHEROKEE NATION	DINAP	06-97-211-03-355	0	25,000	0
RAMAH NAVAJO SCHOOL BOARD, INC.	DINAP	06-97-213-03-355	0	0	0
DEVILS LAKE SIOUX TRIBE	DINAP	06-97-214-03-355	0	0	0
SAINT STEPHENS INDIAN SCHOOL EDUCATIONAL ASSOCIATION	DINAP	06-97-215-03-355	0	0	0
CHOCTAW NATION OF OKLAHOMA	DINAP	06-97-216-03-355	0	0	0
PUEBLO OF ZUNI	DINAP	06-97-217-03-355	1	0	0
CENTRAL TRIBES OF THE SHAWNEE AREA, INC.	DINAP	06-97-218-03-355	0	0	0
ALABAMA-COUSHATTA INDIAN RESERVATION	DINAP	06-97-219-03-355	0	0	0
PUEBLO OF ACOMA	DINAP	06-97-220-03-355	0	0	0
CROW TRIBE OF INDIANS	DINAP	06-97-221-03-355	0	0	0
YSLETA DEL SUR PUEBLO (TIGUA INDIAN RESERVATION)	DINAP	06-97-222-03-355	0	0	0
STANDING ROCK SIOUX TRIBE	DINAP	06-97-223-03-355	3	0	0

