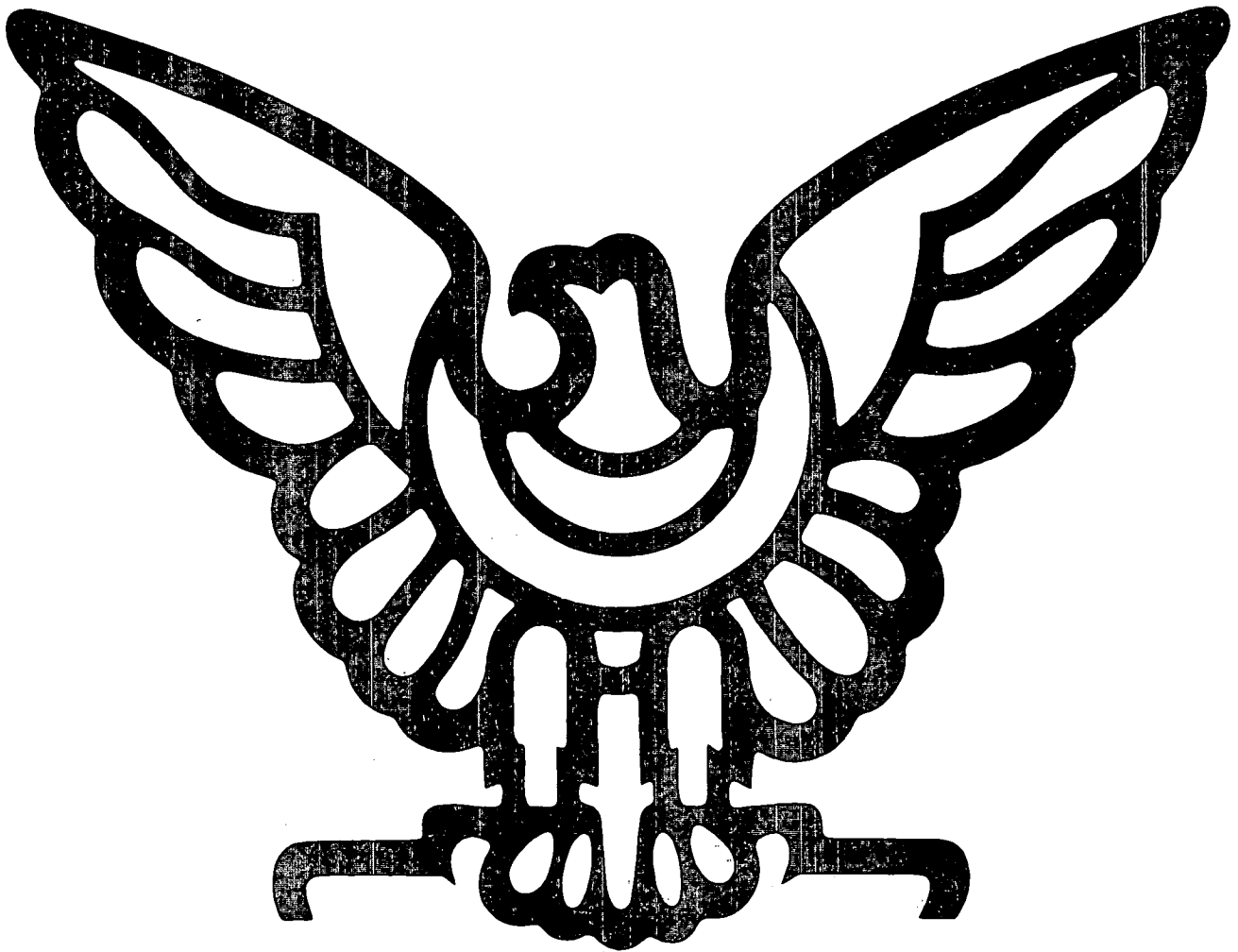


Semiannual Report Office of Inspector General U.S. Department of Labor



U.S. Department of Labor
Office of Inspector General

April 1 - September 30, 1989



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



U.S. Department of Labor
Elizabeth Dole, Secretary

Office of Inspector General
Raymond Maria, Acting Inspector General

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THE INSPECTOR GENERAL'S MESSAGE

This semiannual period marks the most critical moment in the history of the Office of Inspector General. The March 1989 Department of Justice opinion that limits the criminal investigative scope of the Inspectors General will prevent many of these offices from achieving the goals which the Congress envisioned when it enacted the Inspector General Act of 1978. Within the Department of Labor, the opinion thwarts the Inspector General's efforts to address a flawed enforcement strategy.

The Department of Labor's overall enforcement strategy continues to place an inordinate reliance upon civil and administrative remedies at the expense of criminal enforcement. It is naive to think that this strategy will provide an effective deterrent to abuse, particularly in the areas of worker health and safety, employee benefit plans, and employee wage and hour standards. Those most affected by corruption in these areas generally are not the employees of "Fortune 500" companies, but workers from the lower end of the socio-economic scale — those who most need the protection that government can afford them. It is this group that would benefit directly from an enforcement strategy in which flagrant abuses are addressed with vigorous criminal investigations and remedies commensurate with the offenses.

In recent months I have testified twice before congressional oversight committees on the compelling need to conduct criminal investigations in those areas that affect the economic well-being and health of the American worker. Further delay in resolving the Inspectors General's investigative jurisdiction is not in the public interest. The Congress should act promptly to assert its intentions regarding this issue.

In this report I also have focused attention on deficiencies in the Job Training Partnership Act and the Department of Labor's financial management system, as well as the continuing need to ensure that the audit process becomes a useful tool in the enforcement of laws designed to protect the nation's pension and welfare plans.

Sincerely,



Raymond Maria
Acting Inspector General

SIGNIFICANT CONCERNS OF THE INSPECTOR GENERAL

ERISA

In the preceding Semiannual Report, the Inspector General stated his significant concerns about the inadequacy of the protections provided to pension and welfare plans by the Employee Retirement Income Security Act of 1974 (ERISA) and the Department of Labor's implementation of its responsibilities under that Act.

Usefulness of IPA Reports

The prior report explored the usefulness of the independent public accountant's (IPA's) report within the context of ERISA enforcement. Subsequent audit work confirmed that these reports are of questionable value in monitoring benefit plan compliance with applicable civil and criminal provisions; that many IPA audits omit from audit review plan assets held in trust by a government regulated industry such as a bank or a savings and loan institution; and that these limited scope audit reviews do not adequately test plan assets.

Are There Similarities with the Savings & Loan Crisis?

The prior report drew a parallel between vulnerabilities that could result from inadequate audits and the General Accounting Office (GAO) criticisms of the public accounting profession for its failure to identify and report on significant problems in the savings and loan (S&L) industry. Our claim of similarities in the ERISA problems we cited and the problems GAO associated with the S&L crisis drew a spate of criticism. GAO's study of the S&L crisis, as well as our further review of IPA work for ERISA covered plans, confirms that the similarities are indeed there. These vulnerabilities do not reveal a pension system currently in crisis; but they do demonstrate it to be at risk. These similarities are significant and troubling and they should continue to be the focus of considerable concern by the Congress and the Department of Labor.

Legislative Recommendations

The OIG recommends the following.

1. The Congress should eliminate the option of the limited scope IPA audit.
2. The Congress should encourage the Department to expand the IPA role in ERISA enforcement by requiring specific compliance testing with ERISA and by requiring the reporting of any findings, as well as ERISA violations, directly to the Department.

INVESTIGATIVE AUTHORITY

The March 1989 Department of Justice (DOJ) opinion continues to have a negative impact upon OIG's criminal investigative authority. The OIG's Office of Investigations (OI) can no longer address certain criminal violations which jeopardize the economic well-being and health and safety of the American worker.

Negative Impact of Investigative Authority Limitation

OI initially suspended activity on approximately 1,200 criminal cases to determine the effect of the DOJ opinion. The OIG made this decision despite its sharp disagreement with Justice's legal analysis due to the potential personal liability for OIG agents. The disposition of these matters following our case-by-case analysis is discussed in the Office of Investigations section of this report.

Congressional Clarification is Needed

The OIG recommends that the Congress should clarify the investigative authority of the Office of Inspector General.

JTPA

After seven years of the Job Training Partnership Act of 1982 (JTPA) and \$18.5 billion in program expenditures, no one knows whether the return on investment has been productive or whether the program standards established to measure program usefulness have been effective.

Problems in the Job Training Partnership Act Program

Increasingly, the results of our audit and investigative work demonstrate many potentially abusive situations. The OIG continues to urge solutions which will enhance program targeting; eliminate the regulatory provision which has diverted JTPA resources from its basic training mission; and foster stronger procurement, recordkeeping, reporting, and monitoring practices. The OIG has testified before the Congress in support of amendments to JTPA which will increase program accountability and maximize the return on investment of Federal funds.

The JTPA system's overreliance on fixed unit price, performance-based contracts remains our most urgent concern. Many of our recommendations focus on the regulations which allow costs under such contracts to be charged *entirely* to the training cost category. This means that some expenditures which would

No One Knows How Much is Being Spent on Training

normally be charged to administration and participant support are reported instead as training costs. Because of this reporting anomaly, no one -- not the Department of Labor, not the Congress, and not the taxpayer -- really knows whether the statutory provision requiring at least 70 percent of JTPA Title II-A funds be spent on training is being met.

In addition, weak JTPA procurement practices have allowed unnecessary and unreasonable costs to be negotiated under these contracts. Contractors have also been free to set prices without regard to actual training costs. A basic precept of JTPA contracts is that contractors assume some financial risk -- but many of the contracts are so loosely structured that contractors are able to fully recoup expenses and earn profits, even with less than full performance.

Audit Results Point to Abusive and Fraudulent Practices

Increasingly, the results of OIG's audit and investigative efforts are disclosing potentially abusive and fraudulent practices by JTPA grantees and contractors.

The OIG recommends the following.

Legislative Recommendations

1. The Congress should require that ETA's interpretation of 20 CFR 629.38(e)(2) on requirements for writing acceptable fixed unit price, performance-based contracts, issued in the Federal Register March 14, 1989, be made a formal DOL regulation.
2. The Congress should require minimum procurement standards that assure that procurements are competitive, avoid conflicts of interest, and be accompanied by an analysis of the reasonableness of costs and prices submitted; and that recipients, subrecipients and service providers maintain adequate records.
3. The Congress should require that the only exceptions to the use of the cost categories provided in Section 108 are (a) for costs for commercially available training packages available at off-the-shelf prices; and (b) for tuition charges for training and education institutions and colleges where such charges do not exceed the charges made available to the general public.

**DEPARTMENTAL
MANAGEMENT**

**Department Relies Too
Heavily on Untried
Ledger System and
Unproven Reports**

For the past two years, the OIG has reported significant deficiencies in the Department's financial management systems. The OIG commends the efforts made by the Assistant Secretary for Administration and Management (OASAM) and the Employment and Training Administration (ETA) to address these problems.

However, concerns remain in two areas. The Department, in its effort to ameliorate its accounting and internal control deficiencies, may be precipitously dependent on its new, untried general ledger system. Second, because the Department grants over 85 percent of its funds to State and local governments, it continues its uneasy reliance on unproven grantee financial reports while the limitations of financial audit coverage under the Single Audit Act are becoming increasingly disturbing.

The OIG recommends that management should employ qualified accounting personnel in fiscal management roles throughout the Department to manage the Department's fiscal responsibilities.

EXECUTIVE SUMMARY

Significant Concerns **Page**

The OIG is concerned about the inadequacy of the protections provided to pension plan participants by the Employee Retirement Income Security Act of 1974 (ERISA) and the Department of Labor's weak enforcement of that Act 1

The OIG is concerned that the Department's endorsement of a Justice opinion negatively impacts OIG's criminal investigative authority. Congressional clarification is needed 2, 39

Department Financial Management

The OIG is concerned that newly developed financial management systems may not meet requirements and that the DOL relies too heavily on grantee financial information..... 34

Pension Welfare Benefits Administration (PWBA)

The OIG continues to press for immediate elimination of the ERISA limited scope audit exemption which has allowed a large portion of benefit plan assets to avoid thorough audit scrutiny 11

Job Training Partnership Act (JTPA)

After 7 years of JTPA and \$18.5 billion in program expenditures the OIG is concerned that no one knows the return on investment or the effectiveness of established program standards. Audit work consistently shows poor program and financial accountability and widespread apparently abusive situations 29

ETA Information Resource Management

ETA's decentralized management structure has created a very complex computing environment for the agency. In the last 3 years, in response to widespread criticism, ETA has had limited success in its efforts to modernize its information resources management. More needs to be done, however, especially to properly control noncompetitive contracting 16

Job Corps

The OIG matched Job Corps costs costs with program results by analyzing the flow of costs for Job Corps participants served during program year 1986. Of the average cost per year, education and vocational training, which is Job Corps' primary purpose, absorbed only 17 percent of the cost 21

State Employment Security Agencies (SESAs)

Based on recently completed work, most SESA accounting systems and procedures were inadequate to assure the Secretary of Labor that financial information, including experience rating indexes for unemployment compensation, is accurately and completely reported 23

Employment Standards Administration (ESA)

ESA is the first program agency in the Department to receive an unqualified opinion on its financial statements 14

Under the Program Fraud Civil Remedies Act, the OIG has completed six Wage and Hour cases which involve submission of false certified payrolls on construction projects governed by the Davis-Bacon Act. Potential penalties are \$2.8 million 14

Selected Statistics
April 1 - September 30, 1989

Audit Activities

Reports issued on DOL activities	374
Total Audit exceptions	\$30.3 million
Recommended cost efficiencies	\$3.5 million
Reports issued for other Federal agencies	19
Dollars resolved	\$118.2 million
Allowed	\$45.5 million
Disallowed	\$72.7 million
Sustained cost efficiencies	\$50.7 million

Fraud and Integrity Activities

Allegations reported	1,804
Cases opened	1,301
Cases closed	1,645
Cases referred for prosecution	702
Individuals or entities indicted	735
Successful criminal prosecutions	720
Referrals for administrative action	125
Recoveries, fines, penalties, restitutions, settlements, and cost efficiencies	\$12,006,129

Labor Racketeering Investigation Activities

Cases opened	62
Cases closed	36
Individuals indicted	40
Individuals convicted	21
Fines	\$318,650
Restitutions	\$1,023,077

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Chapter 1

OFFICE OF AUDIT

During this reporting period, 374 audits of program activities, grants, and contracts were issued. Of these, 32 were performed by OIG auditors, 97 by CPA auditors under OIG contract, 2 by the Defense Contract Audit Agency (DCAA), 71 by State and local government auditors, and 172 by CPA firms hired by grantees.

This chapter has three sections. The first section contains information on audits of the Department's programs (immediately following). The second section describes OIG-prescribed remedies for long-term problems with JTPA (page 29). The third section centers attention on what management proposes to do about gaps and deficiencies in the Department's financial management systems (page 34). Reports on significant audit resolution are contained in Chapter 5 (page 57). Money owed the Department, audit schedules and tables, and a listing of final audit reports issued and resolved are found in Chapter 6 (page 61).

Agency Activities

PENSION AND WELFARE BENEFITS ADMINISTRATION (PWBA)

The Pension and Welfare Benefits Administration (PWBA) administers certain provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and the Federal Employees' Retirement System Act of 1986 (FERSA), including those provisions that pertain to the fiduciary responsibilities of such individuals as pension plan administrators, trustees, and others. PWBA is responsible for protecting the rights of approximately 65 million individuals covered by ERISA and about 1.3 million Federal employees currently enrolled under FERSA. Assets held by ERISA plan administrators and the Thrift Trust Fund under FERSA are estimated to be approximately \$2 trillion and growing. The agency also considers and grants exemptions from certain provisions, and develops and issues regulations dealing both with pension and welfare plans in private industry. In fiscal year 1989, PWBA's authorized staffing was 511 and its budget was \$41.4 million.

During this reporting period, we provided congressional testimony on its continuing concerns about ERISA oversight. The OIG also issued reports on the role of Independent Public Accountant (IPA) audits in ERISA enforcement and PWBA's ERISA public disclosure function.

OIG Testimony Before House Subcommittee on ERISA

In August 1989, the Inspector General was asked to appear before the House Committee on Government Operations' Subcommittee on Employment and Housing. The Subcommittee wanted additional information on the IG's concerns regarding ERISA oversight, raised in the last semiannual report.

In that report, the OIG was critical of the audit work performed by Independent Public Accountants (IPAs) as well as the Department's oversight role on behalf of benefit plan participants. The Subcommittee expressed interest in OIG's recommendations to PWBA and, in that regard, asked the Department's Deputy Secretary to address those concerns. The Deputy Secretary was requested to report to the Subcommittee the status of all recommendations made by OIG in the area of ERISA oversight. Many of these recommendations date back to 1984 and had received little action by the Department.

We have been encouraged by the interest and concern expressed by Secretary Dole and her executive staff about OIG's findings and recommendations. However, we are concerned that although the Department plans to take action to eliminate the limited scope audit

exemption, a delay in this action could result if the Department spends an inordinate amount of time conducting additional studies of the matter. The time has come to eliminate this exemption which allows almost half of benefit plan assets to avoid thorough audit scrutiny.

Followup Review of the Quality of IPA Audit Reports Stresses Needed Changes to Increase Protection for Plan Participants

The OIG has completed its review of the quality of IPA audits of pension and welfare benefit plans covered by ERISA.

The current report, entitled *Changes are Needed in the ERISA Audit Process to Increase Protections for Employee Benefit Plan Participants*, has been issued to PWBA in draft.

The audit found that:

1. Almost half the audit work performed by IPAs was limited in scope. This scope limitation, which is provided for by ERISA, allows a plan administrator to exempt assets held in trust by banks and other financial institutions from audit scrutiny. This scope impairment results in audit reports whose opinions are disclaimed and are of very little use.
2. Twenty-two percent of the audits and/or reports failed to meet one or more Generally Accepted Auditing Standards (GAAS), as required by ERISA.
3. Sixty-four percent of the plan financial statements did not meet ERISA disclosure requirements and the accompanying IPA reports failed to divulge the absence of these disclosures.

So that the ERISA reporting and audit processes can more effectively protect participant rights and benefits, we recommended that PWBA:

1. Propose legislative changes to ERISA to require full scope audits of plans.
2. Require direct reporting by IPAs of ERISA violations to independent parties and PWBA for action.
3. Require IPAs to specifically test compliance with ERISA and report any findings.

4. Work with the AICPA to improve compliance of plan audits and reports with GAAS.

5. Establish quality control procedures which include a review of audit workpapers as well as reports.

6. Use its existing enforcement authority when appropriate to obtain quality audits, reports, and financial statements on plan operations.

PWBA indicated they would design a compliance testing program for IPAs by March 15, 1990, and, from this, determine the most effective way to report noncompliance to PWBA. PWBA officials also stated they would implement an aggressive quality assurance program to review the quality and content of IPA audits and use their existing authority to assess civil penalties for failure to comply with ERISA reporting requirements. Finally, they indicated they would work with the American Institute of Certified Public Accountants (AICPA) to improve ERISA training for IPAs.

While PWBA has agreed to take action to resolve many of the recommendations raised in our report, the OIG is extremely concerned that PWBA's proposed corrective actions in regard to limited scope audits are inadequate. Further empirical studies are not needed and would only delay obtaining the necessary audit coverage of plan assets. The AICPA has opposed the concept of limited scope audits since the concept was implemented and has continuously pointed out the lack of coverage and other potential problems. In addition, the concept has been discussed numerous times by the ERISA Advisory Council. The time has come for PWBA to act.

Unless PWBA is willing to take this action, it should consider eliminating audit requirements for plans with assets held by banks or similar institutions. With almost half the plans producing disclaimers of opinion, money is being wasted on audits which provide no assurances or protections to participants.

Survey of PWBA's Public Disclosure Function Reveals Failure to Meet Congressional Intent

During this period, the OIG completed an evaluation of the efficiency and effectiveness of PWBA's public disclosure function, which is legislatively mandated. Because of this mandate, PWBA must ensure that the disclosure requirements of ERISA are met. Specifically, PWBA must provide timely and current information as it is requested.

In the course of the evaluation, the OIG found that the internal controls are inadequate to track disclosure requests and ensure that summary plan descriptions are received from plan administrators. This has resulted in PWBA meeting neither ERISA disclosure requirements nor congressional intent.

The OIG believes the disclosure function deserves a higher management priority. PWBA does not share that view. PWBA does, however, agree with the internal control finding and has indicated plans to implement corrective action.

MINE SAFETY AND HEALTH ADMINISTRATION (MSHA)

The Mine Safety and Health Administration (MSHA) administers the provisions of the Mine Safety and Health Act of 1977. The program is designed to reduce the number of mine-related accidents and fatalities and to achieve a safe and healthful environment for the nation's miners. Approximately 5,000 coal and 11,500 metal/nonmetal mining operations are under MSHA's jurisdiction. For fiscal year 1989, MSHA's approved staffing level was 2,790 with a \$162.6 million budget.

During this reporting period, financial statements for the agency were completed and issued for the first time.

MSHA Fiscal Years 1988 and 1987 Financial Statements

The first financial statement audit of MSHA, covering fiscal years 1988 and 1987, has been issued. With one exception, the financial statements were presented in accordance with Federal generally accepted accounting principles. The opinion was qualified because we were unable to determine the amount of grant expenditures. In addition, our study and evaluation of MSHA's systems of internal control found poor controls over grants management and capitalized property.

Grants Management. In fiscal year 1988, MSHA provided advances of \$3.77 million to 47 grantees. As of September 30, 1988, only \$1.05 million in fiscal year 1988 expenses had been recorded by MSHA, leaving outstanding advances of \$2.72 million. In addition, \$1.7 million remained outstanding from prior years. Outstanding advances totaled \$4.42 million at year's end. MSHA had not instituted controls or sanctions to ensure timely grantee reporting and letter of credit drawdowns.

MSHA management has reduced grantee advances to under \$1 million. Procedures were instituted to follow up on late reports and closely monitor cash drawdowns. Procedures also were put into place to ensure grantee reports were promptly recorded in the financial system.

Capitalized Property. MSHA's property and plant management records were not sufficient to fully support costs. Although the fiscal year 1988 *audited* Statement of Financial Position shows \$30.3 million in capitalized equipment, the agency's accounts recorded only \$29.9 million. Documentation to fully support the \$29.9 million was not being maintained.

MSHA responded quickly. Extensive searches were conducted for documentation to support property acquisitions and properties were reappraised. Based on this information, significant audit adjustments were necessary. This in turn established the base for a new capital property management system which was promptly implemented.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION (OSHA)

The Occupational Safety and Health Administration (OSHA) administers programs designed to assure the safety and health of workers at their worksites. This includes setting workplace regulations and standards for a safe and healthful working environment, enforcing compliance by inspecting places of employment, and providing occupational safety and health training and education. To administer the program for fiscal year 1989, OSHA had a staffing level of 2,441 and a \$244.5 million budget.

During this semiannual period, the OIG completed an audit of OSHA's fiscal year 1988 financial statements and a vulnerability assessment of OSHA's activities at the Salt Lake City Analytical Laboratory (SLCAL). Overall, we found the Laboratory to be well managed and OSHA management was responsive to our recommendations for corrective action.

Audit of OSHA's Fiscal Year 1988 Financial Statements

The financial statement audit covered \$235 million in fiscal year 1988 expenses. As part of the financial audit, an examination was made of OSHA's internal accounting controls, status of prior years' reported material weaknesses, and compliance with applicable laws and regulations. The auditors' opinion on the financial statements contained a qualification because records

documenting property costs and accumulated depreciation were incomplete. The report on internal accounting controls identified weaknesses related to reconciliation of the grants management system to the departmental accounting system; overstatement of penalties receivable in OSHA's reports to the Treasury; incorrect classification of accounts payable and undelivered orders; and an incomplete inventory of capitalized property. The report on compliance disclosed that 7 payments to vendors were not made within the 30-day period required by the Prompt Payment Act. However, 6 of these were paid within the 15-day grace period allowed, at that time, by the Act.

OSHA's planned corrective actions were responsive to our recommendations.

EMPLOYMENT STANDARDS ADMINISTRATION (ESA)

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

ESA is the second largest program agency in the Department in terms of expenses. Fiscal year 1988 net expenses were \$1.7 billion, including a reduction of \$424 million due to a change in the liability for future workers' compensation benefits. Over \$1.2 billion was paid out in Federal employees' compensation benefits, and \$560 million in Black Lung benefits.

The OIG completed financial statements for ESA and finalized two Program Fraud Civil Remedies Act cases in the Wage and Hour Division during this semiannual period.