FINAL SINGLE AUDIT REPORTS

October 1, 1996 - March 31, 1997

Name of Audit	Program	Report Number	No. of Non-Monetary Rec.	Questioned Costs	Funds Put to Better Use
STANDING ROCK SIOUX TRIBE	DINAP	06-97-224-03-355	1	0	0
CHICKASAW NATION	DINAP	06-97-225-03-355	0	0	0
PASCUA YAQUI TRIBE OF ARIZONA	DINAP	09-97-500-03-355	0	0	0
KENAITZE INDIAN TRIBE	DINAP	09-97-501-03-355	0	0	0
KENAITZE INDIAN TRIBE	DINAP	09-97-502-03-355	0	0	0
KENAITZE INDIAN TRIBE	DINAP	09-97-503-03-355	0	0	0
NATIVE AMERICANS FOR COMMUNITY ACTION	DINAP	09-97-504-03-355	0	0	0
SHOSHONE-PAUITE TRIBES OF THE DUCK VALLEY RESERVATIONS	DINAP	09-97-509-03-355	0	0	0
KODIAK AREA NATIVE ASSOCIATION	DINAP	09-97-510-03-355	0	0	0
UNITED INDIAN NATIONS	DINAP	09-97-512-03-355	0	0	0
INDIAN HUMAN RESOURCE CENTER	DINAP	09-97-513-03-355	0	0	0
SALT RIVER PIMA-MARICOPA INDIAN COMMUNITY	DINAP	09-97-516-03-355	0	0	0
CONFEDERATED TRIBES OF THE WARM SPRINGS RESERVATION OF ORE.	DINAP	09-97-517-03-355	0	0	0
AMERICAN ASSOCIATION OF RETIRED PERSONS	DOWP	03-97-008-03-360	0	0	0
NATIONAL COUNCIL OF SENIOR CITIZENS, INC.	DOWP	03-97-009-03-360	2	0	0
NATIONAL COUNCIL OF SENIOR CITIZENS, INC.	DOWP	03-97-011-03-360	1	0	0
HOMES IN PARTNERSHIP, INC., FL	DSFP	04-97-006-03-365	0	0	0
RURAL EMPLOYMENT OPPORTUNITIES, INC.	DSFP	06-97-100-03-365	0	0	0
NORTHWEST COMMUNITY ACTION PROGRAMS OF WYOMING, INC.	DSFP	06-97-102-03-365	0	0	0
ARKANSAS HUMAN DEVELOPMENT CORPORATION	DSFP	06-97-103-03-365	0	0	0
TIERRA DEL SOL HOUSING CORPORATION	DSFP	06-97-110-03-365	1	0	0
ORO DEVELOPMENT CORPORATION	DSFP	06-97-111-03-365	1	0	0
YWCA OF GREATER LOS ANGELES	OJC	09-97-514-03-370	3	0	0
NEW MEXICO INSTITUTE OF MINING TECHNOLOGY	GRTEES	06-97-209-06-601	0	0	0
LUMBERJACK RESOURCE CONSERVATION - DEVELOPMENT COUNCIL	OSHAG	05-97-104-10-101	0	0	0
STATE OF RHODE ISLAND & PROVIDENCE PLANTATIONS	ALLDOL	02-96-214-50-598	41	10,487	0
STATE OF RHODE ISLAND & PROVIDENCE PLANTATIONS	ALLDOL	02-96-215-50-598	46	29,618	0
TRAINING AND DEVELOPMENT CORP.	ALLDOL	02-97-201-50-598	0	0	0
STATE OF VERMONT	ALLDOL	02-97-203-50-598	1	0	0
STATE OF NEW HAMPSHIRE	ALLDOL	02-97-210-50-598	4	13,231	0
NATIONAL URBAN LEAGUE, INC.	ALLDOL	02-97-211-50-598	1	0	0
STATE OF WEST VIRGINIA FY 95	ALLDOL	03-97-002-50-598	4	115,238	0
COMMONWEALTH OF PENNSYLVANIA FYE 6/30/95	ALLDOL	03-97-004-50-598	3	140,486	0
STATE OF DELAWARE	ALLDOL	03-97-005-50-598	5	10,481	0
DC DEPARTMENT OF EMPLOYMENT SERVICES	ALLDOL	03-97-006-50-598	8	11,796	0
COMMONWEALTH OF VIRGINIA FYE 6/30/93	ALLDOL	03-97-007-50-598	0	1,602,153	0
COMMONWEALTH OF VIRGINIA FYE 6/30/94	ALLDOL	03-97-012-50-598	0	0	0
COMMONWEALTH OF VIRGINIA FYE 6/30/95	ALLDOL	03-97-013-50-598	0	0	0
DC DEPARTMENT OF EMPLOYMENT SERVICES 9/30/94	ALLDOL	03-97-014-50-598	0	0	0
STATE OF MARYLAND FYE 6/30/95	ALLDOL	03-97-015-50-598	0	0	0
STATE OF GEORGIA	ALLDOL	04-97-001-50-598	0	0	0
STATE OF SOUTH CAROLINA	ALLDOL	04-97-002-50-598	0	0	0
STATE OF TENNESSEE	ALLDOL	04-97-003-50-598	0	0	0
STATE OF NORTH CAROLINA	ALLDOL	04-97-004-50-598	0	2,705	0
STATE OF ALABAMA	ALLDOL	04-97-017-50-598	1	4,610	0
MICHIGAN EMPLOYMENT SECURITY COMMISSION	ALLDOL	05-97-102-50-598	7	51,423	0

FINAL SINGLE AUDIT REPORTS

October 1, 1996 - March 31, 1997

Name of Audit	Program	Report Number	No. of Non-Monetary Rec.	Questioned Costs	Funds Put to Better Use
ONEIDA TRIBE OF INDIANS	ALLDOL	05-97-201-50-598	0	0	0
OHIO STATE UNIVERSITY	ALLDOL	05-97-205-50-598	0	0	0
NEBRASKA, STATE OF	ALLDOL	05-97-206-50-598	9	0	0
IOWA, STATE OF	ALLDOL	05-97-208-50-598	3	0	0
STATE OF OHIO	ALLDOL	05-97-209-50-598	2	0	0
KANSAS, STATE OF	ALLDOL	05-97-210-50-598	4	20,045	0
KANSAS, STATE OF	ALLDOL	05-97-211-50-598	2	20,286	0
NEBRASKA, STATE OF	ALLDOL	05-97-212-50-598	1	0	0
IOWA, STATE OF	ALLDOL	05-97-213-50-598	3	304	0
NEW MEXICO DEPARTMENT OF LABOR	ALLDOL	06-97-109-50-598	31	0	0
ARKANSAS EMPLOYMENT SECURITY DEPARTMENT	ALLDOL	06-97-112-50-598	1	0	0
STATE OF UTAH	ALLDOL	06-97-201-50-598	3	1,906	0
STATE OF TEXAS	ALLDOL	06-97-204-50-598	3	8,694	0
STATE OF MONTANA	ALLDOL	06-97-212-50-598	6	10,996	0
SAN DIEGO CONSORTIUM & PRIVATE IND. COUNCIL	ALLDOL	09-97-505-50-598	0	0	0
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS	ALLDOL	09-97-506-50-598	0	0	0
STATE OF ALASKA	ALLDOL	09-97-507-50-598	7	123,334	0
STATE OF NEVADA	ALLDOL	09-97-508-50-598	2	0	0
BREVARD COUNTY, FLORIDA	OTAGY	04-96-024-98-599	0	0	0
Totals		109	234	2,202,793	0

INVESTIGATIONS SCHEDULES

ANALYSIS OF COMPLAINT ACTIVITY

Breakdown of Allegation Reports by Source:

Hotline Operations - Calls and Letters from Individuals or Organizations	147
Letters from Congress	9
Letters from DOL agencies	6
Incident Reports from DOL agencies	4
Reports by Special Agents and Auditors	2
GAO	4
Total	172

Breakdown of Allegation Reports by Referral:

Referred to Office of Audit	5
Referred to OI Regional/Field Offices	30
Referred to DOL Program Management	99
Referred to other agencies	14
No further action required	6
Pending disposition at end of period	18
Total	172

FINANCIAL ACCOMPLISHMENTS

<u>Categories</u>	<u>\$Amount</u>
Recoveries:	851,945
(The dollar amount/value of an agency's action to recover or reprogram funds or to make other adjustments in response to OI investigations.)	
Cost Efficiencies:	3,462,888
(The one-time or per annum dollar amount/value of management's commitment, in response to OI investigations, to more efficiently utilize the Government's resources.)	
Restitutions:	11,125,316
(The dollar amount/value of restitutions resulting from OI criminal investigations.)	
Fines/Penalties	315,195
(The dollar amount/value of fines, assessments, seizures, investigative/court costs, or other penalties resulting from OI criminal investigations.)	
Civil Monetary Actions:	208,791
(The dollar amount/value of forfeitures, settlements, damages, judgements, court costs, or other penalties resulting from OI civil investigations.)	
Total:	15,964,135

OFFICE OF INVESTIGATIONS CASE LIST

October 1, 1996 - March 31, 1997

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
EMPLOYEE MISCONDUCT				
CLARO, MARION JOYCE		X	X	
PHILLIPS, TED E.	X	X		
STOREY, LILLIAN	X	X		
JONES, SENETRA N.	X			
CONFIDENTIAL/IA			X	48,811
BACH, HAROLD T.	X	X		
MARZESKI, WILLIAM	X			
BLACKWELL, ERNIE D.	X			
EMPLOYMENT STANDARDS ADMINISTRATION				
BLACK LUNG				
OLIVER, LAVONNE	X	X		4,381
FECA				
BROWN, DAVID	X	X		
CLEMONS, TONY A.		X		
WINKLER, GARY	X			
MITCHELL, JERRY W. SR.	X	X	X	55,229
DASHER, HERBERT	X	X	X	275
PHILLIPS, DANNY L.		X		
BURT, OLLIE		X		
HOLMES, HARVEY DEAN	X	X		
JONES, WANNELL	X	X		
ATKINS, JOSEPH			X	54,150
GARCIA, SHARON GAYLE	X	X	X	3,078
SMOLINSKY, EDWARD J.	X			
OLSZEWSKI, ROBERT			X	66,129
DIFUCCIA, RALPH	X			
SMART, WILLIAM H.	X	X		
HICKS, ALBERT			X	6,466
SIEGEL, HEATHER	X			
LAB, LOUIS	X	X		
CARLSON, DONALD ROBERT	X			
BRAUD, JOSEPH P. MD			X	25,500
GARCIA, PETE D.O.			X	30,000
IOVINE, ANTOINETTE	X	X		
MANNA, FELECIA	X		X	
MODICA, GIUSEPPE	X	X		
NWACHUKU, HELEN	X			
SCHUTZ, PAUL	X	X	X	102,163
MEEHAN, PATRICK M.			X	66,035
LSHWC				
HINSON, SIDNEY	X			
STINSON, JOHNNY L.	X	X		
OTHER				
LAMANNA, SALVIN R.	X	X		
TREVEAL, JEFFREY P.	X			