ESA Fiscal Year 1988 Financial Statements

For the third year, we have audited the agency's annual financial statements. ESA is the first program agency in the Department of Labor to receive an unqualified opinion on its financial statements. The agency has made significant progress in correcting prior problems.

As part of the audit of the agency's financial statements, the benefit and debt collection systems for Federal employees' compensation and Black Lung were reviewed. A number of internal control issues, while not material to the financial statements, were reported to management for corrective action.

In the Federal Employees' Compensation program, we reported weaknesses in payment controls over both FECA compensation payments to claimants and payments of bills from medical or other service providers. We also found problems with the assessment of interest on accounts receivable and waiver of interest or compromise of debt in perpetual debtor cases. Finally, the accounts receivable balance reported to the U.S. Treasury did not agree with the accounts receivable aging report. Management has taken corrective action on a number of our recommendations. We are working with ESA staff to resolve the remaining issues.

In the Black Lung program, we found several weaknesses in the processing of medical bills, offsets for State workers' compensation, and support for payments made on behalf of dependents. We also found inaccuracies in account receivable balances and the timeliness of collection efforts. ESA has taken corrective action on these problems.

We reviewed the internal controls of the back wage accounting system. These wages, which are collected from employers, are due employees because of violations of wage and hour laws. No systemic problems were identified. However, several local violations of established ESA controls were identified. The agency took prompt action to correct noncompliance with existing procedures.

Wage and Hour Division

Of ESA's \$242.9 million budget for fiscal year 1989, Wage and Hour uses the largest portion to enforce a wide variety of labor standards.

Potential Program Fraud Civil Remedy Act (PFCRA) Cases in Wage and Hour

PFCRA provides Federal agencies with administrative remedies for losses resulting from either false claims up to \$150,000 or false written statements made in connection with a claim, a Federal benefit program, or a federally financed contract or grant. Under the Act and the Department's implementing regulations, the OIG is responsible for investigating PFCRA cases and refer-

ring them to the Solicitor of Labor (SOL) for potential prosecution. If SOL determines the case has merit, the law requires them to then obtain DOJ approval prior to civil prosecution.

The OIG began actions to implement PFCRA enforcement in regard to Wage and Hour programs during fiscal year 1988. Work continued during this reporting period to identify and investigate potential falsification of weekly payroll certifications on payment of prevailing wages, which are required to be submitted under the Davis-Bacon and Related Acts (DBRA). Two cases completed during this 6-month period were submitted to SOL.

The first case involved a prime contractor working on two federally funded Navy construction projects. The OIG's investigation concluded that the contractor deliberately submitted false certified payrolls to the Navy. Wage and Hour's prior review had concluded that the contractor paid his employees substantially less than that required under DBRA. The contractor attempted to conceal this underpayment of wages by submitting false certified payrolls which showed lower numbers of hours than actually worked and higher wage rates than actually paid.

The results of the OIG investigation are currently being considered by the reviewing official, as provided for under PFCRA. Penalties of \$340,000 could be imposed by an ALJ against all parties under PFCRA in this case (\$85,000 each, against the company and three responsible officials).

The second case involved a contractor who was awarded a Navy contract to paint buildings. Forty-six payrolls were falsely certified as accurate. These payrolls certified that employees working on this construction project were paid hourly wage rates substantially higher than the rates actually paid. For example, employees that should have been paid \$12 to \$18 an hour (the mandatory prevailing wages) were actually paid substantially less -- \$4.50 to \$12 per hour. Further, some of the certified payrolls contained inaccurate classifications for the work actually performed by certain employees.

The results of OIG's investigation are currently being considered by the reviewing official, as provided for under PFCRA. Penalties of \$920,000 could be imposed in this case.

Actions Taken By SOL and DOJ on these PFCRA Cases

To date, the OIG has submitted six Wage and Hour PFCRA cases to the Solicitor. These six cases, including the two above, involve submission of false certified payrolls on construction projects governed by the Davis-Bacon Act. Potential maximum penalties in these cases could be \$2.8 million. Two of these cases were submitted, in turn, by the SOL to the Attorney General for litigation approval. Upon approval from DOJ, the SOL can proceed with administrative litigation against the liable parties. Maximum penalties in these two cases could be \$795,000.

EMPLOYMENT AND TRAINING ADMINISTRATION (ETA)

ETA oversees the administration of major programs dealing with employment and training, principally the Job Training Partnership Act (JTPA), and other special emphasis projects designed to meet the needs of economically disadvantaged youth, dislocated workers, and the unemployed and underemployed. In fiscal year 1989, authorized staffing was 1,753 and ETA's budget was almost \$7 billion. Of that amount, \$2.5 billion was for State UI and ES operations, \$3.7 billion was for JTPA, and \$134 million was for Trade Readjustment Allowances. In addition, the UI Trust Fund totaled \$13.7 billion.

During this reporting period, ETA's fiscal year 1988 financial statements were issued and the OIG conducted other significant audit activity in ETA's Information Resources Management (IRM), JTPA, Job Corps, Unemployment Insurance (UI) and State Employment Security Agency (SESA) programs.

ETA Fiscal Year 1988 Financial Statements

ETA's consolidated statements of operations for the fiscal years ended September 30, 1988, and 1987, were audited. The audit covered, respectively: (1) \$6.1 billion and \$6.2 billion in expenses for grants, subsidies and contributions, primarily with various State and local governments and nonprofit organizations; and (2) expenses for unemployment benefits incurred by SESAs in the amounts of \$13.7 billion and \$15.7 billion.

Highlights of the report follows.

1. The independent auditors' report on consolidated financial statements for FY 1988 contains a qualified opinion for lack of accounting records to determine accrued state and Federal unemployment insurance taxes due on September 30, 1988, and lack of subsidiary records to support advances made to the public, grantees, and contractors.
2. The independent auditors' report on internal accounting controls notes three material internal control deficiencies relating to accounting weaknesses in grant and contract management, procedures for adequately valuing Unemployment Trust Fund receivables, and accounting controls over the Federal Employees' Compensation (FEC) Account. The deficiencies regarding grant and contract management and Unemployment Trust Fund receivables have continued from prior years.
3. The independent auditors' report on compliance with laws and regulations notes no exceptions.

The OIG concurred with ETA's planned corrective actions and considers all the recommendations to be resolved.

ETA Information Resources Management (IRM) Survey

ETA operates approximately 219 application systems to support its programmatic and administrative activities. These activities run on mainframe, minicomputer, and word processing equipment. ETA's computing environment is diverse, difficult to manage and directly affects how well ETA operates its programs. Historically, each program office chose its computing environment based on its own needs rather than those of the organization. ETA's decentralized management structure has resulted in a very complex computing environment. Currently, ETA is establishing a standard platform for both office automation and some programmatic applications to simplify this diverse and decentralized environment.

In 1986, ETA began an IRM improvement project in response to criticisms by the Office of Management and Budget (OMB), the General Accounting Office (GAO), and the OIG.

This modernization effort requires a well-formulated strategy and sustained ETA management attention.

ETA needs to focus on improving its IRM planning process, strengthening its IRM organization to productively oversee the modernization, providing adequate direction and guidance to its program components, and using contractors effectively.

Improving the IRM Planning Process. ETA has made progress but can reinforce its IRM planning process by adopting tactical and operational planning; increasing top level management participation; and clarifying the roles and responsibilities of the IRM organization, its program components and regional offices.

Strengthening the IRM Organization. ETA needs to clearly delegate IRM authority and to structure its IRM organization to support ETA programmatic requirements. This includes organizational staffing adequate to manage ETA's move to its new IRM environment.

Issuing IRM Policy Directives. ETA can improve its IRM directives program by formalizing its management system as well as revising and actually issuing IRM directives which have remained for too long in draft.

Controlling Noncompetitive IRM Contracting. ETA needs to properly control its IRM contract services, use competition to the maximum extent practical, and adequately manage and control its interagency agreements.

ETA acquired the services of one consulting firm three different times through procurements which gave the appearance of avoiding competition. In this case, ETA used noncompetitive interagency agreements twice and a noncompetitive Small Business Administration Act set aside [8(a)] contract to obtain services. In another example, ETA fragmented two separate acquisitions for IRM services by using sole source purchase orders for less than \$10,000 each from the same vendor (which are not subject to competitive advertisement). These instances conflict with the intent of the Competition in Contracting Act.

Agency Response. ETA concurred with several of our recommendations, notably the recommendations on tactical and operational planning, Federal staff involvement, organizing to address component issues, staffing, and establishing an IRM directives system. They agreed to evaluate our recommendation on the executive steering committee and the administrative procedures for controlling IRM contracting. They disagreed with our recommendations on clarifying the senior IRM official's responsibilities and elevating the IRM organization to the program component level.

Job Training Partnership Act (JTPA)

The purpose of JTPA is to establish programs to prepare youth and unskilled adults for entry into the labor force and to afford job training to those economically disadvantaged individuals and other individuals facing serious barriers to employment, who are in special need of such training to obtain productive employment. Under Titles II and III of JTPA, the Secretary of Labor grants funds to 59 States and entities which, in turn, distribute them to service delivery areas (SDAs) and other organizations. Grants are used for adult and youth programs, summer youth programs, and dislocated worker assistance. The following section of this chapter (page 29) contains an overall discussion of problems with JTPA.

HOUSTON JOB TRAINING PARTNERSHIP COUNCIL

We reviewed the operations of this grantee to determine whether the Council adequately protected the integrity of Federal funds it expended under Title II of the Act during program years 1986 and 1987.

In our final report issued to ETA, we questioned \$718,768. The report recommended improvements in the SDA's procurement and monitoring systems.

Questioned costs of \$511,884 were due to invalid claims made by the SDA's contractors for training, placement, and retention payments. Questioned costs of \$198,000 resulted because the Council required contractors to pay 1.5 percent of their earned contract amount into a fund established to offset disallowed or unallowed costs.

Other findings in the report showed inconsistencies in the length and cost of training for the same occupations. For example, we found almost one-half million dollars in contracts to train security guards from 80 to 320 hours while the State regulation requires only 30 hours to be certified.

Up to 70 percent of on-the-job training funds were going to brokers for negotiating contracts, recruiting, and providing other peripheral services while just 30 percent was spent to reimburse employers for providing the training.

The State disagreed with our findings. ETA has not had an opportunity to respond to the final audit report.

MISSISSIPPI SDA SUMMER YOUTH REMEDIAL EDUCATION CONTRACT

Our audit of the JTPA 1988 Summer Youth Remedial Education contract between the Mississippi Service Delivery Area (SDA), and the Mississippi Department of Education (DOE) examined the expenditures and profits related to this fixed unit price contract (FUPC) covering the period April 1, 1988 through September 16, 1988.

Our examination identified profits of \$1,249,880 that were neither necessary nor reasonable costs of operating the Summer Youth Remedial Program.

The OIG concluded that poor contracting procedures unnecessarily inflated the cost of delivering the summer program and resulted in excess profits that were retained by the DOE. Our analysis showed that a less expensive cost reimbursement contract could have been arranged to deliver the same summer program that was negotiated under a more expensive FUPC. Additionally, the pricing structure and payment points in the FUPC were too lenient, making profits almost a certainty while minimizing contractor risk. Because of these deficiencies, we questioned \$465,558 in profits.

We also recommended for disallowance \$784,322 for computer software purchases and training for teachers to use the software. It was evident from our examination that, although the contract budget and the actual fixed unit price payment schedule included the cost for this computer software, there was little likelihood the software would be available at the beginning of the training program. In fact, the software was not delivered until 2 months after the end of the program and, thus, provided no benefit to the JTPA participants.

LAKE MICHIGAN SDA JTPA SUMMER YOUTH PROGRAM

A limited review was conducted of the 1988 summer youth program in the Lake Michigan Service Delivery Area. The program was operated by the Farmers Union Job Training Programs (FUJTP) as a subcontractor to the Forward Service Corporation, which, in turn, was a grantee to the Wisconsin Department of Industry, Labor and Human Relations.

We reviewed 38 placements for which FUJTP received \$57,500 in placement fees. We found that \$26,200 was

paid for unnecessary services to place 16 college students who either knew about the jobs before being placed, worked for the employer previously, or were placed where the employer would have hired the students without JTPA assistance.

In addition, OJT wages totaling \$7,601 were paid to the employers of the 16 college students. These payments appear to have improperly subsidized the employers because the employers did not provide any additional training and would have hired the college students anyway.

We recommended disallowance of the \$26,200 and the \$7,601.

CLASSROOM TRAINING CROSSMATCH OF JTPA PARTICIPANTS WITH PELL GRANT RECIPIENTS

Our report on JTPA participants who received Pell Grants during program years 1985 and 1986 showed that the methods for distributing overlapping funding from JTPA and the Pell Grant program resulted in inequitable treatment of participants and payment of excessive training costs by some SDAs, and that Pell awards are calculated in a way that JTPA pays training costs which should be paid instead by Pell.

We recommended that ETA and the Department of Education, Office of Student Financial Assistance (OSFA), jointly develop and implement policy whereby a percentage of each Pell award is applied to participant tuition when Pell and JTPA are available for the same training, and that JTPA costs for the matching training be reduced by that same amount. We also recommended that service providers report to the SDAs the receipt of Pell Grant funds for JTPA participants, and that SDA program monitoring procedures include a review of participants' Pell Grant records to verify disposition of Pell Grant and JTPA funds.

The Assistant Secretary for Employment and Training concurred that ETA and OSFA should issue a joint policy with respect to the overlap between JTPA and Pell Grant funds.

SPECIAL TARGETED PROGRAMS

Indian and Native American programs are federally administered programs authorized by JTPA. The purpose of the programs is to provide job training to economically disadvantaged, unemployed, or under-

employed Indian and other Native Americans. While grantees are covered under the auspices of the Single Audit Act, the OIG continues to respond to requests for reviews of program results, economy and efficiency, or because of complaints of program abuse.

National Urban Indian Council (NUIC)

ETA's Division of Indian and Native American Programs entered into grant agreements with NUIC over the last several years to provide various training and employment services to Native Americans. Prior ETA compliance reviews identified serious management problems in the organization; ETA subsequently requested an OIG audit of NUIC. The resulting limited scope audit disclosed potentially serious problems.

During this period, the OIG issued a final report on NUIC, which operated as the Utah Indian Employment Resource Center, the Ohio Indian Job Training Partnership Agency, and the Maryland Indian Council. This was a financial and compliance audit of more than \$2 million in JTPA funds expended between October 1983 and June 1987. It included an adverse opinion on NUIC's JTPA financial status reports for the audit periods.

The auditors uncovered what the OIG believes are serious and flagrant program abuses and conflicts of interest by NUIC, in general, and by NUIC's Chief Executive, in particular. Audit exceptions totaled \$680,626 with 89 percent being the result of less-than-arms-length transactions and other program abuses. For example, the Department was charged about \$105,000 for improvements made to buildings owned by the NUIC Chief Executive. NUIC, provided an opportunity to comment on the audit findings and recommendations, chose not to do so. As a result of the audit's findings, ETA discontinued funding NUIC as of June 30, 1989.

Job Corps

The Job Corps program is operated under JTPA and is designed to serve primarily impoverished and unemployed youth between ages 16 and 21. Comprehensive training in basic and vocational education, work experience, counseling and enrichment activities are provided at both Federal- and contractor-administered centers. After training, corpsmembers are provided placement assistance for up to 6 months.

The OIG continues to review specific Job Corps centers, contractors, and program systems and continues to provide technical assistance to Job Corps management as they implement new systems and procedures to correct problems identified in our earlier reports.

During this period, we completed eight audits in three separate but related areas. We performed special program abuse surveys at three Job Corps centers, indirect cost audits of two operators of 11 Job Corps centers and of one Job Corps support contractor, and two financial type audits at two Job Corps support contractors. These audits resulted in significant recommendations to management which, if implemented, will improve the program and emphasize its training aspects. Dollar exceptions exceeded \$1.8 million. We also issued an analysis of costs invested in human capital in the Job Corps program, which matches audited financial input with audited program output in the area of placements.

SPECIAL PROGRAM ABUSE SURVEYS AT THREE CENTERS

In response to requests received from the Office of Job Corps (OJC) for OIG reviews of alleged improprieties in corpsmember accountability, absenteeism, and handling of leave at several centers, special program abuse surveys were completed at the Edison Job Corps Center (EJCC), the Phoenix Job Corps Center (PJCC) and the Sierra Nevada Job Corps Center (SNJCC). PJCC was selected after an earlier review at another center operated by the same operator indicated some problems. Concurrently, the OIG finished a survey of EJCC corpsmembers' learning gains measured by Tests of Adult Basic Education (TABES).

Corpsmember Accountability. Weak internal controls and ineffective procedures were identified in the areas of corpsmember accountability and payments, hiring and training of selected center staff, and corporate monitoring of center operations. For example, prior Job Corps regional office and corporate monitoring reports over several years indicated problems within the corpsmember accountability system, but neither the individual Job Corps centers nor the respective contractor (ITT Job Training Services, Inc. in the case of EJCC, and Teledyne Economic Development (TED) in the case of PJCC) took appropriate action to correct the deficiencies. Thus, they continued and OJC requested the OIG to determine the magnitude of the problem.

At PJCC, the corpsmember accountability system could not provide management with accurate information. In

some instances, the Daily Corpsmember Strength Reports (DCSRs) disagreed with information in corpsmember files or Office of Job Corps Pay records.

More seriously, EJCC and PJCC considered resident corpsmembers AWOL only when they were absent from dormitory bed checks, which is Job Corps' policy. Even though training is the primary objective of the Job Corps program, neither center accounted for AWOL status of resident corpsmembers by determining whether they attended training classes. These centers do take classroom attendance but, in accordance with Job Corps' policy, do not use it to determine whether resident corpsmembers are AWOL. The only check that mattered was the bed check. Nonresident corpsmembers were considered AWOL at PJCC only when they missed all training classes on a particular day and at EJCC when they did not sign in. Otherwise, for accountability purposes, corpsmembers are considered present and receive allowances and the Center receives credit in the appropriate Performance Measurement System statistics. All this agrees with current Job Corps' policy. The impact of this policy is potentially far-reaching.

At PJCC, a review of 81 days' worth of attendance records for 21 of the 35 corpsmembers sampled showed that 16 of the 21 (over 75 percent) were present according to the DCSRs but absent from classes according to daily attendance reports.

These deficiencies were caused by failure to follow procedures, inadequate internal controls, insufficient training of center staff, and inadequate monitoring of center operations.

As a result, corpsmembers were retained after they should have been terminated, performance measurement statistics were distorted, and overpayments to corpsmembers occurred. In addition, enrollment slots were unavailable to applicants who might better benefit from and complete the program.

SNJCC, by scheduling a combination of holidays, passes, travel days and leave days, was, in effect, closed for one full month for the 1988 Christmas holiday period. The Job Corps regional office, unbeknownst to Job Corps Headquarters, approved this schedule in advance. The schedule included 19 pass days, 8 leave days, 2 travel days and 3 holidays (December 23 and 26 for Christmas plus New Year's Day). In contrast, other Job Corps centers observed a much shorter holiday season. Regarding the 19 pass days, typically one 3-day pass per month is considered reasonable.

SNJCC also improperly granted excessive leave with pay for medical reasons, and some catastrophic medical reimbursement claims submitted to the Office of Job Corps for payment should have been submitted under FECA.

The OIG recommended that ITT repay the Government \$41,479 and TED repay the Government \$11,782 in excess cost received for days corpsmembers were retained after they should have been terminated for excessive AWOL; that the University of Nevada-Reno (SNJCC's contractor) repay the Government \$10,331 in excess cost expended for two corpsmembers' medical expenses for which the Government was not responsible; that Job Corps closely monitor all the contractors' corrective actions; that Job Corps modify corpsmember accountability policies for allowance purposes so that academic and vocational class attendance rather than just dormitory bed checks and attendance in single class periods determine whether a corpsmember is present or AWOL; and that Job Corps provide current and uniform policy on advancing paid leave to corpsmembers during holidays as well as limiting the number of passes a center may grant a corpsmember within a 1-month period.

Corrective Action By Contractors. Center management was in general agreement with our findings, except for those on personnel qualifications and job descriptions at one center. They informed us that some corrective actions had already been initiated to improve dormitory accountability procedures, review morning reports, and train center staff. In May 1989, PJCC implemented a system to track the number of AWOL days in a 180-day period. Prior to that date, the center had no mechanism for tracking cumulative AWOL days. As a result, the center did not always terminate corpsmembers AWOL for 30 days in a 180-day period, as required by regulation.

COST ALLOCATION PLANS AND INDIRECT COST RATES

A potential indirect cost savings of \$1.2 million to the Government could result from indirect cost audits of Job Corps contractors completed by the OIG in the last 6 months. OASAM's Division of Cost Determination, rather than OJC, has responsibility for establishing individual cost rates for the Job Corps contractor. While direct costs are usually those which can be identified specifically with a particular direct activity of an organization, indirect costs are usually incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. The current

audit exceptions can be attributed primarily to unallowable expenses contained in the indirect cost pools and inappropriate allocation bases. Examples of questioned costs (either costs recommended for disallowance or unsupported costs) follow.

Res-Care Development Company, Inc.

The Office of Job Corps' current contracts with Res-Care Development Company, Inc., call for Res-Care to manage five Job Corps centers. Our audit of Res-Care's 1986 and 1987 indirect cost proposals found audit exceptions totaling almost \$560,000. Most of the exceptions related to employee bonuses and stock options. We recommended that the bonuses and stock options be disallowed for three primary reasons. First, the bonuses relating to administration of Job Corps contracts both at the corporate and center levels were, in our opinion, not earned. Second, the bonuses and incentive compensation plans were not approved in advance by the contracting officers, as required. Third, bonuses relating to specific Job Corps centers were inappropriately charged as indirect costs instead of direct costs of the appropriate Job Corps center. Other costs recommended for disallowance were expended for leased automobiles, interest and sales tax paid on leased equipment, social activities, lobbying, an out-of-court settlement, and voluntary termination pay. An "adverse opinion" was also issued because, we believe, the findings and recommendations are material in relation to the indirect costs. The auditee disagrees with our recommendations.

Teledyne Economic Development (TED)

Currently, TED administers six Job Corps centers for the Department. Our audit of the 1986 and 1987 indirect costs claimed by TED resulted in \$510,200 in costs questioned and adjustments to the allocation base. Of that amount, \$470,231 related to bonuses and fringe benefits, and almost \$30,000 paid to an employee as an early retirement incentive. We believe that TED's performance did not justify these management bonuses. The bonuses were unearned because, except for one center, TED-operated centers were rated by Job Corps as either "below average" or "acceptable." (An "acceptable" rating refers to expected, average performance.) TED also did not meet the corpsmember program completion percentages stipulated in its contracts. Either one of these should warrant not paying bonuses.

Also, we believe that the amounts of some of TED's bonuses were unreasonable -- TED's President; Vice-

President, Administration; and Vice President, Comptroller alone received \$89,000, \$54,000, and \$43,560, respectively, in bonus money for the 2 years. Finally, none of the bonuses was approved by the Office of Job Corps. TED disagreed with our conclusions.

AFL-CIO Appalachian Council, Inc.

The AFL-CIO Appalachian Council, Inc., provides vocational training instruction and materials for two Job Corps centers and outreach, screening, and placement services for the Job Corps program. Our audit of the indirect costs claimed by the Council for 1987 resulted in audit exceptions totaling over \$148,000 and a \$1.2 million increase in the allocation bases.

Most of the audit exceptions related to unallowable charges to the indirect cost pool for computer equipment and consultants who programmed a new computer. The costs should have been capitalized as costs of implementing the computer system and depreciated systematically. The remaining exceptions were for unsupported or inappropriate expenses such as per diem, travel, and promotional and legal expenses.

NATIONAL PLASTERING INDUSTRY'S JOINT APPRENTICESHIP TRUST FUND

Our audit of the National Plastering Industry's Joint Apprenticeship Trust Fund, a private non-profit corporation, covered the period April 1984 through June 1988. The Trust Fund provides apprenticeship training and related activities to plasterer apprentices in support of the local unions.

Audit exceptions total \$605,618, of which \$502,781 are costs recommended for disallowance and \$102,837 are questioned costs.

The costs recommended for disallowance consist of \$477,062 of profit (net of related expenses) incurred by the Trust Fund and \$25,719 of interest earned on the net profit through June 30, 1988. Under cost reimbursable contracts, the contractor is to be reimbursed only for actual costs incurred; profits are not allowed.