OFFICE OF INVESTIGATIONS CASE LIST

October 1, 1996 - March 31, 1997

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
EMPLOYMENT & TRAINING ADMINISTRATION				
JOB CORPS				
MCCULLUM, ERNEST	X	X	X	1,236
JTPA				
HALL, DEBORAH	X			
CHERNICK, PAUL	X			
NAIMAN, ELIMELECH	X			
BRADFIELD, JOHNNY		X	X	6,019
ORGAN, STEVE	X	X	X	10,050
GEORGIA NUT COMPANY			X	65,000
EDMO, TAMMY			X	4,924
ABDULLAH, GARY	X			
CHRISTENSEN, DAVID	X			
FERGUSON, MELVIN	X			
HILDEBRANDT, MIKE	X			
PAT GOINS BEAUTY COLLEGE & ACADEMY			X	40,294
SAMLETZKA, EDWARD	X			
IBARRA, SAMMY	X	X		
HALL-BROWN, JOEY E.			X	54,466
SPOTTED BEAR, AGNES MARIE			X	8,538
HUGGANS, CHARLIE	X			
GRISWOLD, GERALD D.			X	30,025
BRUMFIELD, STEPHONY	X			
GOLMAN, QUINTON	X			
HARRELL, SHIRLEY	X			
MOORE, DEREK	X			
SMITH, LAWRENCE	X			
WILSON, STACIE	X			
WILSON, TONIA	X			
WILSON, VALERIE	X			
UI				
TILLMAN, THEODORE	X			
IRONS, STANLEY		X		
LUSTER, THOMAS	X	X	X	5,468
SPEARMAN, MINNIE			X	3,119
WEBB, KIM	X	X		
EGELSTON, JIMMIE D.	X			
BOWSER, MARIE A.			X	415,119
KELLEY, DANNY RAY		X	X	750
PEREIRA, JOSEPH			X	82,910
NURSE, WANDAL.	X			
OUTEN, LEONARD E.			X	7,775
ALLEYNE, BEVERLY D.	X	X	X	7,046
CAROSI, MARK A.	X	X		
JONES, CALVIN R.			X	5,283
SKINNER, DONTE	X			
TRAPPIER, RONALD SR.	X	X	X	3,245
HOPKINS, BRENDA	X	X	X	2,929

OFFICE OF INVESTIGATIONS CASE LIST

October 1, 1996 - March 31, 1997

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
ENGLISH, WILLIE E.	X			
GREEN, EDWARD	X		X	2,345
JONES, RONALD W.		X	X	4,213
ROGERS, JIMMY JOHN		X	X	3,636
SIMPSON, SHON STERLING		X		
O'CONNOR, CONNIE KAY	X	X	X	5,118
ARABIE, GREGORY	X	X	X	4,418
DEMBLY, HERSHEY LEE			X	3,752
SLOAN, SHIRLEY		X	X	8,074
BARNES, GARY		X	X	10,270
GREGORY, DANIELC.		X	X	4,772
MARTIN, CLIFFORD RAY	X	X		
MARTIN, KIMBERLY CAROLYN	X	X		
PERRY, NANCY LEA	X			
ESPOSITO, MARK	X			
BOWDEN, DAREN L.	X	X		
BOWDEN, SHANNON	X	X		
CARTER, BRUCE E.	X	X		
CARTER, JERZINE	X			
FRANKLIN, DELOIS L.	X	X		
FRANKLIN, JOYCE	X	X		
GREEN, CLAUDE E.	X			
GREEN, ROBERT W.	X			
HARRIS, ROSALYN	X			
HARRIS-PEGROSS, SHERMAN	X			
PEGROSS, SHERMANITA	X			
PERNELL, JEFFREY	X	X		
ROBINSON, ANTHONY R.	X			
WILLIAMS, IRVING	X			
DIXON, CHARLES	X			
JOHNSON, BRIAN A.	X			
JOHNSON, TIMOTHY L	X			
TJTC				
BROWN, DERRICK		X		
CURLES, DENA		X		
DERRICK BROWN & ASSOCIATES, INC.		X		
MOORE, LISA		X		
MINE SAFETY & HEALTH ADMINISTRATION				
HEYER, WILLIAM	-	X		
BENEFIT PLAN				
ARSCOTT, KENNETH		X	X	60,000
BAKER, MICHAEL		X	X	2,500
BARTOLOMEO, JOSEPH		X	X	5,000,050
BLACK, BRUCE	X	X		
BROWNE, WALTER J		X	X	7,180
CIARAMELLA, JOHN	X	X	X	30,165
CUCURO, THOMAS			X	21,650