The questioned costs consist of \$102,837 for salaries and fringe benefits of four employees who did not spend 100 percent of their time on the DOL contracts and subcontracts. In that regard, three of the four employees were charged exclusively to either the DOL contracts or subcontracts, yet the auditors determined that from 5 to 20 percent of their time was spent on union

activities. The fourth person charged 10 percent of his time to union activities and 90 percent to the Job Corps work; however, the auditors determined that he actually spent 25 percent of his time on union activities.

These "cost reimbursable" contracts (funded directly or indirectly by the Office of Job Corps) authorized the Trust Fund to coordinate training for plasterers and cement masons at selected Job Corps centers, and to provide related job placement. The contracts also provided for instructional materials, tools, and uniforms for instructors and trainees. The Trust Fund bought in bulk and stocked the items so they would have them whenever needed. The Trust Fund's director informed us they routinely charged Job Corps 20 percent more than the Trust Fund paid for the merchandise. This 20 percent markup was used in lieu of determining/allocating actual expenses relating to acquiring, storing, inventorying, and shipping the merchandise to the Job Corps centers. However, the auditors found that the average markup was substantially higher than 20 percent, and it was significantly more than needed to recover expenses. In that regard, for the period covered by the audit, sales exceeded purchases by \$552,238. Actual related expenses computed by the auditors were only \$75,176, resulting in a profit of \$477,062.

The Trust Fund collected voluntary contributions of 1 percent of wages from union members from across the country. The auditors noted that these contributions were not sufficient to cover the cost of conventions, seminars, and other activities which the Trust Fund held. As a result, the profits made on the sale of merchandise to Job Corps were used to subsidize these other union activities.

OIG ANALYZES COSTS INVESTED IN HUMAN CAPITAL IN THE JOB CORPS PROGRAM

JTPA, under which the Job Corps program operates, emphasizes that job training is an investment in human capital and mandates that criteria for measuring the return on this investment be developed. In our report, *Analysis of Costs Invested in Human Capital in the Job Corps Program*, we recognize that before the return on investment can be accurately calculated, the true investment cost (financial input) must be identified and then related to the program's results (program output).

Previous OIG reports presented and attested to the accuracy of Job Corps financial input and program output. The audited financial statements (fiscal year

ended September 30, 1987) presented full costs on an accrual basis, which recognizes costs when economic resources are consumed rather than when ordered or paid for. The program results statements (program year ended June 30, 1987) presented relevant placement statistics, in accordance with Job Corps reporting requirements, on the people served by Job Corps.

The OIG's analysis integrates and builds on these earlier reports by matching costs with program results. The flow of costs invested is tracked along with the related flow of participants in the program from the time of their enrollment until the time of their termination. The report analyzes this flow of costs for Job Corps participants served during the program year ending June 30, 1987.

The report addresses the investment's initial result (for a period which extends 180 days after termination) but does not measure or present the ultimate return on invested costs. Neither does it assess potential long-term benefits of Job Corps program participation, such as increased earnings and reduction in public assistance or unemployment.

The analysis answers various questions about Job Corps cost and program output, as detailed in the following.

What Were The Total Cumulative Costs Invested In Job Corps Participants Who Were Served During PY 1986?

Job Corps invested \$1.1 billion of cumulative costs in 59,592 participants enrolled in the prior year who continued either their training activity or seeking employment during the current year as well as 63,628 participants who enrolled during the current year.

What Happened To The Participants Served?

60,946 participants terminated from the program after \$609 million was invested in them. 58,274 participants with \$491 million invested in them were still in the program at year end.

What Is The Nature Of The Investment In The 60,946 Participants Who Left The Program In PY 1986?

Job Corps investment in the 60,946 participants who left the program in PY 1986 was \$609 million. Of these, employment was matched for 14 percent (8,576 participants costing \$132 million); employment was not matched

for 31 percent (18,721 participants costing \$185 million); 10 percent pursued further education (6,409 participants costing \$54 million); 2 percent entered the armed forces (947 participants costing \$8 million); and 43 percent did not achieve successful employment within 6 months (26,293 participants costing \$230 million).

What Was The Result Of The Investment In The Participants Who Left The Program In PY 1986?

Job Corps output categories can generally be classified as either positive or nonpositive. Participants in the positive category found employment or entered the armed forces, school or other training programs. Participants in the nonpositive category were not employed within the 6-month period allowed by Job Corps or their status was unknown.

Our review of positive outcomes showed:

Employed Matched - An investment of \$132 million was made for 8,576 or 14 percent of the participants who found employment in an occupation that matched the training received.

Employed Not Matched - An investment of \$185 million was made for 18,721 or 31 percent of the participants who found employment but in an occupation that did not match the training received.

Entered School or Other Training - An investment of \$62 million was made for 7,356 or 12 percent of the participants who terminated from the program and pursued further education or entered the armed forces.

Our review of nonpositive outcomes showed:

Training resulted in no employment or other positive outcome. An investment of \$230 million was made in 26,293 or 43 percent of the participants who terminated from the program and found no employment within the 6-month period allowed.

The average invested cost per participant varies depending on the output achieved. Invested costs are a function of the time a participant spends in the program. Generally, more desirable results are achieved as time and related costs invested in the program increase.

By determining the financial input and program output of a major Federal program and by matching the input

with key output, we believe that this report achieves, for the first time, a significant milestone in Federal program accountability. Job Corps is to be commended for its participation.

Unemployment Insurance Program

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

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

During this period, we evaluated the adequacy of the State accounting systems for their unemployment insurance trust funds, particularly with respect to accounting for their experience rating systems.

STATE ACCOUNTING SYSTEMS

Federal law promotes the use of experience rating in the UI program. Experience rating embodies the concept that higher risks, as reflected by past experience with unemployment, should be reflected by higher premiums.

In our 1985 review, we found that the degree of experience rating varied among the States, and that the evidence indicated a decline in the level of experience rating, as measured by an experience rating index (ERI). Further, controls were needed to ensure the validity of ERIs.

We recently issued a draft report which addressed the accounting control requirements. Though our specific concern was the information for the ERI, we found that controls are needed to ensure proper accounting and reporting for *all* financial transactions of a State trust fund. Properly designed and maintained State accounting systems would ensure the validity of the ERIs and all other Federal financial reports. We found numerous problems in those we audited.

Accounting systems and procedures were inadequate at most SESAs. Controls or systems were not in place to ensure that accurate financial information in compliance with Federal generally accepted accounting prin-

ciples is reported by the SESAs. Consequently, the Secretary of Labor cannot be assured that necessary financial information is being accurately and completely reported or that the ERIs reported by most States can be relied upon.

Twenty-six (49 percent) of the 53 SESAs we surveyed did not use general ledgers to track State trust fund transactions. General ledger use, through its application of simple double entry accounting, provides basic controls to assure accuracy in recording transactions. In addition, improvements were needed in the general ledgers currently being used. We found weaknesses in the account structures and the linkages to subsidiary systems to support the general ledgers. Also, accounts were being used differently by the SESAs.

Based on our survey of 53 SESAs and a more detailed review of 6 SESA accounting systems (Delaware, Maryland, New Jersey, Utah, West Virginia, and Wisconsin), we determined that, of the 27 SESAs that used general ledgers, only 3 (Wisconsin, New York, and Michigan) account for all experience rating elements in their general ledger systems. To fully account for experience rating, which means being able to accurately compute an ERI, a SESA must account for both employer and socialized equity. Complete information provides the basis for informed analyses and conclusions on the effectiveness of a State's experience rating formula and writeoff provisions, tax rate tables and specifically the maximum tax rate, taxable wage base, noncharge provisions, successor/ predecessor requirements, and tax rate(s) for new employers.

We also identified issues in Federal reporting in the six State accounting systems that we reviewed. Some data in the Federal report did not agree with that in the underlying accounting systems. Thirty-four Federal reports which contained transaction information and related data were reviewed. Much of this financial data should have been backed up by certain accounting entries. In many instances, however, the data did not agree with the accounting records.

A comprehensive solution to these problems is an accounting system that would integrate the automated benefit and tax systems with a general ledger. Our review of the six State trust fund accounting systems showed that:

1. Limited integration exists between the automated tax and benefit systems and the trust fund general ledgers.

2. The tax systems record most of the basic transactions necessary to maintain a general ledger but were designed to support contributory employer tax rates, and not other components of the experience rating system or a general ledger.

3. Commercially available general ledger packages could be used to integrate the benefit, tax and general ledger systems and prepare standardized Federal and State reports.

Recommendations were made to the Assistant Secretary for Employment and Training to improve state unemployment insurance accounting, experience rating accounting, and Federal reporting. We recommended that ETA assist the SESAs in improving their accounting systems; instruct States to fully account for both employer and socialized cost elements of experience rating; evaluate the efficiency and effectiveness of the Federal reporting requirements; and provide support to upgrade state accounting system automation.

ETA currently is evaluating our recommendations and developing an approach to improving State accounting systems. The solutions will require a long-term effort. There are no quick fixes to some of the problems.

In conjunction with our review of State accounting systems, we developed a model State accounting system to address the identified weaknesses. The model system was developed from our evaluation of State accounting systems in six States. This model was provided to ETA for consideration in developing their corrective action plan.

STATE EMPLOYMENT SECURITY AGENCIES (SESAS)

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

During this reporting period, we completed audit work on Federal equity in real property owned by the States and on the Atlanta regional reserve account.

Federal Equity in Real Property

We have issued a draft report to ETA summarizing our national effort to determine DOL's equity in real properties owned by States. Since these properties were funded with Federal grant funds, the Federal Government has equity in them.

Equity in real properties titled in the name of States is a substantial asset of the nation's employment security program. The value of this equity approximated \$297 million (at cost), as of September 30, 1988. Fair market value of these assets could exceed \$1 billion.

ETA has relied almost exclusively on SESAs to account for and maintain control over real property paid for with grant funds. This practice has placed DOL's equity at risk.

We found that ETA has not accounted for DOL's equity in 472 State properties. We also found that the SESAs' and ETA's actions were not always consistent with OMB standards.

Consequently, we identified some dispositions in which DOL had not been adequately compensated when properties were no longer used for employment security purposes. In four States, circumstances were significant enough to issue separate audit reports. We recommended that ETA take the necessary steps to recover over \$2.9 million (including interest) Federal equity from 10 properties. We also found two properties for which appraisals must be obtained before the amount of equity due the Federal Government can be determined.

ETA policy regarding approval of acquisitions and dispositions of grant funded real property gives the States more discretion than OMB guidelines allow. ETA has not recognized the importance of exercising its approval authority over SESA real property actions. Consequently, ETA has no assurance that State real property transactions are in the best interest of the employment security program.

We recommended that ETA:

1. Establish annual real property accounting and reporting requirements for the States.
2. Establish and maintain a national property inventory for reconciliation with State records.

3. Obtain formal recognition of DOL's equity from each State's attorney general's office at the time the State begins applying grant funds toward the acquisition of real property.
4. Establish a national real estate specialist position to assist both States and DOL in all real property equity transactions.
5. Revise or clarify its real property acquisition and disposition policies so that they are consistent with Office of Management and Budget guidelines.

Atlanta Regional Reserve Account

We also issued a draft report to ETA on the operation of the Regional Reserve Account (RRA) maintained by ETA's Atlanta regional office. We found that the regional office:

1. Redistributed appropriations totaling \$5.3 million among SESAs in the southeast, in violation of ETA national office policies.
2. Neither maintained adequate records fully disclosing the RRA's operation, nor properly documented entries to ETA's accounting system.
3. Cooperated with the SESAs in spending unemployment insurance funds obtained through the RRA for activities not authorized by statute.

Use of the RRA undermined attempts of ETA's national office to review proposed funding shifts on a nationwide basis and serve the most critical program needs. The regional office improperly redistributed funds to SESAs participating in the RRA and, in so doing, assisted them to spend program funds for questionable purposes. We believe these activities are inconsistent with program monitoring responsibilities.

We recommended that ETA's Assistant Secretary:

1. Remind the regional offices and the SESAs of their responsibility to spend administrative funds within the provisions of the statutes and regulations.
2. Inform the regional offices and the SESAs that arrangements, such as using the reserve account, violate policy.

3. Review each regional office's activities to determine whether redistributions are occurring through a reserve account or some other method.
4. Enforce national office policies requiring the regional offices to obtain approval before redistributing funds.

In its response to the draft report, ETA agreed to issue a directive reiterating its policy and guidelines about the authority and procedures to redistribute funds, and agreed to examine all State financial information to determine if other redistributions occurred.

BUREAU OF LABOR STATISTICS (BLS)

The Bureau of Labor Statistics (BLS) is the Department's principal data-collection agency in the broad field of labor economics. BLS provides data on employment and unemployment statistics, the Consumer Price Index, work stoppages, and productivity measures. The BLS fiscal year 1989 budget authority totaled \$234 million with a staffing level of 2373.

The OIG completed an information resource management audit in BLS in the last 6 months.

BLS Local Area Networks (LANs)

To meet programmatic requirements, BLS relies heavily on automatic data processing (ADP). A critical part of BLS' ADP environment is the use of Local Area Networks (LANs) -- a relatively new strategy for providing end-user ADP support. The agencywide LAN system consists of 15 individual LANs, 13 of which are interconnected. The system supports approximately 1300 workstations with close to 1600 registered users. We estimated that the BLS LAN costs approximately \$10.3 million with almost 29 percent for support services.

BLS has implemented a successful LAN management program and its LAN system's configuration, network availability, and performance are well managed.

The agency can, however, improve its security, inventory management, and network problem diagnosis. BLS should improve the LAN system's installation security, access controls, and system accounting logs. Most critically, due to the limitations of the 3Com operating system, BLS has problems with access controls. Sec-

ond, BLS can strengthen its configuration management with a centralized network component inventory. Third, BLS should provide its technical personnel with more sophisticated tools to diagnose network problems. These tools could reduce downtime when the network fails. Finally, BLS can also improve its policies and procedures, training, and application management.

BLS management has either taken or has agreed to take corrective action on all our recommendations.

DEPARTMENTAL MANAGEMENT

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

During this audit period, the DOL consolidated financial statements for fiscal year 1988 were audited. In addition, reviews of contract management were reported.

DOL Consolidated Financial Statements

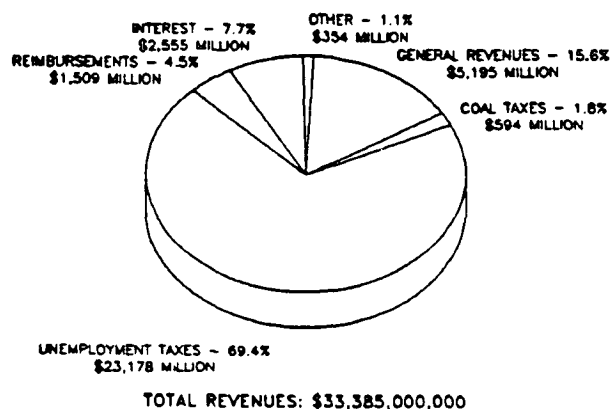
The consolidated statement of financial position and the related statements of operation, changes in financial position and reconciliation to budget reports for fiscal year 1988 were audited. The statements provide a summary level financial report. Supplementary financial statements are presented for DOL's program agencies and for the various types of funds administered by DOL.

The draft report contains the opinion that, except for the scope restrictions concerning taxes receivable and advances, the statements represent fairly the consolidated financial position of the U.S. Department of Labor as of September 30, 1988, in conformity with generally accepted accounting principles for Federal agencies. The fiscal year 1987 consolidated financial statements have been restated to reflect a change in the method of determining the liability for future workers' compensation benefits from an estimation method to an actuarial method.

The following information, taken from the audited financial statements, was presented as financial highlights in the Department's report. The first chart below shows the major revenue categories by source for the Department. DOL's expenses are presented on the Statement of Operations by major functions, by DOL agency and by object class.

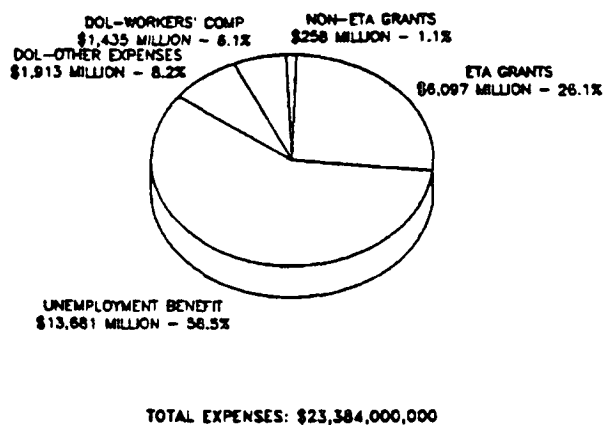
As indicated on the second chart, the largest category of expenses was benefits. Benefits for unemployment and workers' compensation represent 64.6 percent of the Department's total expenses.

MAJOR SOURCES OF REVENUES FY'88



Also, as highlighted on the following chart, 85.7 percent of the Department's expenses were actually incurred by State governments, local governments or other organizations.

DOL EXPENSES BY MAJOR CATEGORY FY'88



Report on Internal Controls. This draft report identifies internal control weaknesses related to the financial accounting and reporting system; advances to grantees; Black Lung accounts receivable; accounts payable and undelivered orders; ETA grant and contract management; state reporting of delinquent employer taxes and benefit overpayments; and accounting controls over the Federal Employees' Compensation Account.

Report on Compliance. This draft report notes no material instances of noncompliance with laws and regulations.

Procurement

Littlejohn Associates, ETA Contractor Uses Defective Cost/Pricing Data

On August 4, 1989, a final report was issued on the contract between Roy Littlejohn Associates, Incorporated and ETA. The audit covered the period May 1985 through January 1987.

The purpose of the contract was to provide "logistical support services" to ETA to help arrange and set up training gatherings, conferences, and meetings.

We believe the contractor used defective cost/pricing data in negotiating the fixed fee portion of the contract. Because the contractor provided faulty and inaccurate staffing cost information which resulted in an inflated fixed fee rate, we recommended that \$98,244 be disallowed. Further, \$942 involving travel reimbursements to nonfederal participants was recommended for disallowance. Our report also questioned \$1,046 which resulted from inadequately documented travel allowances and training conference activity fees.

In responding to the report, the contractor stated that no defective pricing information was supplied to ETA during the contract negotiations. Littlejohn contended that the cost and price information regarding current staff costs and estimated future costs submitted to ETA were based on information available at the time of negotiation. Littlejohn further stated that all travel costs should be allowed since the contractor was merely the paying agent for ETA, and he submitted travel costs to ETA for review prior to payment.

After reviewing the contractor's response, we concluded that the information supplied was insufficient to alter our recommendations. Littlejohn failed to pro-

vide any new or supporting documentation to establish that defective pricing did not occur. We continue to recommend for disallowance a total of \$99,186 and to question \$1,046.

In a management letter to ETA, we described the deficiencies in the Littlejohn contract and advised ETA that such deficiencies may be present in other procurements. ETA should review the circumstances of the Littlejohn procurement to determine whether systemic problems exist in negotiating, awarding, and monitoring contracts.

Data Transformation Corporation (DTC) Contract

In September 1989, we issued a final financial and compliance audit report on costs billed by DTC to the Department during the contract period of October 1986 through October 1987. The prime contract was between DOL and the Small Business Administration (SBA); DTC was the subcontractor. DTC, in turn, subcontracted with McManis Associates, Inc. The purpose of the contract was to assist ETA in its intermediate and long-range information resources management planning as well as to assist in the implementation of such plans.

The audit was performed to determine the validity of the costs billed to DOL and to evaluate the propriety of the costs in relation to the deliverables produced for the contract. Total costs billed to DOL were \$592,780 by DTC and \$411,368 by McManis, for a total of \$1,004,148.

The audit resulted in questioned costs of \$190,115 and costs recommended for disallowance of \$6,348. The questioned costs consisted of \$95,758 of direct labor which was charged against contract task orders but was not supported by time sheets; of \$88,832 of direct labor which exceeded task order funding limitations; and of \$5,525 of travel costs which were not supported by invoices or vouchers.

ACCESS TO RECORDS

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

Section 6(a)(1) of the IG Act of 1978 authorizes the Inspector General access to all program and operational material with respect to which the IG has respon-

sibility under the Act. Section 6(a)(3) of the Act authorizes the IG to request information or assistance necessary to carry out legislatively assigned functions from any Federal, State, or local governmental agency or unit. Section 6(a)(4) authorizes the IG to subpoena data and documentary evidence necessary to perform duties and responsibilities required under the Act.

The following subpoenas have been issued during this period:

JTPA GRANT FUND PROTECTION, CITY OF NEW ORLEANS SDA

We have issued subpoenas to three private-for-profit contractors of the City of New Orleans' JTPA program. These contractors have, thus far, refused to comply. Details regarding the subpoenas are summarized below.

Technical Training Designs (TTD). On 2/28/89 we requested all records for all PY 86 and PY 87 contracts of TTD. TTD refused our request for these records. On 3/7/89 we issued a subpoena ordering TTD to produce their records by 3/17/89. TTD refused to comply with our subpoena. Through the U.S. Attorney in New Orleans, we are currently pursuing enforcement of this subpoena. On 6/30/89 a Federal magistrate issued an order for TTD to comply with our subpoena. TTD filed

an objection to this order and a hearing was held in U.S. District Court on 8/30/89. At the hearing the judge requested additional information from TTD and the U.S. Attorney, and a second hearing will be held on 10/4/89.

New Orleans Client Center (NOCC). During our audit of the City of New Orleans JTPA program, we had received access to records for NOCC's PY 86 and PY 87 cost reimbursement contracts. On 4/18/89 we requested all records for a PY 85 fixed unit price contract paid out in PY 86. NOCC refused our request. On 4/20/89 we issued a subpoena ordering NOCC to produce these records by 5/5/89. NOCC refused to comply with our subpoena. At this time enforcement of this subpoena was held in abeyance pending the outcome of the TTD hearing. This is due to the relationship between the two companies; both TTD and NOCC are owned by the same persons.

Orleans Regional Security Institute (ORSI). On 6/22/89 we requested all records related to JTPA activity for PY 86 and PY 87. ORSI refused our request. On 7/10/89 we issued a subpoena ordering ORSI to produce the records on 7/28/89. This due date was subsequently extended to 8/4/89. ORSI refused to comply with the subpoena. On 8/17/89 the U.S. Attorney filed a Petition for Enforcement and a hearing before the U.S. Magistrate was scheduled for 9/20/89. This hearing has been rescheduled for 10/4/89.

OFFICE OF AUDIT

Job Training Partnership Act (JTPA): How Do We Know Who Benefits?

At this juncture, after 7 years of JTPA and \$18.5 billion in program expenditures, no one knows whether the return on investment has been productive or whether established program standards have been effective.

JTPA was enacted in 1982 to establish programs providing job training to economically disadvantaged individuals, individuals facing serious barriers to employment, and dislocated workers who need the assistance of such training to obtain productive employment. In passing JTPA, the Congress recognized that job training is not an expense but an investment in human capital and mandated that criteria be developed to measure the return on that investment. More specifically, the Congress stipulated that the return be measured by increased employment and earnings of participants and reductions in welfare dependency.

Since program inception, approximately \$18.5 billion has been allocated to States for JTPA Titles II and III.

JTPA relies on ETA-established national program performance standards. But governors have the option of either adjusting the standards to accommodate local conditions or establishing standards of their own. ETA is funding a major JTPA national study in 14 sites; however, results are not expected until 1991. A few individual States have published reports on net program impact within their States. A National Commission for Employment Policy report on "Using Unemployment Insurance Records to Evaluate Pre-Post JTPA Program Earnings" in 11 States was to be published in April 1989. This initiative was ETA's way of addressing OIG concerns that no adequate measurement or analysis of the return on investment existed and, as part of resolving the audit recommendation with the OIG, ETA agreed to partially fund the Commission's project. Project results have not yet been reported.

Success in JTPA depends upon the Federal and State partners being accountable to each other and to their congressional funding source. Our audit work consistently shows lack of accountability at all program levels, and numerous situations which we believe are abusive. Examples follow.

In the State of Kentucky, as part of an incentive package to bring Toyota Motors Manufacturing to Kentucky, the State spent JTPA funds to train individuals for jobs at the plant. Most of the individuals trained were fully employed prior to training and did not qualify under any provisions of JTPA. Moreover, the types of training offered were not allowable under the applicable section of the Act. Consequently, eligible participants were denied the opportunity to receive the type of training intended by JTPA. Since our report was issued, Kentucky has refunded \$2.58 million to JTPA.

Our audit of The Oregon Consortium, an SDA serving 27 counties in that State, disclosed that the Consortium neither required nor evaluated contractor cost and price information. In our review of 20 of 45 contracts, contractors earned profits of about \$4.2 million from JTPA allotments totaling \$25.8 million. Because no cost or price analysis was performed, we could not determine if the price and profits were reasonable and, therefore, allowable under the Act.

In Wayne County, Michigan and Kansas City, Missouri, we found on-the-job training (OJT) brokers functioning as intermediaries who claimed payments for participants who neither completed training nor were placed in permanent jobs. (JTPA brokers receive payment from the SDA for achieving benchmarks and they, in turn, pay the employer 50 percent of the participant's wages.) We also found that participants had been hired by OJT employers prior to the training contract and the employers inflated or submitted false claims of training hours or pay rates. As a result, we determined that over \$178,000 of expenditures were unallowable. (The Wayne County OJT issue was discovered by the SDA, which requested our audit.)

A Houston JTPA contractor enrolled and trained participants as security guards at a cost of \$3,000 each. We believe that the majority of the \$583,000 paid for these

services was inappropriate because the contract called for 400 hours of training for each participant when the State requirement for registration as an armed security guard requires only 26 hours of training; many of the participants had criminal records which precluded State registration as security guards; many of the participants already had experience as security guards and required no further training; and placements were made into jobs other than security guard positions.

Our review of a contract between the Mississippi JTPA Summer Youth program and the Mississippi Department of Education found that a fixed unit price, performance-based contract (FUPC) was used, even though readily available cost data indicated that a "cost reimbursement" contract was clearly more economical at a cost per participant of \$778. The cost per participant under the FUPC for the same training was \$1,225. Further, a profit of \$1.15 million, or 23 percent, of the \$4.9 million award was actually budgeted into the contract. The contract was structured and funded in a manner that made profits almost a certainty. The Department of Education received 85 percent of the contract price when the participant enrolled and completed training. The remaining 15 percent of the fixed unit price was paid when participants achieved the program's goal -- an 8-month gain in math and reading skills. If *none* of the participants achieved that goal, the contractor would still have received a \$98,000 profit.

We believe these are abuses of JTPA and that legislation is needed to improve basic program accountability to prevent such abuse. Currently, the Senate (S. 543), the House (H.R. 2039 and H.R. 3266), and the Administration have all proposed amendments to JTPA which should increase accountability.

OIG TESTIMONY

The OIG has, on two occasions, testified on the program and proposed amendments. In September 1988, OIG testimony cautioned that the program needed to: (1) enhance JTPA program targeting to better serve the most-in-need of the eligible population; and (2) eliminate 20 CFR 629.38(e)(2), which, in certain cases, allows JTPA costs to be allocated entirely to the training category irrespective of the cost categories that actually benefited, from JTPA regulations to increase program accountability and to prevent program operators from violating the law.

In September 1989, OIG testimony centered on six specific program areas which need greater accountability to prevent abuse: targeting, cost accountability,

procurement, recordkeeping, reporting, and monitoring. Many of these issues are being addressed through legislative initiatives or the audit resolution process.

Program Targeting. Our January 1988 report on Participant Training and Services identified a serious shortfall in the program serving those most in need. Further, data being collected was insufficient to allow an evaluation of whether the right people were receiving services. Approximately 60 percent of JTPA clients were high school graduates, and 50 percent of the JTPA trainees were unemployed 4 1/2 months after termination. Reductions in adult welfare dependency, a key congressional measure of return on investment, were less than 5 percent.

The proposed JTPA amendments all contain provisions to target the program more specifically toward serving individuals with multiple barriers to employment. This program redefinition is a positive step; however, the complementary element of how best to serve the targeted population is still unknown.

The proposed JTPA amendments also call for mandatory data sharing between the Departments of Education, Health and Human Services, and Labor. This data sharing is essential for developing measures which address goals of long-term employability and reductions in welfare dependency. We recommend, however, that H.R. 2039 more specifically prescribe data elements, such as uniform outcome measures, which must be uniformly collected across agency lines and within DOL itself. Proposed JTPA amendments and the Jobs Program under the Family Support Act require data collection on the number of individuals experiencing multiple barriers to employment as well as information relating to improved education and occupational skills.

If national performance statistics are to be collected and used to evaluate the program, uniform definitions applicable to all States must be developed.

To avoid stifling legitimate information collection, H.R. 2039 may need to direct legislatively the collection of specific measures for program targeting and evaluation. In response to our initial report on JTPA Participant Training and Services, ETA implemented standards for job retention and post-program earnings and requested permission to collect other relevant information on skills deficiencies and competency attainments. ETA's request to collect uniform pre-program information on skills deficiencies was rejected by OMB and measures of competency attainments took more than 2 years to gain approval.

Cost Accountability. The Congress intended, and the Act requires, that at least 70 cents of every JTPA Title II-A dollar be expended for training and that funds spent for administration and participant support services be limited. Since the program's inception, it has become more difficult to determine whether JTPA recipients have complied with basic program restrictions on cost limitations and unreasonable profits because the system is increasingly relying on fixed unit price, performance-based contracts (FUPCs).

ETA's regulations, at 20 CFR 629.38(e)(2), govern FUPCs and allow JTPA costs to be allocated *entirely* to the training cost category, charging none to the administration and participant support cost categories, if the agreement with the service provider is for training, and if full payment is contingent on the participant's completion of training and placement in the occupation trained for at or above the agreed-upon wage. These contracts entail some assumed risk on the provider's part.

Program management has never clearly defined the specific requirements under which to use this contracting method. Interpretation is left open on critical elements such as what activities are defined as training, what constitutes acceptable risk, what comprises placement, and what accounting records are to be maintained. As a result, program operators have designed contracts which charge all costs to training when, in our opinion, at least some contract costs should be classified instead as administration or participant support.

For example, because The Oregon Consortium exclusively used FUPCs, our auditors were unable to assess the allowability of costs or compliance with the cost limitations. The result was an audit recommendation and an ETA requirement that the State reconstruct records supporting expenditures of \$40 million to allow proper assessment.

Currently, by using FUPCs as allowed by 20 CFR 629.38(e)(2), contractors can avoid financial risks by establishing contractual payment points that ensure expenses will be recouped and unrealistic profits earned, even in the event of less than full performance. Our audits have uncovered numerous situations where contracts were modified to eliminate any penalty for the possibility of contractor failure. For example, in one contract, payment points for required referrals, mid-point completions, completions, placements, and job retentions were all reduced or revised when the contractor was unable to satisfy contractual stipulations. In fact, at the end of the contract period when some of the requirements still were not met, the contract was changed

again, this time retroactively at the contractor's request, to allow an additional payment of \$292,000. Thus, a cost reimbursement contract was effectively created 6 months after the fact.

In March 1989, ETA issued an interpretation of the regulation governing FUPCs which attempts to guide the JTPA system toward writing "acceptable" fixed unit price, performance-based contracts. ETA conceded, however, that many of the elements of its interpretation are "policy provisions recommended for adoption by States and are not found within the specific language of 20 CFR 629.38(e)(2) and, therefore, are not required." The OIG continues to find no basis in the statute for the regulation's existence and believe that its continued use effectively neutralizes the congressional mandate on spending limitations within the program's cost categories.

If the regulation remains, JTPA amendments can take several steps to bring accountability for the cost limitations into the program. A key amendment would be to legislatively require, as H.R. 3266 does, that the Secretary of Labor specifically define the cost categories. However, the OIG suggests that these definitions reference activities defined under Section 204 of the Act and relate allowable cost charges to the categories to the extent that those categories receive benefits. The OIG supports provisions of the Administration's proposal which require a breakdown of cost components and charging these costs to the appropriate cost categories in all but very limited circumstances, as defined in Section 141(d)(3) of the Act.

Another suggestion is to establish a fourth cost category, described as "Employment Assistance Services," for activities such as job search, counseling, employer outreach, and work habit modification. This would isolate the funds spent on true training and parallel the JTPA Title III Economic Development and Worker Adjustment Assistance (EDWAA) program for dislocated workers which identifies such services as "Basic Readjustment Services."

The OIG does not mean to imply that it supports any particular percentages allowed per cost category nor an across-the-board elimination of FUPCs, *per se*. It merely points out that no accountability by cost category presently exists for program expenditures and current contracting practices have contributed significantly to this lack of accountability.

Procurement. JTPA's original intent was to decentralize procurement policy to the State and local level and to allow local decisionmakers to provide services that

meet local needs. In practice, the OIG has found that State and local procurement systems often are not designed to procure training services. For example, OIG's work in Colorado disclosed that the State central purchasing authority, having no specific guidelines for such procurements, largely accepted at face value the procurement actions forwarded by the JTPA entities, effectively "rubber stamping" procurements. The New Orleans SDA, on the other hand, exempts JTPA training procurements as "professional services," thus allowing JTPA purchases to go relatively unchecked. These situations create an environment where abuses can occur.

H.R. 3266, introduced by the Subcommittee on Employment Opportunities, contains provisions which would assure greater control over JTPA procurements. These provisions would establish minimum baseline procurement controls which all States must meet. They enhance overall accountability for procurement actions by prohibiting conflicts of interest, requiring maintenance of procurement records, encouraging competition, and requiring cost and price analyses in the award of JTPA contracts.

Without adequate procurement controls, the system will continue to ignore program integrity and waste program funds.

FUPCs still offer the potential for excessive contractor profits because no requirements exist for disclosure of profit margins or related cost and price analyses and contractors are free to set prices without regard to actual costs. For example, OIG's review of the Fort Worth SDA identified a contract under which the service provider's costs were less than \$6,400 while profits exceeded \$62,000.

As previously mentioned, OIG's review of The Oregon Consortium SDA identified contractors that had earned profits of \$4.2 million from JTPA revenues of \$25.8 million. Without cost and price analyses, the reasonableness and allowability of these profits could not be determined. It is obvious, however, that profits directly reduce the amount of money available for training.

Finally, as discussed earlier, OIG's review of the Mississippi contract between the JTPA Summer Youth Program and the Mississippi Department of Education showed that a 23 percent profit margin (or \$1.15 million of a \$4.9 million award) was actually budgeted into the contract. This contract was set up originally as a cost reimbursement contract and, upon realizing the availability of additional JTPA funds, the contract form was changed to a FUPC. Costs per participant increased from \$778 to \$1,225.

In our opinion, the last example points out an issue which H.R. 2039 has an opportunity to address. While there may be a legitimate role for the private sector to provide JTPA services, and fixed unit price contracting is one method of allowing these contractors a reasonable level of profit, there is no rationale for governmental and non-profit entities to operate under profit-making FUPCs. Historically, these entities have operated quite successfully under cost reimbursement contracts and the evidence we have seen to date indicates no need for change.

The need to limit use of FUPCs becomes more evident when considering data we collected as part of our audit work on program years 1984-1986. The data showed that for 18 frequently trained occupations, the cost differential between providing that training via cost reimbursement versus fixed unit price, performance-based contracts was significant. Our comparison showed that, on average, FUPCs cost 42 percent more per contract while providing 26 percent fewer hours of training than did cost reimbursement contracts. When these two findings are merged to determine the average cost per training hour, fixed unit price, performance-based contracting produces training interventions which cost 88 percent more than cost reimbursement contracting does.

For example, cost reimbursement contracts for salesperson training averaged \$1,360 for 524 hours of training, while FUPCs for salesperson training averaged \$2,400 for 274 hours of training. When these averages are weighted by the number of participants, this differential results in an average per training hour cost of \$2.66 under cost reimbursement versus \$7.37 under fixed unit price, performance-based contracting -- almost three times more. Similar differentials for vehicle mechanic training produced a cost difference per training hour of \$2.48 versus \$6.02. Overall, in all but one of the 18 frequently trained occupations, fixed unit price, performance-based contracting resulted in greater program costs.

While our data represents an earlier period of time, the use of fixed unit price, performance-based contracting has grown significantly. If anything, current cost differentials may be even greater.

Recordkeeping. Recordkeeping, too often assailed as an unnecessary intrusion of government upon the local level, remains the chief means by which the Congress and program officials are able to account for and evaluate programs. The OIG strongly supports the recordkeeping provisions of H.R. 3266. These provisions simply require any recipient, subrecipient, or service provider receiving funds under JTPA to main-

tain records of revenues and expenditures for the duration of the grant, subgrant, contract, or other agreement. This requirement is critical when dealing with fixed unit price, performance-based contracts.

Currently, ETA regulations do not specifically address recordkeeping requirements governing these contracts. In practice, contractors are not required to maintain any records beyond those which relate directly to contract performance, such as participant records. Records of contractor expenditures and similar financial records are not required to be maintained. In order to complete our audit responsibilities and determine the propriety of both revenues and expenditures, the OIG has found it necessary to use its statutory authority and issue subpoenas for records which *may* have been kept. We attempted to obtain records voluntarily in the New Orleans SDA and were refused. Subsequently, OIG subpoenas were issued and compliance was still not forthcoming. Now, more than 6 months after our initial requests, we are still awaiting the outcome of proceedings in U.S. District Court to enforce these subpoenas.

Reporting. Adequate program reporting allows the Congress to assess program performance and adherence to legislative requirements. The current law, as well as proposed amendments, identifies limitations on certain costs as being applicable to funds *available* to an SDA for any fiscal year. The OIG believes that if the amendments included provisions instead to require the limitations be applicable to funds *expended* by an SDA in any fiscal year, the ability to determine compliance with, and thus enforce, the statutory cost limitations would be greatly enhanced. If the Act retains the “funds available” language, it also needs to report expenditures by year of obligation by cost category.

The OIG also believes that changes in the frequency of Federal reporting would improve stewardship over the JTPA program. The OIG recommends that the amendments require quarterly financial reporting by States and SDAs. Most entities’ fiscal years end on March 31, June 30, September 30, or December 31. By requiring quarterly Federal reports with these ending dates, information contained on Federal reports may be closely linked to the entity’s audited financial statements.

Monitoring. The final policy area which H.R. 2039 can positively impact is program oversight and monitoring. Based on our observations, neither the Department nor the governors have placed sufficient emphasis on program oversight.

The Department’s interpretation of JTPA has consistently provided the governors with the widest possible discretion. When audit recommendations have called

for implementation of minimum, systemwide standards to resolve deficiencies affecting the entire JTPA system, ETA’s response has been that such minimum standards are beyond ETA’s control given the governors’ discretionary authority. In the OIG’s opinion, decentralized discretionary authority does not preclude ETA from promulgating directives to correct systemwide problems.

Similarly, we have observed that State oversight is ineffective. Even though compliance reviews performed by the State disclosed problems and failures to meet acceptable levels of performance, corrective actions were not always taken.

For example, an SDA failed to meet one or more of its required performance standards in each of the last four program years. To our knowledge, the State has neither imposed sanctions nor reorganized the SDA’s program, as the Act requires.

In order to raise program oversight to a level which would assure proper and legal use of funds and prevent abuse, the OIG recommends that the amendments contain provisions for the Department to establish minimum requirements governing performance standards management, procurement, recordkeeping, reporting, and monitoring which reflect baseline levels of acceptable program management.

Summary. Many of OIG’s recommendations for JTPA amendments focus on the JTPA system’s use of fixed unit price, performance-based contracting. The OIG is not proposing that this method of contracting cannot serve a positive purpose in carrying out congressional program intent if its use is limited and well controlled. If written to assure reward only for legitimate risk taking, this contracting method can obtain a potentially better product from the private sector for the funds spent.

The OIG is proposing limiting the use of FUPCs to private sector providers and prohibiting its use by governmental and nonprofit entities. Even when used by private sector providers, the amendments should require that such contracting include provisions for cost and price analyses, defective pricing, recordkeeping and conflict of interest.

Amending the Job Training Partnership Act, we believe, presents an opportunity to confirm the program’s original goals and objectives as well as to increase accountability and minimize abusive practices. We encourage Congress to support legislation which will result in a maximum return on investment, as originally envisioned 7 years ago.

OFFICE OF AUDIT

Department's Management Commits to Building New Financial Management Systems

Annual Department and agency level financial statements compiled and audited by the OIG for fiscal years 1986 through 1988 identified significant accounting and internal financial control deficiencies in such major areas as grants management, UI Trust Fund accounting, and general ledger controls and financial reporting. Until this period, many of these problems remained unresolved.

The Department, within the last few months, has moved decisively to correct these deficiencies. Management is committed to compiling financial reports required by the Treasury Department, and the OIG is providing technical assistance to achieve this goal for fiscal year 1989. The Assistant Secretary for ETA also established a Task Force to resolve outstanding audit matters and review ETA's administrative systems. Departmental Management has continued to devote significant effort to developing several critical financial management systems, including a new departmental accounting general ledger system and a new financial management system for ETA.

While we are encouraged by management's actions, issues remain to be resolved. We are concerned that the Department may be moving too hastily to implement the new general ledger system. The OIG is monitoring the Department's implementation of the new accounting system and has identified significant problems within that system that should be resolved.

The OIG is also concerned about the Department's uncomfortable reliance on grantee financial information that is of unproven accuracy and validity. Our financial statement audits include only a limited review of the financial reports from grantees. The grantees are covered under the Single Audit Act and we are currently assessing whether Single Audit coverage should be supplemented or improved.

In fiscal year 1989, we continued to emphasize examination of the results of Government activities through our financial statement audits of the Department, agencies, and programs. The OIG issued the third annual audit of the consolidated statements of the Department. As an integral part of these statements, the OIG issued

separate financial statement audits of four agencies. Our conclusions have been presented by agency in Chapter 1 of this section. For the past 3 years, the OIG has combined its reporting of the Department's financial management activities in one central chapter to highlight both their importance and OIG's long-term commitment to effective, efficient systems that produce reliable financial data and program statistics. In this period, we reported the results of our financial statement audits within the agency/program framework to reinforce our conviction that they support specific agency management activities.

This year, for the first time, the OIG has also reported a cost analysis which compares and analyzes the financial statements with program results for Job Corps. This analysis will assist to evaluate program effectiveness and efficiency.

Past Financial System And Internal Control Issues

In prior semiannual reports, our discussion of financial statement audits included the results of limited internal control reviews which, for most major departmental systems, were complemented by more comprehensive controls and risk evaluations (CARE) of key financial management systems.

These reports revealed significant accounting or internal control gaps and deficiencies in major areas such as financial reporting, general ledger controls, grants management, and UI Trust Fund accounting.

Management Responds

During the last 6 months, management has acted decisively to correct accounting and internal financial control deficiencies.

FINANCIAL REPORTING

After 3 years of relying on the OIG to compile accurate financial statements as part of the Department's annual audits, management has embarked on a project to

compile financial statements in accordance with generally accepted accounting principles (GAAP) and prepare accurate financial reports to the Treasury for fiscal year 1989.

For the first time, Departmental Management and agency accounting personnel will cooperate to prepare financial statements. In addition, the Department is working with the Department of Treasury staff. Management asked the OIG to support its effort through technical assistance and training.

To reinforce the training, a detailed compilation guide was provided. On-site technical assistance will be given to departmental staff while the financial statement reports are compiled for submission to Treasury.

CONTINUING COMMITMENT TO NEW ACCOUNTING SYSTEM

A demonstration of management's commitment to correct continuing financial management and internal control deficiencies is its commitment to a new departmental accounting system. The Department is relying on this system to resolve outstanding accounting problems, to facilitate accurate financial statement preparation, and to comply with GAO, OMB, and Department of Treasury accounting and reporting standards. The OIG has provided significant resources to this project.

ETA TAKES ACTION IN AUDIT RESOLUTION

ETA management has acted aggressively to resolve longstanding OIG recommendations in the ETA grants management and UI Trust Fund accounting areas. A task force, initiated by the Assistant Secretary, resolved outstanding financial management audit recommendations and assessed the integrity of ETA's programs by reviewing the performance of all ETA's administrative systems: procurement, contracting, audit resolution, internal controls, accounting, financial management and program oversight. The OIG provided technical assistance to the task force by reviewing its reports and recommending improvements to these systems.

As a result of ETA's actions, all audit recommendations for ETA financial statement audit reports for fiscal years 1986, 1987, and 1988, and Job Corps financial statement audit reports for 1987 have been resolved.

GRANTS MANAGEMENT

ETA agreed to correct the following specific deficiencies: improve operation of the Regional Accounting System (RAS), reconcile advances recorded in the

departmental general ledger accounts, and improve the accrual system for grant and contract expenditures.

RAS Operation. ETA management hired a CPA firm to develop a system of uniform accounting controls for RAS data entry at the regional offices. ETA is also developing a methodology for monitoring the input function to preclude the deterioration of accounting controls.

Accruals. The process used to accrue unreported grantee and contractor costs for entry into the Department's Integrated Accounting System (IAS) was not documented and did not produce adequate records by individual contract or grant. Therefore, accrued costs of \$1.6 billion could not be adequately tested and the accrual system could not be adequately evaluated. ETA agreed to identify accruals monthly at the grant and contract level.

Advances. The IAS general ledger balances for advances and the related expenditures for grants and contracts were not adequately supported by detailed subsidiary records in ETA's accounting system, nor were discrepancies between the two systems timely resolved. Unadjusted balances per the IAS general ledger and ETA's subsidiary records reflected discrepancies of \$1.5 billion in advances and \$264 million in expenditures.

ETA has agreed to make its accounting system a subsidiary to the Department's new general ledger system. ETA will reconcile its accounts to the current departmental general ledger. Accounts which cannot be reconciled will be transferred to a control account for further review.

UI TRUST FUND (UTF) ACCOUNTING AND REPORTING

ETA agreed to take tremendous steps to improve previously identified weaknesses in UTF accounting and reporting. These improvements require cooperation both within the Department of Labor and with the Department of Treasury.

Trust Fund Receivables. No controls have been in place to enable proper evaluation of UTF receivables. Information has been inadequate to establish a reasonable allowance for uncollectible accounts. For fiscal year 1988, these included \$1.5 billion in delinquent State taxes and \$1.1 billion in benefit overpayments. ETA has directed the States to establish procedures to require and ensure that the States prepare an aging schedule of their delinquent taxes receivable and benefit overpay-

ments. ETA is requesting OMB approval to require that they report this data quarterly.

Federal Employees' Compensation Account (FECA). ETA has agreed to institute internal accounting controls requiring monthly monitoring and reconciliation of state reports of benefit payments to ETA billings to Federal agencies. ETA has also agreed to track Federal agency quarterly billings and collections by invoice.

UTF Reporting. Full activities of the UTF were not recorded in ETA's accounting systems, the Department's general ledger, and the Treasury Department's required Report of Financial Position (SF-220). The Department has relied exclusively on reports filed by the Treasury Department which do not include critical (and required) information. ETA has agreed to assume responsibility for preparing the required reports.

Concerns Remain

Even though management has taken significant actions during this period, several issues still remain. First, increasing concerns have arisen regarding the implementation of the Department of Labor's Accounting and Related Systems (DOLAR\$). Second, management and the OIG must rely heavily on the grantee financial reports submitted to the Department to account for 85.7 percent of the Department's expenses.

DOLAR\$ MAY NOT MEET REQUIREMENTS

The Department is relying on DOLAR\$ to correct the general ledger accounting and financial reporting deficiencies previously identified in OIG financial statement audits. DOLAR\$ is an off-the-shelf software package which the Department is using to form the base of an integrated financial system. While monitoring DOLAR\$'s development, the OIG observed and reported to management several weaknesses, which if not corrected, could hinder meeting Federal, departmental and contractual requirements.

Several of the significant problems which were raised to management included the following issues. Inadequate documentation of the system, including documentation of user procedures and input controls, may create problems in training and initial operations. Internal controls have been weakened, *e.g.*, through the allowance of bypassing edits and overriding reporting information. Acceptance testing of the system components considered essential for FY 1990 operations has not been completed. As of October 1, the security software

did not operate correctly and individual user's assignments had not been made. Management considered OIG's concerns and has moved to address them. For example, the Department has agreed to modify its approach to implement the new system. Specifically, management will concentrate more resources on its core accounting system and develop the needed documentation and design a contingency plan, using the Department's outdated accounting system, in the event that DOLAR\$ requires additional work. The OIG will continue its monitoring throughout the implementation of the new system.

RELIANCE ON GRANTEE'S REPORTS UNDER SINGLE AUDIT ACT

As required by GAO's Government Auditing Standards, OIG's financial statement audit reports contain a report (opinion) on the financial statements, a report on internal control and a report on compliance with laws and regulations.

Since 85.7 percent of the Department's funds are expended by State and local governments, the reliability of the Department's financial statements is dependent in large measure on the reliability of reports submitted by these State and local government grantees. Review of Single Audit reports indicates that the audit reports are not traceable to grantee financial reports and generally reveal too little regarding the extent of audit coverage of specific programs.

Our financial statements include a limited review, but not an audit, of the financial reports from grantees. The primary financial audit coverage of DOL funds is provided by audits under the Single Audit Act. The Act requires no fiscal or audit attestations specifically with respect to DOL programs. Further, little can be determined from the extent of coverage provided to DOL programs under the Single Audit Act.