OFFICE OF INVESTIGATIONS CASE LIST

October 1, 1996 - March 31, 1997

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
DAVIS, DURWIN		X	X	2,500
FABIANI, CARY	X			
FEIGOLI, JOSEPH		X	X	20,000
FERRAIOLI, SALVATORE	X	X		
GB RESOURCES INC,			X	400
GLICK, HARVEY			X	100,200
GOTHAM ASSOCIATES LIMITED,			X	400
HAKMAN, NICHOLS	X	X		
HAYS, JEFFREY		X		
HORBULEWICZ, PIOTR	X	X		
IANNACI, JOSEPH	X			
KEDZIERSKI, THADDEUS		X	X	1,500
KORTSCH, FRANCIS J	X			
KRAMER, BERNARD CYRIL			X	156,305
LOETZ, RONALD GORDON, SR.	X			
MANHARDT ALEXANDER INC.,	X	X	X	67,055
MCQUATTERS, RICHARD H.	X	X		
MERZ, SHIRLEY			X	20,165
MEZETTA, AUGUST "GUS"			X	2,800,000
MICHELI, LOUIS	X			
O BRYAN, FRANK			X	
OLIVERI, VINCE		X	X	1,500
PELULLO, LEONARD A		X		
POLLACK, SANFORD	X	X		
RESNICK, SEYMOUR			X	2,050
REYBURN, PAUL T		X	X	1,500
RIBERA, MICHAEL A		X	X	1,500
RODRIGUES, VERA			X	20,050
SARNER, DONALD		X		
SPREI, SOL		X	X	1,807,500
TEARSE, WALTER			X	7,700
VAUTRIN, ERNEST			X	550
ZONA, LOUISE RACHLER			X	23,276
INTERNAL UNION				
ANDERSON, DAWN	X			
ANDERSON, JAMES M	X			
ANDERSON, JAMES S	X			
ANDERSON, KEVIN	X			
ANDERSON, MARK	X			
ANGULO, MARIO	X			
CIBELLIS, EILEEN	X			
CONRAD, RONALD	X	X		
DABRONZO, CHARLES J			X	2,046
DIEFENTHALER, LOWELL		X		
DIXON, WALTER	X	X		
GEORGOPOULOS, JOHN		X		
GILDER, DANNIE			X	12,394
GOELZ, ROBERT			X	
GORDON, BERNARD F	X	X		
HARTSEL, NORMAN	X			
HUMPHREYS, GEORGE	X			
KELLEY, JAN		X		