The reason that little can be readily determined is that the degree of coverage is affected by several interrelated variables. These include entity definition, the extent of sub-granting and sub-contracting, classification or non-classification as "major Federal program" and resultant effect of sampling design, individual auditor's interpretations of and compliance with the Act and related OMB and AICPA guidance, and cognizant agency oversight. Many of these variables are inherent in the Single Audit concept and do not necessarily represent audit quality deficiencies. However, because of these variables, a clear risk exists of inconsistencies or gaps in coverage of DOL funds.

Without more extensive knowledge of the degree to which these audits are covering the Department's funds, assurances which can be provided through the financial statement audit regarding DOL programs operating primarily at the State and local levels are greatly limited. The OIG has, therefore, initiated an audit to determine the extent of coverage given to the Department's programs under the Single Audit Act. The review is designed to permit an assessment of whether single audit coverage of DOL programs should be supplemented and whether implementation of the Act with respect to DOL programs can be improved. The ultimate goal of this review is to ensure audit coverage sufficient to enable the OIG to provide necessary assurances with respect to DOL programs.

Chapter 2

OFFICE OF INVESTIGATIONS

From October 1, 1988 through September 30, 1989, the Office of Investigations (OI) opened 1,301 cases; closed 1,645; had 2,127 pending at the end of the reporting period; referred 702 individuals and entities for prosecution and another 125 individuals to DOL agencies for administrative action. Investigative results for Fiscal Year 1989 included: 735 indictments, 720 successful prosecutions, and \$12,006,129 in recoveries, fines, restitutions, settlements and cost efficiencies.

Impact of Department of Justice Opinion on Criminal Investigations

The Department of Justice (DOJ) opinion on the OIG's criminal investigative authority has caused OI to suspend criminal investigations traditionally conducted in programs such as Unemployment Insurance, Black Lung, Longshore and Harbor Workers, Alien Certification, and Trade Readjustment Assistance. Moreover, recent criminal investigative initiatives pertaining to worker health and safety, employee benefits, and wage and labor standards also have been suspended as a result of this opinion. The OIG took this action despite its disagreement with the DOJ opinion due to the potential personal liability of OI special agents.

OI initially suspended activity on approximately 1,200 criminal cases to determine the effect of the DOJ opinion. It has since analyzed these and approximately 400 other cases to determine appropriate action or disposition in light of the opinion. OI concluded that action was required on 1,192 criminal cases. The results of that determination are as follows:

Cases in which United States Attorneys requested OIG continue investigation	108
Cases in which active field investigation completed and awaiting prosecutive action	356
Joint cases in which cooperating agency assumed responsibility	42
Cases closed.....	315
Cases referred to Department of Justice	85
Cases to be referred to DOL agencies	286

The remainder of these cases are not affected by the DOJ opinion and will be appropriately investigated by OI.

OI recently sent to DOJ the 85 cases referred to in the above table, which involve claimant fraud in Longshore, Black Lung, and Unemployment Insurance programs, as well as fraud in Davis-Bacon matters and employee benefit plans. DOJ has sent these cases, which involved 102 subjects, back to the Deputy Secretary of Labor. By responding in this way, we believe that DOJ has clearly reiterated the breadth of its opinion. Therefore, we now are in the process of referring additional affected criminal cases directly to the Deputy Secretary for his disposition. Presumably these criminal investigative matters will be distributed to the program agencies. As part of our oversight responsibility, we will continue to monitor their progress.

The following examples are illustrative of types of cases that OI is now precluded from conducting:

PENSION AND WELFARE BENEFITS ADMINISTRATION (PWBA)

Culminating an investigation begun in 1987, on September 26 of this year an insurance agent who served as a financial/investment advisor to the Greensburg X-Ray Associates Pension and Profit Sharing Plans pleaded guilty to embezzlement from an Employee Income Retirement Security Act (ERISA) covered pension and benefit plan. The joint investigation, involving OIG and the Postal Inspection Service, disclosed that the agent had embezzled or converted to his own use more than \$ 1.5 million from the plan. In the furtherance of the scheme, he caused fraudulent letters, bearing forged signatures of the plan's trustees, to be mailed. They were used to authorize withdrawals and transfers of funds from the plan to a real estate investment firm, in which he was a partner. He also diverted the plan's checks, intended for deposit, to his own accounts. To conceal his scheme, he also caused letters to be mailed to plan subscribers falsely acknowledging that their funds had been deposited in the plan's profit sharing accounts. *U. S. v. Taylor* (W. D. Pennsylvania)

Employment Standards Administration (ESA)

WAGE AND HOUR DIVISION (WHD)

1. As reported in our last Semiannual Report, three of five New York State construction company officials involved in the construction of a Department of Housing and Urban Development financed nursing home, were arrested in February. They were charged with offering bribes to an OIG Special Agent, who was posing as a WHD compliance officer.

On May 31 Glenn Becker, President, Blue Rose Mechanical Inc., of Bohemia, pled guilty to one count of mail fraud. He was sentenced on September 1 to five years probation and ordered to make almost \$271,500 restitution.

On July 11 John Wehrin, former project manager for the prime contractor, Cowper-Siegfried Construction Co., Inc., of Buffalo, pled guilty to charges of bribery and mail fraud. He awaits sentencing.

On September 20 Tony Favale, President, FTW Construction Corp., of Smithtown, also pled guilty, but to a criminal information which charged him with bribery. He also awaits sentencing. *U.S. v. Becker et al.* (E. D. New York)

2. On May 16 a construction company and its owner were sentenced to probation, fined \$ 5,000, ordered to make restitution of over \$108,200, debarred from future government contracts and ordered to perform 100 hours of community service. The defendants, whose guilty plea was reported in the last Semiannual Report, admitted that from January 1982 to February 1987 they made false statements in documents they were required to keep as part of their employees' pension benefit plan, with a local of the Operating Engineers' Union, and had failed to pay their employees the appropriate hourly and overtime wages required by DBRA.

At the sentencing, the judge said he believed that the company and its owner had no intention of paying the employees prevailing wage rates when they bid on the contract. He added, that as a warning to other contractors in the area, he wanted to keep the bidding process on government contract work on a fair and equal basis. *U.S. v. S.H. Construction Corp. et al.* (W. D. New York)

OFFICE OF WORKERS' COMPENSATION PROGRAMS (OWCP)/BLACK LUNG (BL)

On May 23 the president and chief executive officer of United Medical, Inc. (UMI) was indicted by a federal grand jury on 15 counts of criminal violations of conspiracy, false claims, and mail fraud. Our joint investigation with Department of Health and Human Services (HHS) OIG disclosed evidence that he submitted bills to DOL and HHS for reimbursement for the costs of providing unneeded oxygen equipment to claimants under the Black Lung and Medicare programs. The unnecessary equipment was not used by the patients; and, blood gas tests, which are used to establish eligibility for equipment based upon the claimant's medical needs, were falsified. The fraudulent scheme netted UMI over \$57,000 from DOL and \$19,000 from HHS. The defendant is a fugitive in this case and is also being sought on charges of flight to avoid prosecution for allegedly kidnapping his daughter.

On August 10 a UMI chief respiratory technician pled guilty to one count of theft of government funds. At the direction of the president, he falsified blood gas tests; inserted them in hospital records, where he previously worked, to conceal from officials the true results and in support of fictitious claims submitted by UMI to DOL. He was placed in a pre-trial diversion program. *U.S. v. Pack* (S.D. West Virginia)

While the OIG is in transition from investigations affected by the DOJ opinion to other program areas and increased oversight responsibilities, the following typify other investigations conducted during this period that do not appear to be precluded by the opinion.

ESA/OWCP/FEDERAL EMPLOYEE COMPENSATION ACT (FECA)

1. On August 9, in U.S. District Court at Rome, Georgia, a former Bureau of Alcohol, Tobacco and Firearms (BATF) special agent pled guilty to a four-count criminal information which charged him of false statements to obtain Federal Employees' Compensation from DOL's Office of Workers' Compensation Programs (OWCP). He had been drawing disability benefits from OWCP since 1973. During that time he was self-employed as the owner and operator of a private investigation firm and did not report this employment to OWCP. In his negotiated guilty plea he agreed to pay \$247,619 restitution; to remove himself from the OWCP rolls; and, withdraw all claims and appeals against DOL. On October 6 he was sentenced to six

Employment and Training Administration (ETA)

UNEMPLOYMENT INSURANCE (UI)

1. On May 22 in Federal District Court an individual who, along with a co-conspirator, devised a fictitious employer scheme to claim UI benefits, was sentenced to 18 months imprisonment after being found guilty of one count of mail fraud. In 1987, they headed a ring which obtained in excess of \$49,000 in UI benefits from the Michigan Employment Security Commission (MESC). From April through November 1987, eleven other individuals were recruited to participate in the scheme. This group filed a total of 20 false claims for UI benefits. Ten of them pled guilty and were ordered to make over \$35,000 restitution and placed on a total of 20 years probation. This investigation was conducted jointly by OIG and MESC. *U.S. v. Clark et al.* (E.D. Michigan)

2. On April 17 an individual, who was the key figure in a UI benefit scheme which defrauded the Michigan Employment Security Commission (MESC) of more than \$56,000, was sentenced to 3 years imprisonment, with the requirement that he be actually incarcerated for 179 days. The scheme involved the defendant and others filing for UI benefits against a company formerly owned by the defendant. He verified the alleged employment for MESC, which resulted in the fraudulent payments. *U.S. v. Doyle* (E.D. Michigan)

months imprisonment, three years probation, and ordered to pay the restitution. This was a joint investigation with BATF. *U.S. v. Farmer* (N.D. Georgia)

2. On May 25 a former maintenance mechanic, who had been employed at the Charleston, West Virginia Main U.S. Post Office, pled guilty to a criminal information charging him with a false statement to DOL's OWCP relative to his true employment status. On July 10 he was sentenced to one year imprisonment; ordered to pay \$63,388.82 in restitution; and fined \$50. An investigation by the OIG and the Postal Inspection Service determined that he did not report his employment and approximately \$638,000 in earnings to OWCP, while he was operating a telemarketing business for real estate firms. *U.S. v. Godfrey* (E.D. Virginia)

JOB TRAINING PARTNERSHIP ACT (JTPA)

1. On July 14 a federal grand jury returned a nine-count indictment charging the president, who was also the chief operating officer, of the Lake County Job Training Corporation (LCJTC) with racketeering, extortion, bribery and filing false income tax returns.

LCJTC is the Job Training Partnership Act (JTPA) grant recipient and administrator for Lake County, Indiana. As such, it provides job training services for its residents and has received over \$46 million in JTPA funds over the last six years.

According to the indictment, the subject extorted, solicited, and accepted \$21,000 in cash and property from four LCJTC job training contractors for which they received contracts with LCJTC. The tax charges stem from the unreported income of the bribery and extortion activities. This indictment resulted from a joint investigation, of public corruption in Lake County, conducted by the OIG, the Internal Revenue Service, and Federal Bureau of Investigation. *U.S. v. Lang-Lampkin* (N.D. Indiana)

2. On August 1 the former director of the United Front, Inc. (UFI) of Cairo, Illinois was indicted by a federal grand jury on 30 counts of theft and embezzlement from programs receiving federal funds, false statements, arson, mail and wire fraud, and filing false income tax returns.

UFI is a federally and state funded not-for-profit social service organization, which received money provided by the JTPA's Title IV, Migrant and Seasonal Farmworker Program.

The indictment alleged that during 1985 the subject embezzled federal and state funds under the control of UFI. He is charged with having misapplied UFI employees' Social Security and Federal income tax funds to personal debts, which included a luxury leased automobile; and, not paying UFI employees' salaries and making false statements to DOL about the disposition of these funds.

The subject's wife, who is the current director of UFI, and two other associates were named as unindicted co-

conspirators pertaining to the arson charge. According to the indictment, the building which housed UFI was insured for \$750,000 and the subject allegedly defrauded the insurance company with false evidence of his losses. If convicted on all charges, the subject faces up to 174 years imprisonment and fines exceeding \$7 million. This joint investigation was conducted by OIG with the Bureau of Alcohol, Tobacco and Firearms and the Internal Revenue Service. *U.S. v. Koen* (S.D. Illinois)

3. In a decision and order issued on April 26 a DOL Administrative Law Judge (ALJ) ruled that the City of Lowell, Massachusetts was required to repay \$1,568,483 in Comprehensive Employment and Training Act (CETA) funds it received from DOL in 1981. Following an OIG investigation and subsequent report, program officials initiated administrative action which culminated in the ETA/SOL action before the ALJ. The investigation disclosed that Lowell officials used CETA funds, without authorization, for equipment expenditures after the funds had been recalled by ETA program officials.

ETHICS AND INTEGRITY ISSUES

1. Following the District of Columbia Superior Court's issuance of arrest warrants on May 25 and June 7, two Department of Labor National Office employees were arrested and charged in connection with the theft of DOL building parking permits. They were among 13 employees of the Department who were identified as having either stolen, counterfeited or had unauthorized possession of DOL building parking permits. Reports concerning eight of the employees have been furnished to DOL management for appropriate administrative action.

2. On September 25 an attorney who had been employed since 1977 by the Mississippi Employment Security Commission (MESC) pled guilty in county court to charges of embezzlement. He admitted converting \$25,000 in unemployment insurance funds, collected through garnishments, to his own use. The checks had been issued over a one-year period by local courts as repayments to the MESC and were made payable to the defendant. *Mississippi v. Aragon* (Mississippi)

COMPLAINT HANDLING ACTIVITIES

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

TOTAL ALLEGATIONS REPORTED TO OIG NATIONWIDE: 1,804

SOURCES:

Walk-in	10
IG Hotline	79
Other telephone calls	22
Letters from the Congress	6
Letters from individuals or organizations	128
Letters from DOL agencies	299
Letters from Non-DOL agencies	883
Incident Reports from DOL agencies	195
Reports by special agents and auditors	175
Referrals from GAO	7
Total	1,804

DISPOSITION:

Referred to Office of Audit or Office of Investigations	1,150
Referred to DOL program management	65
Referred to other agencies	24
No further action required	349
Pending disposition at end of period	216
Total	1,804

Chapter 3

OFFICE OF LABOR RACKETEERING

The responsibilities of the Office of Labor Racketeering (OLR) include the identification, investigation, and bringing to prosecution racketeering activity in employee benefit plans, labor-management relations, and internal union affairs. OLR's highest investigative priority continues to be employee benefit plans. OLR remains concerned about the vulnerability of such plans, and continues to devote approximately 65 percent of OLR investigative resources to investigations of employee benefit plan abuse.

To leverage its limited resources, OLR has continued joint efforts with state, local, and other federal law enforcement agencies. Such cooperative relationships not only make better use of monetary and personnel resources, but also sharpen the awareness and understanding of labor racketeering violations at other levels of government. An example of a joint effort by OLR and state and local agencies is the investigation of corruption in the carpentry and drywall industry in New York City. This significant case heralds New York State's first use of its Organized Crime Control Act to prosecute labor racketeering. It is discussed below under "Carpenters Local 135 and Plasterers and Cement Masons Local 530."

The OLR field office in San Diego, California, now is fully operational, as is its sub-office in Los Angeles. Together with the San Francisco field office, these offices are now actively addressing labor racketeering in the nation's most populous State.

During this reporting period, OLR completed a national training program that ensures that each OLR special agent has received current federal law enforcement training. OLR special agents continue to receive temporary Special Deputy U.S. Marshal status from the U.S. Department of Justice. This status carries with it the authority to use firearms, make arrests, and execute search warrants. While the temporary authority has been beneficial, it does not adequately meet OLR's need for permanent law enforcement powers. In this regard, the OIG continues to advocate legislation that would afford full statutory law enforcement authority for OLR.

The Department of Justice's (DOJ) opinion limiting the jurisdiction of the Office of Investigations unfortunately has created confusion regarding the investigative work of OLR. A law enforcement periodical recently ran an article in which the DOJ opinion was interpreted to include OLR, which clearly is not the case. Although the misleading article was corrected in a subsequent issue, OLR is concerned that further public confusion will occur unless the Congress acts quickly to clarify the jurisdiction of the Office of Investigations.

OLR investigations resulted in 40 indictments and 21 convictions during this reporting period. Following are examples of significant cases.

EMPLOYEE BENEFIT PLANS

Angelo T. Commito

A seventh indictment has been returned against Angelo T. Commito based on a nationwide joint investigation by OLR and the FBI of corruption in the employee welfare benefit industry. A 4-count indictment returned in Baltimore on April 13, 1989, charges Commito with bribery, conspiracy to defraud the United States in connection with the awarding of Federal grants to provide health care services in areas of high poverty, conspiracy to bribe a federal official and interstate transportation in aid of racketeering. Also named in the indictment were John B. LaFrance and Edmond P. LaFrance.

Commito is president of Labor Health Care and Benefit Plans of Chicago and other Chicago- and San Francisco-based employee benefit businesses. John B. LaFrance was until recently the director of the Division of Health Service Delivery, Region 3 (Philadelphia), U.S. Department of Health and Human Services (HHS). Edmond P. LaFrance of Massachusetts is an associate of Commito's and John LaFrance's brother. As an HHS official, John LaFrance influenced the awarding of HHS grants to local, non-profit community organizations to provide primary health care services to people living in medically underserved areas, usually areas of high poverty.

According to the indictment, United HealthCare, a Maryland corporation that provides prepaid health benefit plans to employee groups, wanted to establish and operate community health centers in Washington, D.C., under the HHS program. From late 1985 through January 27, 1988, United HealthCare sought an HHS grant through its vice president for marketing, Alan S. Cohn.

The indictment charges the defendants conspired to have John LaFrance disclose to Cohn confidential information on competing bids, discredit United HealthCare's competitors, and ultimately assure the awarding of Federal grants worth millions of dollars to United HealthCare's subsidiary, Washington Primary Care Network. For their assistance, Cohn would pay 3 percent of the total value of the grants indirectly to the LaFrance brothers through Commito. The grant was not awarded during the course of the conspiracy.

In December 1988, John LaFrance was indefinitely suspended without pay from his position with HHS,

because of the investigation. Cohn pled guilty in March 1989 to a criminal information charging him with conspiracy to bribe a Federal official. He also pled guilty to conspiracy to commit mail fraud, which had been charged in a September 1988 indictment. United HealthCare agreed to a civil injunction to refrain from violating any State, local or Federal laws and to pay a \$150,000 civil penalty to the Government.

Cohn, United HealthCare and Commito had been indicted in September 1988 on charges of conspiracy, mail fraud, wire fraud, and money laundering. The September indictment was one of seven that were returned nationwide against Commito and 11 co-defendants. Five of the indictments were consolidated for trial in San Francisco and include Commito and six other defendants. In Chicago, William Hainsworth, a former administrator for the Cement Masons Local 803 welfare fund in DuPage County, Illinois, had pled guilty previously to embezzlement and was sentenced on April 5, 1989, to 1 year in prison and ordered to make restitution of \$62,784 to the fund. *U.S. v. Angelo T. Commito, John B. LaFrance, and Edmond P. LaFrance* (D. Maryland), *U.S. v. Commito et al.* (D. Maryland), *U.S. v. Angelo T. Commito et al.* (N.D. California) and *U.S. v. William Hainsworth* (M.D. Illinois)

Laborers Local 332 Health & Welfare Fund

Ralph Costobile was charged in a 33-count Federal indictment returned on September 20, 1989, in Philadelphia. The indictment included a charge of racketeering activity to defraud the Laborers Local 332 Health and Welfare Fund and violate the collective bargaining agreement his company had with the local. Costobile is the owner of Costo, Inc., a Philadelphia demolition and construction company.

Along with the racketeering count, Costobile is charged with filing false employer contribution forms, mail fraud, making an unlawful payment to a union official, depriving union members of rights by violence, and distributing methamphetamine. The racketeering count, charging that Costobile used Costo, Inc., in furtherance of his scheme, lists six specific racketeering acts.

According to the indictment, Costobile made payoffs of \$70 per laborer per day to Philadelphia organized crime figures so that they would arrange for him to not be harassed by the union when he employed non-union laborers and under-paid workers and evaded making required employer contributions to the fund. He allegedly assaulted laborers who threatened to expose his

use of non-union laborers. During union elections in June 1985, Costobile also allegedly paid a candidate for business manager \$4,300 to withdraw and enable the incumbent to run unchallenged.

Costobile also is charged with bribing a former employee of Mr. Goodbuys, a home improvement chain store, to ensure the awarding of demolition and construction contracts. According to the allegations, Costobile gave two pounds of methamphetamine to two competing company officials to ensure awarding of a contract.

The 18-month investigation leading to this indictment was conducted jointly by OLR and the FBI with assistance from the U.S. Environmental Protection Agency. *U.S. v. Costobile* (E.D. Pennsylvania)

New York State Teamsters Pension Fund

Five defendants, charged in connection with illegal activities in the operation of the New York State Teamsters Pension Fund in Utica, were sentenced in June 1989 in Syracuse. All had previously pled guilty to various charges in indictments returned in May 1988 involving a scheme to manipulate stock transactions by purchasing securities, observing the price fluctuations over a 7-day period, and passing the stocks that appreciated in value to their friends and relatives. Stocks that did not appreciate or that declined in value were transferred to the Teamsters pension fund account. Kickbacks had also been solicited from the investment advisory firm of Stein, Roe & Farnham in Chicago to use, in turn, as bribes, kickbacks, and illegal payments to Teamster officials to ensure continued business from the Teamsters funds for Shearson-Lehman Brothers, Inc., and Stein, Roe, & Farnham.

George Inserra, a registered representative of Shearson-Lehman and First Albany Corporation and a trustee of Teamsters Local 182 in Utica, was sentenced to serve 3 and 1/2 years in prison, 3 years' probation, fined \$60,000, and ordered to make restitution with his brother, John, of \$130,325 to the Teamsters funds. He was also barred from any union or benefit plan position for 5 years after release from prison. John D. Inserra, who was also a broker at Shearson-Lehman and First Albany, was sentenced to serve 1 year and 1 day in prison, fined \$10,000, and ordered to pay restitution with his brother.

Dennis Giorgi, an associate of George Inserra, was sentenced to serve 18 months in prison, 3 years' probation upon release from prison, and fined \$20,000. Robert

F. Sfeir, also an Inserra associate and a former trustee of Teamsters Local 182 and a registered representative of Shearson-Lehman and First Albany, was sentenced to 1 year and 1 day in prison, 2 years' probation, and fined \$5,000. Both Giorgi and Sfeir must pay all taxes, interest, and penalties as a condition of probation.

John Giura, former partner of Stein, Roe, and Farnham and investment advisor to the fund, was sentenced to 6 months in prison and 3 years' probation and was fined \$25,000. He was also barred from having any connection with employee benefit plans for 13 years after release from prison.

Seven individuals were convicted in this joint investigation by OLR, the FBI, the IRS, and the Securities and Exchange Commission. *U.S. v. George Inserra et al.* (N.D. New York)

Teamsters Local 856

Three indictments against Michael Rudy Tham, a former secretary-treasurer of San Francisco Teamsters Local 856 and Joint Council 7, were returned on June 13, 1989, by a special Federal grand jury in San Francisco. Tham was charged in one indictment with extortion, theft of funds from the Northern California Labor Trust, falsification of records relating to the eligibility for employee health and welfare funds, aiding and abetting, and conspiracy. This indictment, resulting from a joint investigation by OLR and the FBI, alleges that between July 22, 1987, and October 1, 1988, Tham threatened an official of Teamsters Local 860 in Daly City, who was also a trustee of the trust, into allowing ineligible participants to receive costly health benefits from the trust. Tham then assisted in submitting false information to the trust.

The other two indictments concern Tham's 1980 conviction resulting from a joint OLR-FBI investigation for embezzlement of union funds and falsification of union records. Tham is presently in Federal prison following revocation of his probation from this conviction. One indictment charges Tham with lying at a probation revocation hearing about his association with known convicted felons and with having conspired with others to lie to Federal agents and the grand jury about these associations.

The other indictment, resulting from an FBI investigation, charges Tham, U.S. District Judge Robert P. Aguilar, and Abe Chapman, an associate of Tham's, with racketeering and other violations involving Tham's alleged attempt to have his 1980 conviction overturned.

One count in this indictment alleges that Judge Aguilar attempted to influence another Federal judge to obtain an evidentiary hearing for Tham in connection with Tham's motion to overturn his 1980 conviction. *U.S. v. Michael Rudy Tham, U.S. v. Michael Rudy Tham*, and *U.S. v. Robert P. Aguilar et al.* (N.D. California)

American Federation of State, County and Municipal Employees Union (AFSCME) District Council 33

Earl Stout, the former president of AFSCME District Council 33 in Philadelphia was indicted on August 5, 1989, on charges of racketeering and conspiracy involving the theft of approximately \$1 million from programs receiving Federal funds. Additional charges include theft from programs receiving Federal funds and mail fraud. A 48-count Federal grand jury indictment also names Stout's son, William C. Stout, Cynthia Bullock, and Frances Rooney.

Stout was president of District Council 33 from 1974 until 1988 when he lost an election. Allegedly, while president of District Council 33, Stout used the Council, its legal services fund, its health and welfare fund, and the John F. Kennedy Hospital to defraud AFSCME members. The hospital is owned by the union and run primarily for union members. As president of the union, Stout was also chairman of the board of the health and welfare fund and the legal services fund and president of the Board of Directors of the hospital. In 1984, Stout hired his son, William, as assistant to the president of the hospital.

Federal funds involved in this indictment include Medicare funds from HHS and legal services funds from the U.S. Department of Housing and Urban Development (HUD). The legal services funds were paid through the Philadelphia Housing Authority, which had contracted with AFSCME to provide legal assistance to its employees. The indictment alleges 26 acts of racketeering involving mail fraud and withdrawal of money from the legal services fund and the hospital. According to the indictment, the transactions alleged as wrongdoing were not authorized or known by the Board of Trustees for the legal services fund or the Board of Directors for the hospital.

The indictment charges that Stout and his son conspired to use District Council 33 for their personal benefit and the benefit of their families, friends, and District Council 33 members who supported Earl Stout. Among the charges are allegations that in May 1988, when Earl Stout lost the election, he and his son directed the

withdrawal of \$87,782 to pre-pay two whole life insurance policies on the life of Earl Stout. The indictment alleges that these policies, each with a face value of \$200,000, were purchased and paid for by the hospital at the direction of Earl Stout. Allegedly, Stout also directed that an attorney, who was a public trustee of the legal services fund, be paid approximately \$226,923 from January 1986 to May 1988 from the fund.

Frances Rooney, who was District Council 33 vice president under Stout, was allegedly paid approximately \$59,134 over a 3-year period for performing volunteer services at the hospital. The indictment charges that these funds were authorized by the Stouts. Rooney is charged with theft from programs receiving federal funds. She is currently president of AFSCME Local 1956, which represents the Philadelphia school crossing guards.

Cynthia Bullock was director of the District Council 33 legal services fund from 1979 until Stout fired her in November 1984. She is charged with theft from programs receiving Federal funds and mail fraud. Allegedly, she received approximately \$190,637 from the legal services fund at the direction of Stout after she had been fired.

This was a joint investigation by OLR, the FBI, the HHS/Office of Inspector General, and the IRS. *U.S. v. Earl Stout et al.* (E.D. Pennsylvania)

Teamsters Local 804 and Teamsters Local 808

John Long, former secretary-treasurer of Teamsters Local 804 in New York City, was sentenced on May 5, 1989, in Federal district court to 12 years in prison. His co-defendant, John S. Mahoney, Jr., former secretary-treasurer for Teamsters Local 808 and trustee of the local's pension and welfare funds, was sentenced on July 31, 1989, to 15 years in prison. They had been convicted in December 1988 of racketeering, racketeering conspiracy, extortion, and perjury.

The defendants embezzled union and employee benefit funds, received payments from employers to avoid unionization of their employees, and extorted money from employers to avoid business disruptions, labor disputes, loss of business and reprisals by organized crime figures.

In May 1989, Mahoney was arrested based on a complaint that he violated conditions of his bail. The complaint charged that he had threatened to murder

two employees of Local 808, because they intended to disclose to the union membership that he was trying to embezzle \$100,000 from the union under the guise of severance and vacation pay. The complaint was considered by the Federal judge who imposed Mahoney's 15-year sentence.

The investigation of this case was conducted jointly by OLR, the FBI, and the New York City Police Department. *U.S. v. John F. Long and John S. Mahoney* (S.D. New York)

Laborers District Council Building & Construction Health & Welfare Fund

Donna Mims, a former claims processor for the Laborers District Council Building and Construction Health and Welfare Fund in Philadelphia, pled guilty on June 27, 1989, to one count of conspiracy to embezzle \$212,000 and nine counts of embezzling \$9,795.

Mims was indicted on May 2, 1989, on 80 counts of embezzlement and 1 count of conspiracy. Mims and co-conspirator, John D. Singleton, Jr., a member of Laborers Local 413 in Philadelphia, were charged with conspiring with others, from September 1985 to January 1987, to have Mims process fraudulent medical benefits claims, causing checks to be issued to Singleton and others. The checks were cashed or deposited in various bank accounts and divided among the co-conspirators.

Singleton, who has been charged with one count each of conspiracy and embezzlement, is awaiting trial.

This case resulted from a continuing joint investigation by OLR and the FBI. *U.S. v. Donna Mims and John D. Singleton, Jr.* (E.D. Pennsylvania)

Teamsters Local 436 Welfare Fund

Joseph Kalk, former legal counsel for Teamsters Local 436 Welfare Fund in Cleveland, was sentenced on June 20, 1989, based on his guilty pleas to charges involving embezzlement of money from the fund. Kalk was sentenced to 3 years' probation and fined \$20,000. He must also do 20 hours of community service a week during his probation.

Kalk had pled guilty in April to one count in each of two indictments involving the fund. A count of obstruction of justice from a September 1988 indictment involved Kalk's false statements to prevent the prosecution of Salvatore "Sam" T. Busacca, former local 436 presi-

dent, and Busacca associate Louis J. Marrali on racketeering charges of embezzling from the fund. A count of making false statements from a December 1988 indictment involved Kalk's assistance to Busacca and others to embezzle approximately \$259,000 of the fund's money for use as legal fees for Busacca's defense in the racketeering case.

Busacca was convicted and sentenced on the racketeering charges. He awaits trial with four co-defendants on charges relating to the \$259,000 embezzlement.

Kalk is the 16th person to be convicted in a continuing investigation by OLR of corruption in the Teamsters Local 436 Welfare and Pension Plans. *U.S. v. Kalk* and *U.S. v. Kalk* (N.D. Ohio)

Equifax Major Medical Plan

A 2-year joint investigation by OLR and the FBI into a \$470,000 embezzlement from the Equifax Major Medical Plan in Atlanta has resulted to date in the conviction of all 18 individuals who have been indicted. The 18th defendant pled guilty on August 24, 1989, to two counts of conspiracy to embezzle \$86,000.

Salistine Barron, a former employee of the plan, had been indicted in June on 52 counts charging embezzlement of \$127,396 and 8 of conspiracy to embezzle \$203,172. Barron and her co-conspirators, mostly former plan employees, conducted their embezzlement scheme over a 5-year period. The members of the conspiracy prepared fraudulent sickness and accident claims for medical insurance benefits for medical plan participants. The false claim information was entered into the computer that generated checks from the plan. The checks were delivered to Barron who negotiated some and passed others to co-conspirators to negotiate. Members of the conspiracy would remove the fraudulent claim files from the medical plan prior to periodic audits, enabling the scheme to continue over the 5 years. *U.S. v. Barron* (M.D. Georgia)

INTERNAL UNION AFFAIRS

Teamsters Local 507 & Bakery Local 19

Harold Friedman, president of Teamsters Local 507 and Bakery Local 19 in Cleveland, and Anthony Hughes, recording secretary of local 507 and business agent for local 19, were sentenced on May 26, 1989, to 4 years'

probation on racketeering charges involving the embezzlement of over \$700,000 from the two locals. They had been convicted by a Federal jury on January 13, 1989, for embezzling union funds by maintaining three employees who did not work on the payrolls of the locals. They were also convicted of embezzling \$17,000 from Bakery Local 19 to pay Hughes a salary for which he performed no work.

In addition to probation, Friedman was fined \$35,000 and Hughes \$30,000. Both were ordered to forfeit their pension credits in both locals for 1978 through 1981, and barred from holding union office for 13 years. Friedman, who is also a vice president for the International Brotherhood of Teamsters, was also ordered to forfeit seven union positions he holds in the locals. Besides being president of the two locals, he is also a trustee of five employee benefit funds, including the health and welfare funds and the pension funds for both locals and local 19's Charitable, Education and Retirement Fund. Hughes was ordered to forfeit his positions as recording secretary for local 507 and business agent for local 19 and ordered to make restitution of \$43,500 to local 19.

Friedman's and Hughes' sentences, including the bar from union office that would ordinarily have been effective upon sentencing, have been stayed pending appeals. They had been charged in a May 1986 indictment following an investigation by OLR. The indictment had included Jackie Presser, who was secretary-treasurer of Teamsters Local 507 and president of the International. Presser died in July 1988, 3 months before the trial began.

Jack Nardi, Jr., one of the "ghost workers" was sentenced on June 21, 1989, to 4 years in prison. He had pled guilty to an April 1988 criminal information charging him with one count each of conspiracy to embezzle from a union, solicitation of a bribe, aiding and abetting in a fraud by wire, and using a false statement to obtain a passport.

Nardi admitted that, from January 1972 to April 1979, he had conspired with Presser, Friedman, and others to be paid union money and was listed as a business agent and later as a special organizing representative, when, in fact, he was not performing the work. He received approximately \$109,800 in union money. The charge of soliciting a bribe stemmed from Nardi's request to Presser in 1982 for \$20,000 in exchange for recanting statements Nardi had made to a Federal grand jury and to testify as Presser wished.

Nardi had pled guilty to similar charges in 1983, but because the Justice Department had decided not to seek Presser's indictment, the charges against Nardi were dismissed. In 1986, when Presser, Friedman, and Hughes were indicted, the charges against Nardi were filed in a superseding criminal information. Additional charges against Nardi were added, including defrauding E.F. Hutton and Company of \$39,000 in an investment scheme and making false statements to obtain a passport.

The investigation leading to the charges involving Teamsters Local 507 and Bakery Local 19 was conducted by OLR. The additional charges against Nardi stem from a joint investigation with the FBI. *U.S. v. Friedman and Hughes* and *U.S. v. Nardi* (N.D. Ohio)

Roofers Local 30/30B

Jack Kinkade, former president and business manager of the Roofers Union Local 30/30B in Philadelphia, was sentenced on May 26, 1989, to serve 2 to 23 months in prison, fined \$1,000, and ordered to do 100 hours of community service. He has been barred from serving in a labor organization for 13 years following completion of his prison sentence, which began May 30. Kinkade had pled guilty in March to one count of Pennsylvania State charges of extortion of a roofing contractor.

Kinkade was one of 14 former and current officials of the Roofers Local who were charged by the State with racketeering following a 4-year joint investigation by OLR and the Pennsylvania Attorney General's Office. Kinkade was the president of the local from 1971 to 1981 and replaced John McCullough as business manager when McCullough was murdered in 1980. Kinkade remained in this position until his retirement in 1985.

Two other defendants in this case are now serving prison sentences following guilty pleas to racketeering. Joseph Kinkade, Jack Kinkade's brother, and Gary McBride, both business agents for the local, were additionally banned indefinitely on May 26 from working in the roofing industry.

This investigation and a separate FBI investigation resulted in the filing of a civil complaint under provisions of the Racketeer Influenced and Corrupt Organizations (RICO) statute by the U.S. Attorney's Office against the Roofers Union Local 30/30B. A federal court imposed a "decreeship" over the union on May 23, 1988. *Commonwealth of Pennsylvania v. Stephen Traitz et al.*

LABOR-MANAGEMENT RELATIONS

Carpenters Local 135 and Plasterers & Cement Masons Local 530

New York State's first use of its Organized Crime Control Act to prosecute labor racketeering has resulted in charges of enterprise corruption against two union officials, Louis D. Moscatiello, Sr., and Benedetto "Benny" Schepis. These charges were included in eight indictments that were returned on July 27, 1989, by a State grand jury charging the two union officials, a former union official, six businessmen and two companies with violations involving the carpentry and drywall industry in New York City. The indictments allege Genovese crime family involvement.

The indictments arose from a 2-year investigation by a Construction Industry Strike Force into the activities of Moscatiello, president of Plasterers and Cement Masons Local 530, and his associates. The strike force includes OLR, the Manhattan District Attorney's Labor Racketeering Unit, the New York City Police Department, and the New York State Police.

Schepis, business agent for Carpenters Local 17, and Moscatiello are also charged with multiple felony and misdemeanor counts involving bribery. The indictment charges that, with an unnamed official of Carpenters Local 135, Moscatiello and Schepis ran the affairs of local 135 as a criminal enterprise from March 1986 through December 1988. The pattern of criminal activity included the payment of 16 bribes by construction contractors to an official of Local 135 to obtain favorable treatment, including permission to violate the collective bargaining agreement by hiring non-union workers and circumventing overtime payment provisions.

Moscatiello, who is also charged with conspiracy, is alleged in the indictment to be an associate of Vincent DiNapoli, a member of the Genovese crime family. The indictment also charges that certain construction companies that used the criminal services of the enterprise are also associated with the Genovese family.

Indictments against Antonio Rodriguez and his company, Inner City Drywall Corp.; Michael Sorentino of Sor-Mal Plastering, Inc.; Seymour Levine and his company, De-Jil Systems, Inc., charge the defendants with crimes involving paying bribes to a labor official to receive favorable treatment from local 135.

Henry Walaski, a former business representative for Carpenters Local 531, is charged with criminal contempt for allegedly falsely telling the state grand jury that he could not recall the names of contractors from whom he received payments. Walaski had been an official for local 531 until his 1988 federal conviction for criminal contempt.

Three indictments arose from the grand jury's investigation of Moscatiello's conduct of the affairs of Plasterers Local 530. Defendants in these three indictments are members of local 530. They are charged with several felony counts of perjury. They allegedly lied to the grand jury about, among other things, their contact with Moscatiello. These defendants are: Anthony Melani, a former contractor; Nicholas Biancanello, owner of Biancanello Wall Finishers; and Dennis Corrallo, owner of D.C. Covercoat. Corrallo is also charged with a felony count of criminal contempt.

Investigation of corruption in the construction industry is continuing. *New York v. Moscatiello and Schepis*; *N.Y. v. Rodriguez and Inner City Drywall Corporation*; *N.Y. v. Sorentino*; *N.Y. v. Levine and De-Jil Systems, Inc.*; *N.Y. v. Walaski*; *N.Y. v. Melani*; *N.Y. v. Biancanello*; and *N.Y. v. Corrallo*

OTHER CORRUPTION CASES

Wedtech

Mario Moreno and Fred Neuberger, former officers of the Wedtech Corporation in the Bronx, New York, were sentenced on April 13, 1989, and May 5, 1989, respectively. Moreno, who received a sentence of 18 months in prison, 1 year of probation, and 300 hours of community service, had begun serving his sentence in November 1988 by prior arrangement with the court. Neuberger began serving 2 years of a 5-year prison sentence to be followed by 3 years' probation. They are two of four Wedtech officers who pled guilty in January 1987 to an indictment charging corruption in the awarding of defense contracts to Wedtech. The charges included conspiracy to bribe and offer compensation to Federal, State and local officials, including members of the U.S. Congress and officers and employees of the executive branch of the Federal Government for services rendered by such individuals.

This investigation earlier resulted in the conviction of U.S. Congressman Mario Biaggi and four codefendants on charges involving illegal payments made by Wedtech

officials to influence the awarding of Department of Defense and other Government contracts. Also indicted and convicted in this investigation were Richard Stolfi and Frank Casalino, officials of Teamsters Local 875 who solicited and received kickbacks from the Wedtech officials for labor peace, allowing non-union labor on a Wedtech construction site and favorable terms in a 1983 contract.

Neuberger still awaits sentencing on another charge involving this investigation. He had pled guilty in August 1988 to a two-count criminal information that charged him with withholding records for an official proceeding and with perjury.

Two former Wedtech officials remain to be sentenced in this investigation. *U.S. v. Neuberger et al.* (S.D. New York)

Asbestos Removal Contractors

Howard Stecker, a former U.S. Environmental Protection Agency compliance officer, pled guilty on June 26, 1989, to a 1-count Federal criminal information charging him with conspiring to receive bribe payments from asbestos removal companies in New York City. Stecker unlawfully received approximately \$140,000 between 1983 and September 1986 from asbestos abatement and removal contractors in the New York City area. To date, 22 company owners and officials have been convicted for bribing Stecker to ignore violations of Federal asbestos removal regulations or to not appear at sites where their companies were removing asbestos.

While investigating labor racketeering in the building and construction industry in New York City, OLR uncovered widespread corruption in the asbestos removal segment of the industry. The labor racketeering probe is continuing and is focused on suspected illegal payments between company and union officials and on fraud in union affiliated benefit plans. *U.S. v. Stecker* (S.D. New York)

Chapter 4

OFFICE OF RESOURCE MANAGEMENT AND LEGISLATIVE ASSESSMENT

The Office of Resource Management and Legislative Assessment (ORMLA) supports the OIG by fulfilling several responsibilities mandated by the Inspector General Act of 1978, including legislative and regulatory review, reporting to the Congress, representing the OIG on various committees and initiatives of the President's Council on Integrity and Efficiency (PCIE), and performing ADP and other support activities to achieve the mission of the OIG. This section discusses the significant concerns and achievements of the previous 6 months.

LEGISLATIVE AND REGULATORY ASSESSMENT

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

OIG Legislative Agenda

For the 101st Congress, the OIG supports several legislative proposals that it believes are essential to improve the efficiency and effectiveness of OIG operations and safeguard departmental resources. In addition to recommendations regarding ERISA amendments and OIG investigative authority, discussed in the significant concerns section, the OIG recommended that the Department propose or support legislation in the following areas.

LAW ENFORCEMENT AUTHORITY FOR OIG SPECIAL AGENTS

The need for statutory law enforcement authority for Office of Inspector General special agents, particularly in our Office of Labor Racketeering as well as our Office of Investigations, has continued to be an important concern for us. This authority for the Office of Investigations continues to be a matter of dispute within the Department. The authority would permit OIG special agents to administer oaths to witnesses, execute search warrants, make arrests, and carry firearms. The lack of law enforcement authority continues to impede

the ability of special agents to perform many of the traditional law enforcement responsibilities and presents a real problem of safety for witnesses and agents.

While DOJ has recognized the problem of law enforcement authority by deputizing qualified agents for a limited period of time so that they can discharge their responsibilities, the renewal process has proved burdensome and inefficient. This legislative proposal has been made by the OIG as early as 1981. The Department's historical approach is to classify this as an "item for further study." This year, however, the Department has included such a legislative proposal for OIG Office of Labor Racketeering special agents only. The OIG also supports legislation to provide law enforcement authority for Office of Investigations Special Agents.

EXPANDED OIG SUBPOENA POWERS TO COMPEL TESTIMONIAL EVIDENCE

Testimonial subpoena authority would allow the protection of those individuals who are not federal employees who wish to provide information or statements to the OIG, but fear that they may lose their jobs or suffer other retaliation unless they can demonstrate that their statements are compelled. OLMS and PWBP, which, like the OIG, also have both civil and criminal enforcement responsibilities, already have this testimonial subpoena authority.

OIG investigations have, in many instances, both civil and criminal aspects. While the OIG has the authority to subpoena records, it does not currently have the authority to require individuals to verify information about the records. By not having this authority, the OIG is at a substantial disadvantage. While testimony can be compelled before a grand jury, that testimony may not be used in subsequent civil litigation.

This issue was discussed during recent hearings before the Senate Governmental Affairs Committee. A draft Housing and Urban Development bill that would authorize testimonial subpoenas for the Office of Inspector General has recently been proposed. We strongly support this draft bill.

The subpoena *ad testificandum* is a legitimate law enforcement tool, whose use has been approved by the courts. In fact, many compliance officers within the Department of Labor currently have this authority. To deny this to the OIG is to deliberately withhold a valuable tool that can be used to protect the Department's programs from fraud.

AMENDMENT OF FEDERAL CRIMINAL CODE INVOLVING EMPLOYEE BENEFIT PLANS

The OIG recommended that the Department request legislation that would make it a federal crime to embezzle from governmental plans as defined in the Employee Retirement Income Security Act (ERISA), to receive kickbacks in connection with such plans, and to falsify plan records.

A governmental plan is defined under ERISA as a plan established or maintained for its employees by the Federal government or any State government or political subdivision. If governmental plans are exempt from ERISA, they are not subject to the ERISA-related federal criminal laws.

The OIG recommends that the definition in ERISA be amended to ensure protection to a large group of workers whose employee benefit plans are presently vulnerable. OLR investigations have disclosed that service providers with organized crime connections are taking advantage of the fact that federal law may not cover governmental plans. Additionally, review of some health and welfare plans funded by government entities has disclosed that some plans are controlled and operated by associated labor organizations, some of which are heavily influenced by the organized crime element. These plans are not subject to the provisions of ERISA nor of the corresponding Title 18 criminal provisions.

AMEND DISQUALIFICATION PROVISIONS

The OIG supports legislation to amend Section 504 of the Labor-Management Reporting and Disclosure Act (29 USC 504) and Section 411 of ERISA, which prohibits persons convicted of certain crimes from employment with labor organizations, employee benefit plans, and employer associations and as labor relations con-

sultants. The list of disabling crimes would become identical under both statutes. Disabling offenses under the more inclusive 29 USC 1111 would also apply to 29 USC 504. The proposed legislation would also unequivocally re-assert that disability under 29 USC 504 or 1111 shall not be stayed pending appeal of the disqualifying conviction or otherwise set aside except as provided by these sections.

The amended legislation would eliminate serious disparities between the two statutes, which the Comprehensive Crime Control Act of 1984 failed to address. It would also reaffirm the intention of the Congress in 1984 to make the disabilities imposed by Sections 504 and 1111 effective immediately upon conviction in the trial court even though the disqualifying conviction might be under appeal.

Recently, a Federal judge in Ohio refused to apply the language in 29 USC 504. Harold Friedman, an International Brotherhood of Teamsters vice president, was convicted of racketeering and embezzlement. However, the judge issued a stay of the disqualification based on Rule 38(f) of the Federal Rules of Civil Procedure and the new sentencing guidelines. This has enabled Friedman to hold his various union positions and collect salaries in excess of \$50,000 each month while his conviction is being appealed.

The legislation would resolve any potential conflict between these particular employment disabilities and Rule 38(f).

OFFICE OF LABOR RACKETEERING CONTINGENCY FUND FOR INFORMATION AND UNDERCOVER OPERATIONS

OLR agents frequently need to employ covert techniques to expose certain types of criminal activities. These covert techniques frequently require sufficient cash on hand for payment of special informant expenses, for leasing of special locations and equipment, and for technical surveillances and other undercover operations that are critical to maintaining an effective enforcement program. These methods must sometimes be employed to obtain evidence that cannot be gathered through more basic investigative techniques.

While OLR has budgeted funds for covert techniques, authorization is requested to use the proceeds that can be realized from such undercover operations to offset the necessary and reasonable expenses incurred in the performance of such covert techniques, thereby replenishing this fund.

The OIG recommends appropriation legislation similar to that of the FBI to enable use of the proceeds from these operations to offset necessary and reasonable expenses incurred. Since the financing of undercover operations can be costly, any revenues gained from such operations can be an important factor in the ability to continue projects.

The OIG has established formal policy and guidelines governing such operations in conformity with the undercover guidelines developed by the Attorney General.

Legislative Review

In carrying out our responsibilities under Section 4(a), of the Inspector General Act, ORMLA reviewed and cleared or provided comments on 386 legislative and regulatory items during this reporting period. The following measures have been under consideration by the 101st Congress and are of special interest to the OIG.

H.R.1278, The Financial Institutions Reform, Recovery and Enforcement Act of 1989

This bill would require independent auditors to report on management's assertions regarding its internal controls and its compliance with laws and regulations related to safety and soundness. The OIG supports the concept of this bill but would urge two modifications:

1. It is not clear from the bill's language that the Pension Benefit Guaranty Corporation (PBGC) is one of the federally insured institutions to be covered by the provisions of the bill. The OIG believes that since pension and benefit plans are insured by PBGC, they, as well as PBGC, should be covered by this bill.
2. In its current form, the bill would affect all federally insured institutions with assets of more than \$150 million. This threshold, we believe, is much too high. Therefore, we suggest that the threshold should be reduced.

H.R. 900, Job Training Partnership Accountability Act of 1989

The OIG strongly supports this bill which amends JTPA to establish additional fiscal controls. The Act would define profit limitations on costs and procurement accountability. It would also add record-keeping requirements which specify recording and reporting expenditures in proper cost categories.