OFFICE OF INVESTIGATIONS CASE LIST

October 1, 1996 - March 31, 1997

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
KELLEY, VINCENT		X		
LALINDE, IVAN	X			
LAUREANO, CARMEN		X		
LOUIS PARISE, PRESIDENT		X		
LOUIS PARISE, JR., INVESTIGATOR		X		
LYON, JAMES D	X			
MILLER, BERNARD			X	128,350
MONTAQUE, EDWARD		X	X	50,050
MONTENEGRO, ALFREDO		X		
PAONE, FRED				
PAVCO,		X		
QUINONEZ, MARIA	X			
SANDOVAL, MEYER	X			
SCHOOP, RONALD			X	50
SEIDMAN, HARRY			X	30,650
WELLER, DONALD K.		X		
WINSTEAD, BRADY		X		
WYMER, MICHAEL	X			
LABOR-MANAGEMENT RELATIONS				
ABRAMS, PAUL	X	X		
BENNETT, FRED	X			
BROWN, RICHARD		X		
EDWARDS, DARLENE M		X		
GRAFF, STEFAN	X			
HERRERA, RENEE	X			
HERRERA, RICHARD	X			
SANTIAGO, ENRIQUE	X	X		
SHEPPARD, BRYAN		X		
SHEPPARD, EARL		X		
SHEPPARD, FRANK		X		
TURPIN, ERIC	X			
WARDLAW, JAMES	X			
WEHBY, WILLIAM	X	X		
OTHER				
EVANGELISTA, CLAUDE			X	450
EVANGELISTA, LOUIS			X	1,000
EVANGELISTA, PETER			X	100
FISHER, MIKE	X			
GRIFFIN, BOB F	X			
HURST, STEVEN R	X			
POLLACK, SANDFORD	X	X		
POLLACK, SANFORD		X		
SIMMONS, CATHRYN M	X			
CIVIL RICO				
AGATHOS, JOHN JR.				
AGATHOS, JOHN SR.				
SANTOLI, MICHAEL				

OFFICE OF INVESTIGATIONS CASE LIST

October 1, 1996 - March 31, 1997

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
BLINKHORN, GERALD				
DIMARCANTONIO, VINCENT				1,000
DUPONT, NORMAN				
PIERCE, RANDY				
VITOLO, DOMINICK				
BOGGIA, GLENN				
FORINO, RONALD				
LANZA, CHARLES				
MADONNA, ANIELO				
TOTAL	128	101	75	\$11,644,797

Note: Names in bold print represent the cases featured in this report.

LIST OF ACRONYMS

Programs and Agencies Used in Appendix:

ADMIN	Administrative Management
ALLDOL	All Department of Labor Agencies
ASP	Assistant Secretary for Policy
BLS	Bureau of Labor Statistics
BLSG	Bureau of Labor Statistics Grantees
CFO	Chief Financial Officer
CMSH	Coal Mine Safety and Health
CMWC	Coal Miner Workers Compensation (Black Lung)
CONTR	Contracts
DAPP	Directorate of Administrative Procurement Programs
DINAP	Division of Indian and Native American Programs
DIRM	Directorate of Information Resource Management
DLHWC	Division of Longshore and Harbor Workers Compensation
DOWP	Division of Older Workers Programs
DSFP	Division of Seasonal Farmworkers Programs
DSWCS	Division of State Workers Compensation Standards
EN	Enforcement Programs
ETA	Employment and Training Administration
FECA	Federal Employees' Compensation Act
FLC	Foreign Labor Certification
JTPA	Job Training Partnership Act
OASAM	Office of the Assistant Secretary for Administration and Management
OCFO	Office of the Chief Financial Officer
OFCCP	Office of Federal Contract Compliance Programs
OFLS	Office of Fair Labor Standards
OFM	Office of Facilities Management
OFMS	Office of Financial Management Services
OJC	Office of Job Corps
OLMS	Office of Labor-Management Standards
OPGM	Office of Procurement and Grant Management
OPR	Office of Policy Research
OSEC	Office of the Secretary
OSHA	Occupational Safety and Health Administration
OSHAG	Occupational Safety and Health Administration Grantees
OSTP	Office of Special Targeted Programs
OT AGY	Other agency (No direct Department of Labor funds audited)
OWCP	Office of Workers' Compensation Programs
PWBA	Pension and Welfare Benefits Administration
SCSEP	Senior Community Service Employment Program
SESA	State Employment Security Agency

Programs and Agencies Used in Appendix:

SOL	Office of the Solicitor
SPPD	Strategic Planning and Policy Development
STW	School-to-Work
UIS	Unemployment Insurance Service
USES	United States Employment Service
VETS	Veterans' Employment and Training Service
WHD	Wage and Hour Division
YFC	Youth Fair Chance