S.685 and H.R.1661, The Employee Pension Protection Act of 1989

The OIG fully supports this proposed legislation which would go a long way toward preventing pension plan asset reversion. Effective execution would require additional agency planning, targeting, and resources.

OTHER CONCERNS

Legal Counsel

Another major problem we have experienced in the Department during the past year is the refusal of the Secretary of Labor and the Solicitor to acknowledge the Inspector General's authority to hire his own attorneys under the Inspector General Act of 1978, or, despite repeated promises by the Solicitor, to definitively respond to our request to internally transfer our attorneys from the Office of the Solicitor to the Office of Inspector General. This issue had been mentioned in the past Semiannual Report and was extensively aired in a hearing before the Senate Governmental Affairs Committee in October.

We recommend that the Congress clarify that the Inspector General's authority to hire personnel includes authority to employ attorneys.

Chapter 5

AUDIT RESOLUTION

Audit Resolution Activity (\$ millions)				
<u>Period</u> <u>Ending</u>	<u>Audit Reports</u> <u>Resolved</u>	<u>Amount</u>		<u>Total</u> <u>Resolved</u>
		<u>Disallowed</u>	<u>Allowed</u>	
3/31/88	308	\$24.6	\$43.7	\$68.3
9/30/88	384	\$6.8	\$3.3	\$10.1
3/31/89	344	\$46.6	\$74.2	\$120.8
9/30/89	327	\$72.7	\$45.5	\$118.2

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

Significant Resolution Actions

MANAGEMENT'S COMMITMENT TO RECOVER FUNDS

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

Debt Collections from Responsible Mine Operators (RMOs)

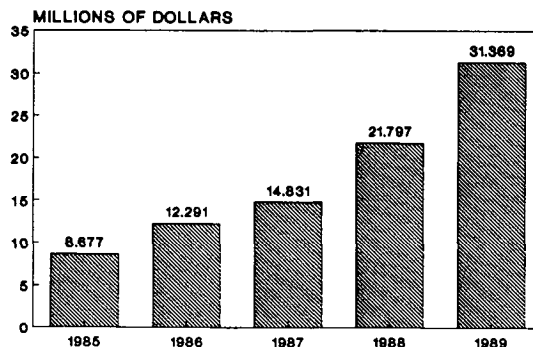
Monies collected by ESA's Division of Coal Mine Workers' Compensation (DCMWC) from responsible mine operators (RMOs) have more than tripled since OIG first recommended improvements in debt collection procedures over 4 years ago.

DCMWC seeks reimbursement from RMOs for compensation and medical payments made out of the Black Lung Disability Trust Fund (BLDTF).

The OIG first recommended improvements in DCMWC's RMO debt collection procedures back in

1985. Two subsequent reports issued by the OIG in 1988 and 1989 recommended additional actions to further increase collections from mine operators found to be liable for outlays from the BLDTF. Since the OIG first reported on this issue in 1985, DCMWC has aggressively pursued the recovery of debts from RMOs. The results of the Agency's efforts, shown in the graph below, culminated in a recordbreaking collection of over \$31 million in fiscal year 1989.

RMO COLLECTIONS
FY 1985 - FY 1989



The OIG commends DCMWC for its success in ensuring RMOs bear their share of the costs of Black Lung compensation and benefits.

**Kentucky JTPA/Toyota Motors
Manufacturing Contract
(Audit Report No. 04-89-094-03-340)**

The Commonwealth of Kentucky misinterpreted Section 123 of JTPA and misspent \$2.6 million to train ineligible participants at the Toyota Motor Manufacturing Plant in Scott County, Kentucky. We recommended that ETA disallow all JTPA costs incurred to train these ineligible participants.

ETA concurred and disallowed the entire \$2.6 million.

Kentucky began replenishing the disallowed costs in November 1988, and by the end of March 1989, reported that all costs had been restored to the JTPA account. The OIG confirmed that the Commonwealth had restored both the \$2.6 million and other unallowable costs of approximately \$28,000.

In addition to reviewing the expenditures and repayments, we examined the funding plan involving the Toyota contract: \$4.5 million in JTPA expenditures were planned under this contract through Program Year 1991. Thus, our audit resulted in both the restoration of \$2.6 million in disallowed costs and funds put to better use of an additional \$1.9 million.

**National Indian Business Council (NIBC)
(Audit Report No. 18-89-010-03-355)**

Serious and flagrant program abuse and conflicts of interest by the NIBC president caused ETA to disallow all \$168,984 in questioned costs. Findings related to less-than-arms-length transactions, improper expenses and capital acquisitions, and administrative costs in excess of regulatory limits. NIBC provided no documentation to show why the audit recommendations should not be upheld.

**Gainesville Job Corps Center (GJCC)
(Audit Report No. 18-89-003-03-370)**

In a special program abuse survey of corpsmember accountability conducted as a result of allegations of program abuse, the OIG showed that the contractor, Teledyne Economic Development (TED), failed to meet critical performance goals, did not terminate corpsmembers with excessive AWOL as required by program regulations, and distorted its performance measurement statistics. While TED's contract included a completion target ratio of 70 percent, only 31 percent

of the corpsmembers who terminated between July 1986 and September 1988 completed training.

ETA agreed with OIG's recommendations that TED implement appropriate monitoring and review procedures and required GJCC to fully comply with Job Corps procedures regarding corpsmembers' leave, accountability and counseling, and disciplinary Review Board cases.

**MANAGEMENT'S COMMITMENT TO
PUT FUNDS TO BETTER USE**

During this reporting period, program officials, and grantees agreed to implement OIG's recommendations that funds could be used more efficiently. Examples of these include reductions in outlays, deobligation of funds, and costs not incurred.

**Validity of ETA "M" Accounts
(Audit Report No. 04-89-118-03-310)**

We recommended that ETA should either eliminate or drastically reduce the unliquidated obligations maintained on its books for the CETA Contingent Liability Pool account. The CETA program ended in 1982. All bills on these grants are long past due. As of September 30, 1987, the unliquidated obligations in this account totaled about \$32 million.

In August 1989, ETA instructed its regional offices to examine each CETA closeout situation and immediately deobligate any unneeded funds. ETA also agreed to locate and properly close out 65 missing grant/contract files representing almost \$6.8 million in unliquidated obligations and, finally, to ensure that the Regional Accounting System (RAS) was appropriately credited for grant refunds and letter-of-credit adjustments of \$532,701.

OIG's recommendations for deobligation resulted in funds put to better use totaling \$39,291,835.

In addition to recommending that funds be put to better use, the report questioned \$7,425,256 because of records which show that grantees/contractors received cash in excess of their reported costs, and grant/contract costs were incurred after the 3-year time limit for expending the funds had expired. ETA agreed to examine each case individually and attempt to recover all excess cash and misspent funds.

**The Wage and Hour Division is Not Fully Collecting Back Wages Owed to Unlocated Workers
(Audit Report No. 02-89-259-04-420)**

The OIG reported that the Wage and Hour Division was not fully collecting back wages owed to unlocated workers, as recommended in a prior OIG audit. We estimated that in fiscal year 1988 alone approximately \$3.6 million in legally collectible back wages were neither recovered nor deposited into the U.S. Treasury. Instead, those wages were retained by employers who had violated the Fair Labor Standards Act.

The Assistant Secretary for Employment Standards concurred with the findings and recommendations and has implemented corrective actions which fully resolve this issue.

**Puerto Rico Volunteer Youth Corps
(Audit Report No. 02-88-079-07-735)**

A final management decision on the Puerto Rico Volunteer Youth Corps indirect cost rate proposal sustained recommended adjustments of \$285,854 for fiscal year 1986. The determination also sustained recommended adjustments of \$1,057,998 for fiscal years 1987 and 1988. In addition, a management decision on the Puerto Rico Office of Economic Opportunity indirect cost rate proposal (Audit Report No. 02-88-080-07-735) sustained recommended adjustments of \$239,817 for fiscal year 1988.

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

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

Following is one example of significant resolution actions by program officials to remedy administrative deficiencies.

**Corpsmember Accountability and Pay Systems
(Audit Report No. 18-89-001-03-370)**

OIG analyzed weaknesses in Job Corps systems for corpsmember accountability and corpsmember pay and allowances. Based on our recommendations, Job Corps is finalizing a directive to implement those procedural improvements which can be implemented in the short term. As for longer term technical improvements in the Job Corps pay and allowance system, the Army Finance Center (the enrollee pay disbursing agency) has taken some preliminary steps to upgrade equipment, communications capability, and software. However, long-term use of the Army Finance Center will depend on ETA's acceptance of the Army's specific plans for overhauling and modernizing the system. Alternatives to the Army Finance Center include a centralized commercial payroll service or decentralizing the enrollee payroll functions to the individual Job Corps centers. ETA anticipates making a decision by January 1990.

Chapter 6

AUDIT SCHEDULES AND TABLES

Money Owed the Department of Labor For the Period April 1, 1989 - September 30, 1989

Program Name	Beginning Balance		Debt Established During Period				Collections During Period		Adjustments Due to:		Ending Balance		
	(A) In Collection	(B) Under Appeal	(C) From Beginning Appeals	(D) From New Appeals	(E) Other (Never Appealed)	(F) New Appeals	(G) In Collection	(H) Under Appeal	(I) Appeals	(K) Audit Resolution	(L) In Collection	(M) Under Appeal	
							(1) Prior Period	(2) Current Period	(1) Prior Period	(2) Current Period	(1) Delinquent	(2) Current	
ESA	20,485,160	3,153,102			10,044,398	210,864	7,673,523		1,540,250		8,962,556	11,531,724	3,363,966
FECA			16,338,694		17,559,856		21,822,196		16,159,444		-1,437,663		133,115,021
Black Lung Disability Trust Fund													
ETA	58,596,206	52,073,865	3,456,905		13,446,818	22,368,272	6,433,692	7,919,862	108,276	1,643,696	55,220,477	1,611,633	61,421,674
CETA	393,715	11,084,190	448,816		5,306,667	2,252,720	486,467	296,245		172,310	5,174,978	11,972	12,419,559
JTPA													
UI/SESA		83,607,766	2,747,387		913,505	7,566,664					3,650,945	9,947	88,427,043
MSHA									1,994,330				
Assessments/Mine Operator Civil Penalties	10,189,031	1,412,087	1,412,087		8,522,762		7,656,744				6,560,592	3,912,214	
OSHA									475,866				
Civil Penalties													
-From Business	11,149,509	34,186,459	11,522		15,217,815	10,235,906	14,542,216				5,544,123	5,816,641	44,410,843
-From State Grantees									14,010		178,962		
BLS	49,464				340,487		196,979						
OASAM	634,891						117,553				320,852	196,486	
Total	110,644,601	334,971,184	24,415,411	0	71,460,970	42,634,426	58,949,370	8,216,107	20,292,176	1,816,006	88,349,319	22,884,184	343,158,086

Explanations:

Figures provided by agencies are estimates and are unaudited.
Differences between beginning balances on this schedule and ending balances on the prior period schedule result from adjustments made during the period.
Almost all delinquent debt has either been referred to DOJ for collection action, or is in the process of referral.
Collections during period includes money which had been under appeal, subsequently had a debt established and money collected..

Definitions:

Collections: Includes cash, offsets, property, repayment agreements; any amount more than 30 days overdue is delinquent
Under appeal: Formal process in which program recipient/auditee appeals program agency's determination; amounts are "contingent" receivables--not available for collection
Write-Offs: Result from agency administrative procedures to write off uncollectible receivables. a/k/a bad debt
Adjustments due to appeals: Adjustments of contingent receivables which result from ALJ/Judicial process (includes agency actions overturned & compromises)
Adjustments due to audit resolution: Adjustments of contingent receivables which result from reclassification of disallowed costs based on documentation submitted after audit resolution

**Summary of Audit Activity of DOL Programs
April 1, 1989 - September 30, 1989**

Agency	Reports Issued	Grant/Contract Amount Audited	Unsupported Costs ¹	Amount Recommended Disallowance
OSEC	6	\$281,689	0	0
VETS	16	\$4,689,697	0	0
ETA	248	\$719,291,714	\$7,401,316	\$2,100,954
ESA	6	\$3,561,890,372	0	0
MSHA	7	\$183,040,017	\$3,420,000	0
OASAM	13	\$9,947,583	\$649,441	\$632,294
OIG	1	\$15,703,209	0	0
OSHA	18	\$257,301,700	\$11,066	0
BLS	8	\$2,666,615	0	0
PWBA	1	0	0	0
Multi	31	\$3,570,990,975	\$15,762,449	\$447
Other Agencies	19	0	0	0
Totals	374	\$8,325,803,571	\$27,244,272	\$2,733,695

¹"Unsupported Costs" include \$3,498,249 in funds put to better use.

**Summary of Audit Activity of ETA Programs
April 1, 1989 - September 30, 1989**

Program	Reports Issued	Grant/Contract Amount Audited	Unsupported Costs	Amount Recommended Disallowance
ADMIN	5	\$917,144	\$1,046	\$99,186
OFAM	1	\$1,004,148	\$190,115	\$6,348
UIS	2	0	0	0
USES	1	\$33,983,616	0	0
SESA	7	\$182,232,865	\$2,938,229	\$17,584
JTPA	25	\$390,453,766	\$2,523,874	\$784,322
CETA	2	\$8,171	\$30,371	0
DINAP	91	\$49,297,114	\$407,928	\$688,375
DOWP	9	\$12,367,596	\$656	0
DSFP	16	\$18,562,457	\$105,482	0
OJC	83	\$8,660,102	\$1,191,535	\$505,139
OSPPD	6	\$21,804,735	\$12,080	0
Totals	248	\$719,291,714	\$7,401,316	\$2,100,954

**Summary of Audits Performed Under the Single Audit Act
April 1, 1989 - September 30, 1989**

Agency	Entities Audited	Reports Issued	DOL Grant/Contract Amount Audited	Amount of Unsupported Costs	Amount Recommended Disallowance
OSEC	3	4	\$274,316	0	0
VETS	4	16	\$4,689,697	0	0
ETA	58	135	\$567,303,412	\$2,568,110	\$17,584
MSHA	1	5	\$686,481	0	0
OASAM	0	1	0	0	0
OSHA	4	16	\$22,296,064	\$11,066	0
BLS	3	6	\$2,377,724	0	0
Multi Agency	16	31	\$3,570,990,975	\$15,762,449	\$447
Other Agencies	18	18	0	0	0
Totals	107	232	\$4,168,618,669	\$18,341,625	\$18,031

Note: DOL has cognizant responsibility for specific entities under the Single Audit Act. More than one audit report may have been transmitted or issued for an entity during this time period. Reports are transmitted or issued based on the type of funding and the agency/program responsible for resolution. During this period, DOL issued 117 reports on 107 entities for which DOL was cognizant; in addition, DOL issued 115 reports which included direct DOL funds for which DOL was not cognizant.

**Summary of Audits Performed Under the Single Audit Act
Multi-Agency Reports
April 1, 1989 - September 30, 1989**

Program	Number of Recommendations	Amount of Unsupported Costs	Amount Recommended Disallowance
VETS			
Contractors	2	\$884	0
ETA			
UIS	5	\$1,257	0
SESA	11	\$554,323	\$447
OTAA	5	\$85,862	0
JTPA	8	\$15,052,786	0
OASAM			
OPGM	3	\$24,583	0
OSHA			
OSHAG	2	\$839	0
BLS			
BLSG	3	\$41,915	0
Totals	39	\$15,762,449	\$447

Multi-Agency Programs reports relate to Single Audit reports only. The report may be on a statewide audit where DOL has accepted "lead" cognizancy or it may be on a single entity under the direct responsibility of DOL. This semiannual period has been a time of transition. In some instances, more than one report was issued for a Single Audit entity if more than one DOL program's funds were audited. More recently, if multiple DOL programs were audited, the multiple-agency program designation was used. Individual recommendations within the report designate which agency/program is responsible for resolution. Thirty-nine recommendations are contained within the 31 multiple agency reports issued in this period. The ultimate result will be that the number of reports issued will equal the number of entities audited. An example of the new system is the Single Audit report on the State of Maine under report number 02-89-203-50-598. The "50-598" identifies the multi-agency classification.

Audits by Non-Federal Auditors¹
Summary Results of IG Reviews of A-128 Reports
For the Period of Six Months Ended September 30, 1989

	<u>Independent Public Accountant</u>	<u>State & Local Auditor</u>	<u>Grand Total</u>
1. Report issued without change or with minor changes	169	63	232
a. Based on desk review			
b. Based on QCR			
Total without change or minor changes	169	63	232
2. Reports issued with major changes			
a. Based on desk review			0
b. Based on QCR			0
Total with major changes			0
3. Reports with significant inadequacies			
a. Based on desk review			0
b. Based on QCR			0
Total reports with significant inadequacies			0
4. Number of auditors referred to State Boards/AICPA			0
5. Number of auditors which other sanctions were taken			0
6. Costs questioned in reports issued with direct funded findings	\$1,115,135	\$17,226,490	\$18,341,625
7. Sustained questioned costs	\$9,399,833	\$469,960	\$9,869,793
8. Costs recommended for disallowance in reports issued with direct funded findings	0	\$18,031	\$18,031
9. Sustained recommended disallowances	\$30,423	0	\$30,423

¹The non-Federal audit information on this form pertains only to those non-Federal audits where the audit services were procured or obtained by the auditee organization and where the audits are subject to the reporting agency's quality review system.

Summary of Audit Resolution Activity April 1, 1989 - September 30, 1989

Agency Program	April 1, 1989		Issued (Increases)		Resolved (Decreases) Allowed		Disallowed		Sept. 30, 1989	
	Balance Unresolved Reports	Dollars	Reports	Dollars	Reports	Dollars	Reports	Dollars	Balance Unresolved Reports	Dollars
OSEC	3	\$1,600	6	0	8	0	1	\$1,600	1	0
VETS	17	\$3,053,734	16	0	16	0	17	\$2,873	17	\$3,050,861
ETA:										
ADMIN	2	0	5	\$100,232	4	0	3	0	3	\$100,232
OFAM	2	\$46,720,565	1	\$196,463	2	\$1,453	1	\$46,719,112	1	\$196,463
UIS	2	\$10,270	2	0	3	\$10,270	1	0	1	0
USES	2	0	1	0	3	0	0	0	0	0
SESA	17	\$48,407,043	7	\$2,955,813	17	\$41,774,961	7	\$6,637,076	7	\$2,950,819
JTPA	18	\$15,236,976	25	\$3,594,122	28	\$2,524,091	15	\$8,297,116	15	\$8,009,891
CETA	0	0	2	\$30,371	0	0	2	0	2	\$30,371
DINAP	26	\$295,860	91	\$1,096,589	88	\$63,946	29	\$246,545	29	\$1,081,958
DOWP	4	\$63,286	9	\$656	11	0	2	\$63,286	2	\$656
DSFP	12	\$127,946	16	\$105,482	21	\$14,402	7	\$113,544	7	\$105,482
OJC	36	\$1,452,042	83	\$1,696,674	39	\$338,881	80	\$1,089,055	80	\$1,720,780
SPPD	2	\$11,652	6	\$12,080	6	0	2	\$11,652	2	\$12,080
ESA	3	\$3,600,000	6	0	6	0	3	\$3,600,000	3	0
MSHA	3	\$5,258	7	\$3,420,000	8	\$5,103	2	\$3,420,155	2	0
OASAM	10	\$15,212,163	13	\$1,281,735	15	\$597,255	8	\$1,837,013	8	\$14,059,630
OIG	0	0	1	0	1	0	0	0	0	0
OSHA	6	\$788,671	18	\$11,066	21	\$165,299	3	\$634,372	3	\$11,066
BLS	0	0	8	0	8	0	0	0	0	0
PWBA	0	0	1	0	0	0	0	0	0	0
Multi-Agency	0	0	31	\$15,762,896	8	0	23	0	23	\$15,762,896
Other Agency	0	0	19	0	14	0	0	0	5	0
TOTAL	165	\$134,987,066	374	\$30,264,179	327	\$45,495,661	212	\$72,673,399	212	\$47,093,185

DOLLARS represents both unsupported costs (costs that are inadequately documented or that require the grant officer's interpretation regarding allowability) and costs recommended for disallowance (costs that are in violation of law or regulatory requirements).

DISALLOWED COSTS include additional claim amounts by OSHA of \$11,000.

ADDITIONAL CLAIM AMOUNTS occur when the grant officer disallows an amount in addition to the finding amount. Disallowed costs include \$50,668,585 in sustained funds recommended to be put to better use.

AUDIT RESOLUTION occurs when the program agency and the audit organization agree on action to be taken on reported findings and determinations. Thus, this table does not represent any activity subsequent to management's final action such as results of the appeals process, program agency debt collection efforts, or revision of prior management determinations.

DIFFERENCES between the beginning balances in this schedule and the ending balances of the previous semiannual report result from adjustments during the reporting period.

Summary of Audit Resolution Activity
Unsupported Costs
April 1, 1989 - September 30, 1989

Agency Program	April 1, 1989		Issued (Increases)		Resolved (Decreases)		Sept. 30, 1989			
	Balance Unresolved	Dollars	Reports	Dollars	Reports	Allowed	Disallowed	Balance Unresolved	Reports	Dollars
OSEC	1	\$1,600	0	0	1	0	\$1,600	0	0	0
VEIS	14	\$3,053,734	0	0	2	0	\$2,873	12	12	\$3,050,861
ETA:										
ADMIN	0	0	1	\$100,232	0	0	0	0	1	\$100,232
OFAM	1	\$7,428,730	1	\$196,463	1	\$1,453	\$7,427,277	1	1	\$196,463
UIS	1	\$10,270	0	0	1	\$10,270	0	0	0	0
SESA	8	\$48,407,043	6	\$2,955,813	9	\$41,774,961	\$6,637,076	5	5	\$2,950,819
JTPA	16	\$13,260,904	6	\$3,594,122	12	\$2,524,091	\$6,321,044	10	10	\$8,009,891
CETA	0	0	2	\$30,371	0	0	0	2	2	\$30,371
DINAP	15	\$295,860	20	\$1,096,589	18	\$63,946	\$246,545	17	17	\$1,081,958
DOWP	2	\$63,286	1	\$656	2	0	\$63,286	1	1	656
DSFP	6	\$127,946	2	\$105,482	6	\$14,402	\$113,544	2	2	\$105,482
OJC	16	\$904,058	73	\$1,696,674	15	\$338,881	\$541,071	74	74	\$1,720,780
SPPD	1	\$11,652	2	\$12,080	1	0	\$11,652	2	2	\$12,080
ESA	0	0	0	0	0	0	0	0	0	0
MSHA	1	\$5,258	0	0	1	\$5,103	\$155	0	0	0
OASAM	2	\$12,860,463	7	\$1,203,486	2	0	\$4,319	7	7	\$14,059,630
OSHA	2	\$788,671	2	\$11,066	2	\$165,299	\$634,372	2	2	\$11,066
BLS	0	0	0	0	0	0	0	0	0	0
Multi-Agency	0	0	15	\$15,762,896	0	0	0	15	15	\$15,762,896
Other Agency	0	0	0	0	0	0	0	0	0	0
TOTAL	86	\$87,219,475	138	\$26,765,930	73	\$44,898,406	\$22,004,814	151	151	\$47,093,185

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

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

Agency Program	April 1, 1989 Balance Unresolved		Resolved (Decreases) ¹		Sept. 30, 1989 Balance Unresolved ²	
	Reports	Dollars	Reports	Dollars	Reports	Dollars
OSEC	3	\$1,600	3	\$1,600	0	0
VETS	17	\$3,053,734	3	\$2,873	14	\$3,050,861
ETA:						
ADMIN	2	0	2	0	0	0
OFAM	2	\$46,720,565	2	\$46,720,565	0	0
UIS	2	\$10,270	1	\$10,270	1	0
USES	2	0	2	0	0	0
SESA	17	\$48,407,043	17	\$48,407,043	0	0
JTPA	18	\$15,236,976	14	\$10,821,207	3	\$4,415,769
DINAP	26	\$295,860	25	\$295,860	0	0
DOWP	4	\$63,286	4	\$63,286	0	0
DSFP	12	\$127,946	12	\$127,946	0	0
OJC ³	36	\$1,452,042	35	\$1,449,329	1	2,713
OSPPD	2	\$11,652	2	\$11,652	0	0
ESA	3	\$3,600,000	2	\$3,600,000	1	0
MSHA	3	\$5,258	2	\$5,258	1	0
OASAM	10	\$15,212,163	8	\$2,351,700	2	\$12,860,463
OSHA	6	\$788,671	6	\$788,671	0	0
BLS	0	0	0	0	0	0
Other Agencies	0	0	0	0	0	0
TOTALS	165	\$134,987,066	140	\$114,657,260	23	\$20,329,806

¹Reflects resolution activity for assignments which are unresolved at the beginning of the period.

²Includes only those assignments whose unresolved status is over 180 days.

³Reports are not resolved until all recommendations within the report are resolved: for example, in one OJC report, \$21,393 out of \$24,106 had been resolved by 9/30/89, but since \$2,713 had not been resolved, the report also remained unresolved as of 9/30/89.

Beginning Balance Unresolved includes Funds Recommended To Be Put to Better Use of \$47,767,591.

Sustained Recommendations that Funds Be Put To Better Use (decreases) total \$47,170,336 for the period.

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

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

Agency Program	April 1, 1989 Balance Unresolved		Resolved (Decreases)		Sept. 30, 1989 Balance Unresolved	
	Reports	Dollars	Reports	Dollars	Reports	Dollars
OSEC	1	\$1,600	1	\$1,600	0	0
VETS	14	\$3,053,734	2	\$2,873	12	\$3,050,861
ETA:						
ADMIN	0	0	0	0	0	0
OFAM	1	\$7,428,730	1	\$7,428,730	0	0
UIS	1	\$10,270	1	\$10,270	1	0
USES	0	0	0	0	0	0
SESA	8	\$48,407,043	8	\$48,407,043	0	0
JTPA	15	\$13,260,904	12	\$8,845,135	3	\$4,415,769
DINAP	14	\$295,860	14	\$295,860	0	0
DOWP	2	\$63,286	2	\$63,286	0	0
DSFP	6	\$127,946	6	\$127,946	0	0
OJC	16	\$904,058	15	\$901,345	1	\$2,713
OSPPD	1	\$11,652	1	\$11,652	0	0
ESA	0	0	0	0	0	0
MSHA	1	\$5,258	1	\$5,258	0	0
OASAM	2	\$12,860,463	0	0	2	\$12,860,463
OSHA	2	\$788,671	2	\$788,671	0	0
BLS	0	0	0	0	0	0
Other Agencies	0	0	0	0	0	0
TOTALS	84	\$87,219,475	66	\$66,889,669	18	\$20,329,806

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

**Unresolved Audits Over 6 Months
Precluded from Resolution
April 1, 1989 - September 30, 1989**

Agency	Program	Audit Report Number	Name of Audit/Auditee	No of Rec	Audit Exceptions
Under Litigation:					
VETS	ADMIN	17-87-047-02-001	ILLINOIS VETS DVOP FUNDS ¹	1	\$773,827
VETS	ADMIN	17-87-051-02-001	OHIO VETS DVOP FUNDS	1	\$627,755
VETS	ADMIN	17-87-052-02-001	FLORIDA VETS DVOP FUNDS	4	\$96,108
VETS	ADMIN	17-87-053-02-001	INDIANA VETS DVOP FUNDS	2	\$60,745
VETS	ADMIN	17-87-055-02-001	MISSOURI VETS DVOP FUNDS	1	\$297,370
VETS	ADMIN	17-87-056-02-001	CALIFORNIA VETS DVOP FUNDS	3	\$256,496
VETS	ADMIN	17-87-057-02-001	WASHINGTON VETS DVOP FUNDS	4	\$237,304
VETS	VETSPM	17-88-001-02-210	MICHIGAN VETS DVOP FUNDS	2	\$245,693
VETS	VETSPM	17-88-002-02-210	WISCONSIN VETS DVOP FUNDS	1	\$165,539
VETS	VETSPM	17-88-003-02-210	MARYLAND VETS DVOP FUNDS	1	\$193,700
VETS	VETSPM	17-88-005-02-210	TEXAS VETS DVOP FUNDS	2	\$24,649
VETS	VETSPM	17-88-006-02-210	IOWA VETS DVOP FUNDS	2	0
VETS	VETSPM	17-88-008-02-210	NEBRASKA VETS DVOP FUNDS	1	\$71,675
VETS	VETSPM	17-88-009-02-210	MINNESOTA VETS DVOP FUNDS	1	0
OASAM	OCD	05-83-065-07-742	CITY OF DETROIT ⁴	11	\$12,813,635
Pending Indirect Cost Negotiations:					
OASAM	OPGM	04-88-070-07-735	HOME BUILDERS ²	8	\$46,828
Awaiting Resolution:					
ETA	UIS	03-83-203-03-315	UI EXPERIENCE RATING ³	1	0
ETA	SESA	04-87-030-03-325	SESA INVESTMENT OF UI FUNDS ⁵	3	0
ETA	JTPA	05-88-087-03-340	WAYNE COUNTY MI PIC ⁶	4	\$181,183
ETA	JTPA	09-88-548-03-340	SDA PROCUREMENT PRACTICES ⁷	3	\$4,205,666
ETA	JTPA	18-89-004-03-340	UNITED COMMUNITY SVCS, INC ⁶	2	\$28,920
ETA	OJC	03-88-060-03-370	PLACEMENT CONFIRMATIONS ⁸	1	\$2,713
ESA	OFCCP	04-86-079-04-410	EFFECTIVENESS & EFFICIENCY ⁹	11	0
TOTAL AUDIT EXCEPTIONS:				<u>71</u>	<u>\$20,329,806</u>

¹During the last semiannual report period, the OIG requested that GAO's Office of General Counsel clarify State responsibilities under the DVOP statute, PL 96-466. Pending a decision, resolution is being held in abeyance.

²OMB Circular A-50 does not require resolution within 180 days.

³Current efforts include developing a methodology to validate reported Experience Rating Index values. OIG is working with ETA on a system to do this by standardizing Unemployment Trust Fund accounting at the SESA level. See Chapter 1.

⁴In August 1984, the OIG issued an audit report on Detroit's Indirect Costs under CETA. The City appealed and, 3 years later, the ALJ heard the case (6/87). More than 2 years after that (7/89), the ALJ issued an *interim* finding in which each side was to ascertain the impact of any ruling, try to reach agreement, and provide results to the ALJ by 9/15/89. Each side responded. Not surprisingly, they did not agree. The OIG was informed by ALJ staff that the ALJ requested another response by 10/22/89 (now 11/7/89 because Detroit requested additional time) which is to include final figures from both parties. Further, the ALJ hopes to make a final determination 2-4 weeks after that. This appeal is now 5 years old.

⁵Resolution is pending passage of proposed Federal-State cash management legislation. The OIG and ETA are attempting to reach consensus with OMB on treatment of the unemployment trust fund (UTF), especially with regard to continuing losses to the UTF, in such legislation.

⁶The States have 180 days to issue a final decision on these audits. An additional 180 days is allowed for ETA and the OIG to accept State level decisions.

⁷Resolution is pending OIG/ETA concurrence on the content of a settlement agreement to be offered to Oregon on funds recommended for disallowance.

⁸ETA's final Management Decision on the single outstanding recommendation was received in October 1989. The report is now resolved.

⁹Many recommendations have been resolved. The OIG is working with ESA's new Assistant Secretary to reach resolution on those remaining.

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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
02-89-262-01-001	OSEC	ADMIN	03-JUL-89	Secretary's FY 87 Year End Priority Projects
02-89-219-02-210	VETS	VETSP	01-MAY-89	Cmnwlth of PR Labor & Human Resources A-128
02-89-246-02-210	VETS	VETSP	17-JUL-89	Suffolk County A-128
02-89-264-02-210	VETS	VETSP	29-SEP-89	City of Syracuse New York A-128
02-89-270-02-210	VETS	VETSP	22-MAY-89	Maine Educational & Cultural Svcs A-128
02-89-216-03-325*	ETA	SESA	01-MAY-89	Cmnwlth of PR Labor & Human Resources A-128
02-89-220-03-340	ETA	JTPA	08-JUN-89	Puerto Rico Governor's Office A-128
02-89-248-03-340	ETA	JTPA	01-MAY-89	Puerto Rico Governor's Youth Affairs A-128
02-89-260-03-340	ETA	JTPA	29-SEP-89	Classroom Training Crossmatch JTPA with PELL
02-89-249-03-345	ETA	CETA	24-MAY-89	Taunton MA A-128
02-89-243-03-355	ETA	DINAP	29-SEP-89	Rhode Island Indian Council, Inc. A-128
02-89-282-03-355	ETA	DINAP	29-SEP-89	Rhode Island Indian Council, Inc. A-128
02-89-257-03-365*	ETA	DSFP	24-MAY-89	New England Farm Workers' Council, Inc. A-128
02-89-265-03-365*	ETA	DSFP	29-SEP-89	Rural Opportunities, Inc. A-128
02-89-020-03-370	ETA	OJC	30-AUG-89	Trning & Devlpmnt Corp. Interest Due the Govt
02-89-280-03-370	ETA	OJC	24-APR-89	Puerto Rico Job Corps
02-89-217-10-101	OSHA	OSHAG	01-MAY-89	Cmnwlth of PR Labor & Human Resources A-128
02-89-203-50-598	MULTI	ALL	18-AUG-89	Maine A-128
02-89-208-50-598	MULTI	ALL	18-AUG-89	Rhode Island A-128
02-89-239-50-598	MULTI	ALL	26-MAY-89	Vermont A-128
02-89-250-50-598	MULTI	ALL	26-MAY-89	City of Hartford Conn. A-128
02-89-252-50-598*	MULTI	ALL	01-MAY-89	New Hampshire A-128
02-89-268-50-598*	MULTI	ALL	14-JUL-89	Training and Development Corp. A-128
03-89-060-01-010	OSEC	ASP	01-JUN-89	Delaware FY 87 A-128
03-89-016-02-210	VETS	VETSP	01-JUN-89	Delaware FY 87 A-128
03-89-064-03-315	ETA	UIS	19-SEP-89	UI Exp. Rating Followup, State of Wisconsin
03-89-085-03-315	ETA	UIS	02-AUG-89	Revenue Quality Control Review Guide
03-89-012-03-325	ETA	SESA	01-JUN-89	Delaware FY 87 A-128
03-89-011-03-340*	ETA	JTPA	09-JUN-89	WV Governor's EC/Community Dev Office A-128
03-89-013-03-340	ETA	JTPA	01-JUN-89	Delaware FY 87 A-128

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03-89-073-03-340*	ETA	JTPA	28-JUN-89	Kanawha County PIC A-128
03-89-014-03-360	ETA	DOWP	01-JUN-89	Delaware FY 87 A-128
03-89-075-03-360	ETA	DOWP	03-JUL-89	Allegheny County, PA A-128
03-89-084-03-370	ETA	OJC	12-JUL-89	Prospective Contractor Pre-Award Survey
03-89-040-04-001	ESA	ADMIN	07-AUG-89	FY 1988 Financial Stmt's & Acct's Report
03-89-062-04-420	ESA	WHD	08-AUG-89	Internal Controls Over Back Wages
03-89-039-04-433	ESA	CMWC	27-JUL-89	Responsible Mine Owners' Debt Collection
03-89-061-04-433	ESA	CMWC	27-JUL-89	Black Lung Comp & Med Bill Pymt Systems
03-89-038-06-001	MSHA	ADMIN	11-AUG-89	FY 87 & 88 Fin Stmt's & Auditors' Report
03-89-035-07-711	OASAM	OA	28-APR-89	OASAM Petty Cash Review
03-89-015-10-101	OSHA	OSHAG	01-JUN-89	Delaware FY 87 A-128
03-89-017-50-598	MULTI	ALL	13-JUN-89	Pennsylvania FY 86 A-128
03-89-023-50-598	MULTI	ALL	21-JUN-89	Maryland FY 87 A-128
03-89-027-50-598	MULTI	ALL	27-JUN-89	Pennsylvania FY 87 A-128
03-89-034-50-598*	MULTI	ALL	21-JUN-89	D.C. Dept. of Employment Services
03-89-074-50-598*	MULTI	ALL	07-JUL-89	Virginia Employ Comm FY 87 A-128
03-89-083-50-598	MULTI	ALL	25-AUG-89	Pennsylvania FY 88 A-128
03-89-076-98-599*	OT AG	NONE	11-JUL-89	Prince George's County, MD A-128
03-89-079-98-599*	OT AG	NONE	21-JUL-89	Kanawha County, West Virginia A-128
04-89-147-01-001	OSEC	ADMIN	30-MAY-89	Georgia State University
04-89-127-01-010*	OSEC	ASP	24-APR-89	South Carolina OICC FY 88 A-128
04-89-156-01-010*	OSEC	ASP	09-JUN-89	Inst of Industrial Engineers FY 89 A-128
04-89-115-02-210	VETS	VETSP	17-AUG-89	Broward County, FL FY 88 A-128
04-89-129-02-210	VETS	VETSP	24-APR-89	SC Emp Sec Comm FY 88 A-128
04-89-134-02-210	VETS	VETSP	26-APR-89	SC Tech/Comp Ed Bd FY 86-87 A-128
04-89-140-02-210	VETS	VETSP	25-MAY-89	Georgia Mountains APDC FY 86 A-128
04-89-141-02-210	VETS	VETSP	25-MAY-89	Georgia Mountains APDC FY 87 A-128
04-89-154-02-210*	VETS	VETSP	07-JUN-89	Upper Cumberland Human Res FY 87 A-128
04-89-168-02-210	VETS	VETSP	22-JUN-89	Broward County, FL FY 87 A-128
04-89-178-02-210*	VETS	VETSP	20-JUL-89	Atlanta PIC A-128

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04-89-120-03-001	ETA	ADMIN	04-AUG-89	Roy Littlejohn Associates, Inc.
04-89-122-03-001	ETA	ADMIN	19-APR-89	Roy Littlejohn Associates, Inc. Letter Report
04-89-128-03-325*	ETA	SESA	24-APR-89	SC Empl. Sec. Comm. FY 88 A-128
04-89-139-03-325	ETA	SESA	03-MAY-89	UI Equity in State-Owned Real Property-Indiana
04-89-042-03-340*	ETA	JTPA	02-JUN-89	Youth Service U.S.A., Inc. A-128
04-89-131-03-340*	ETA	JTPA	26-APR-89	SC Technical/Comprehensive Ed. FY 86-87 A-128
04-89-144-03-340	ETA	JTPA	25-MAY-89	NC Manpower Development Corp. Inc. (MDC)
04-89-145-03-340	ETA	JTPA	25-MAY-89	NC Manpower Development Corp. Inc. (MDC)
04-89-146-03-340	ETA	JTPA	07-JUN-89	University of Kentucky A-128
04-89-153-03-340	ETA	JTPA	15-SEP-89	MS SDA Summer Youth Remedial ED Project
04-89-158-03-340	ETA	JTPA	14-JUN-89	KY Cncl of State Govts FY 86 A-128
04-89-159-03-340	ETA	JTPA	14-JUN-89	KY Cncl of State Govts FY 87 A-128
04-89-160-03-340	ETA	JTPA	14-JUN-89	KY Cncl of State Govts FY 88 A-128
04-89-175-03-340	ETA	JTPA	12-JUL-89	City of Jacksonville, FL FY 88 A-128
04-89-133-03-355*	ETA	DINAP	26-APR-89	SC Tech/Comp Ed Bd FY 86-87 A-128
04-89-142-03-355	ETA	DINAP	25-MAY-89	Poarch Band, Creek Indians FY 87 A-128
04-89-151-03-355*	ETA	DINAP	06-JUN-89	South & Eastern Tribes FY 85-86 A-128
04-89-152-03-355*	ETA	DINAP	08-JUN-89	South & Eastern Tribes FY 87 A-128
04-89-165-03-355*	ETA	DINAP	19-JUN-89	Guilford Native Amer Assn FY 86 A-128
04-89-170-03-355*	ETA	DINAP	26-JUN-89	Lumbee Regional Dev. Assn FY 88 A-128
04-89-180-03-355	ETA	DINAP	07-AUG-89	FL Miccosukee Indian Tribe FY 86 A-128
04-89-181-03-355	ETA	DINAP	04-AUG-89	Seminole Tribe of Florida FY 87 A-128
04-89-191-03-355*	ETA	DINAP	24-AUG-89	Metrolina Native Amer Assn FY 88 A-128
04-89-194-03-355	ETA	DINAP	06-SEP-89	MS Band of Choctaw Indians FY 87 A-128
04-89-196-03-355	ETA	DINAP	08-SEP-89	FL Miccosukee Indian Tribe FY 87 A-128
04-89-197-03-355*	ETA	DINAP	15-SEP-89	TN Opportunity Programs FY 88 A-128
04-89-163-03-360	ETA	DOWP	15-JUN-89	SC Commission on Aging FY 86 A-128
04-89-182-03-360	ETA	DOWP	08-AUG-89	GA Dept of Human Resources FY 86 A-128
04-89-184-03-360	ETA	DOWP	08-AUG-89	GA Dept of Human Resources FY 87 A-128
04-89-136-03-365*	ETA	DSFP	01-MAY-89	MS Delta Cncl Farm Wrkrs Opp FY 88 A-128
04-89-138-03-365*	ETA	DSFP	04-MAY-89	Centro Campesino-Farmwrkrs Ctr FY 86 A-128
04-89-162-03-365*	ETA	DSFP	15-JUN-89	Delta Housing Dev. Corp. FY 88 A-128
04-89-185-03-365*	ETA	DSFP	09-AUG-89	Homes in Partnership (HIP) FY 88 A-128
04-89-188-03-365*	ETA	DSFP	16-AUG-89	Homes in Partnership (HIP) FY 86 A-128
04-89-192-03-365*	ETA	DSFP	31-AUG-89	Centro Campesino-Farmwrkrs Ctr FY87 A-128
04-89-132-06-601	MSHA	GRTEE	26-APR-89	SC Tech/Comp Ed Bd FY 86-87 A-128
04-89-173-06-601	MSHA	GRTEE	03-JUL-89	GA Dept of Technical & Adult Educ. A-128
04-89-179-07-001	OASAM	ADMIN	02-AUG-89	Review of OASAM's Imprest Fund

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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
04-89-043-10-101*	OSHA	OSHAG	05-APR-89	South Carolina DOL FY 87 A-128
04-89-044-10-101*	OSHA	OSHAG	06-APR-89	United Paperworkers Int'l FY 86 A-128
04-89-126-10-101*	OSHA	OSHAG	04-APR-89	GA Assoc. Gen'l Contractors FY 86 A-128
04-89-187-10-101	OSHA	OSHAG	18-APR-89	Univ. of AL at Birmingham FY 86-87 A-128
04-89-130-11-111	BLS	BLSG	24-APR-89	SC Empl Sec Comm FY 88 A-128
04-89-183-11-111	BLS	BLSG	07-AUG-89	Research Triangle Institute FY 88 A-128
04-89-195-11-111*	BLS	BLSG	07-SEP-89	AL Department of Labor FY 87-88 A-128
04-89-148-50-598*	MULTI	ALL	02-JUN-89	Youth Services USA Inc. FY 87 A-128
04-89-149-50-598*	MULTI	ALL	05-JUN-89	Youth Services USA Inc. FY 88 A-128
04-89-164-50-598*	MULTI	ALL	16-JUN-89	SC Office of the Governor FY 88 A-128
04-89-193-50-598	MULTI	ALL	11-SEP-89	State of Florida FY 88 A-128
04-89-045-98-599*	OT AGY	NONE	11-APR-89	Alachua County, FL FY 88 A-128
04-89-092-98-599*	OT AGY	NONE	01-APR-89	Wake County, NC FY 88 A-128
04-89-135-98-599*	OT AGY	NONE	27-APR-89	Sarasota County, FL FY 88 A-128
04-89-137-98-599*	OT AGY	NONE	02-MAY-89	Huntsville, AL FY 88 A-128
04-89-143-98-599*	OT AGY	NONE	28-JUN-89	Onslow County, NC FY 88 A-128
04-89-150-98-599*	OT AGY	NONE	22-JUN-89	Sullivan County, TN FY 88 A-128
04-89-155-98-599*	OT AGY	NONE	13-JUL-89	Greenville, SC FY 88 A-128
04-89-157-98-599*	OT AGY	NONE	13-JUN-89	Orange County, FL FY 88 A-128
04-89-161-98-599*	OT AGY	NONE	12-JUL-89	Cumberland County, NC FY 88 A-128
04-89-166-98-599*	OT AGY	NONE	22-JUN-89	Davidson County, NC FY 88 A-128
04-89-167-98-599*	OT AGY	NONE	28-JUN-89	Alamance County, NC FY 88 A-128
04-89-169-98-599*	OT AGY	NONE	27-JUN-89	Brevard County, FL FY 88 A-128
04-89-171-98-599*	OT AGY	NONE	28-JUN-89	Seminole County, FL FY 88 A-128
04-89-198-98-599*	OT AGY	NONE	26-SEP-89	Pasco County, FL FY 88 A-128
05-89-070-02-201*	VETS	CONTR	19-JUN-89	MI Thumb Area E&T Cnsrt FY 88 A-128
05-89-063-02-210*	VETS	VETSP	03-MAY-89	Full Employment Cncl, Inc. FY 88 A-128
05-89-078-03-325*	ETA	SESA	31-JUL-89	Iowa Job Service FY 89 A-128
05-89-048-03-340*	ETA	JTPA	03-APR-89	Michigan DOL FY 85-87 A-128
05-89-077-03-340	ETA	JTPA	29-SEP-89	Wisconsin JTPA Funds Wasted
05-89-058-03-345	ETA	CETA	27-APR-89	St. Clair County, MI FY 87 A-128
05-89-040-03-355*	ETA	DINAP	22-MAY-89	Michigan Indian E&T, Inc. FY 88 A-128
05-89-043-03-355*	ETA	DINAP	29-JUN-89	No. Amer. Indian Cultural Ctr FY 87 A-128
05-89-044-03-355	ETA	DINAP	03-APR-89	Sac/Fox Tribe of MS FY 87 A-128
05-89-045-03-355	ETA	DINAP	03-APR-89	Sac/Fox Tribe of MS FY 88 A-128
05-89-046-03-355*	ETA	DINAP	03-APR-89	Mid-America All-Indian Ctr FY 87 A-128
05-89-054-03-355	ETA	DINAP	06-APR-89	Lac du Flambeau Chippewas FY 87 A-128

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05-89-055-03-355*	ETA	DINAP	14-APR-89	Wisconsin Indian Cnsrt FY 88 A-128
05-89-056-03-355	ETA	DINAP	20-APR-89	Leech Lake Reservation FY 87 A-128
05-89-061-03-355	ETA	DINAP	27-APR-89	Sault Ste Marie Chippewas FY 87 A-128
05-89-064-03-355*	ETA	DINAP	05-MAY-89	American Indian OIC, Inc. FY 87 A-128
05-89-068-03-355*	ETA	DINAP	09-JUN-89	South Eastern MI Indians FY 86 A-128
05-89-069-03-355*	ETA	DINAP	09-JUN-89	South Eastern MI Indians FY 87 A-128
05-89-081-03-355*	ETA	DINAP	11-AUG-89	Minneapolis Amer. Indian Ctr FY 88 A-128
05-89-073-03-360	ETA	DOWP	20-JUL-89	Illinois Dept. on Aging FY 87-88 A-128
05-89-051-06-601	MSHA	GRTEE	03-APR-89	Michigan DOL FY 85-86 A-128
05-89-065-07-711	OASAM	OA	25-MAY-89	Region V - Imprest Fund Review
05-89-052-07-730	OASAM	DAPP	03-APR-89	Michigan DOL FY 85-86 A-128
05-89-067-10-001	OSHA	ADMIN	25-SEP-89	Financial Statements FY 88 & 87
05-89-050-10-101	OSHA	OSHAG	03-APR-89	Michigan DOL FY 85-86 A-128
05-89-080-10-101	OSHA	OSHAG	04-AUG-89	MI Public Health Dept. FY 84-85 A-128
05-89-082-10-101	OSHA	OSHAG	21-AUG-89	MI Public Health Dept. FY 86-87 A-128
05-89-035-10-107	OSHA	TRNTA	08-SEP-89	Salt Lake City Analytical Lab Activities
05-89-049-11-111	BLS	BLSG	03-APR-89	Michigan DOL FY 85-86 A-128
05-89-057-50-598*	MULTI	ALL	22-SEP-89	Indiana Empl Sec Div FY 86-87 A-128
05-89-071-50-598*	MULTI	ALL	13-JUL-89	Kansas Dept. of Human Res. FY 87-88 A-128
05-89-072-50-598	MULTI	ALL	17-JUL-89	IL Comm/Commun Aff. Dept. FY 87-88 A-128
05-89-079-50-598*	MULTI	ALL	01-AUG-89	Iowa Job Service FY 87 A-128
05-89-083-50-598*	MULTI	ALL	30-AUG-89	Missouri Empl Sec FY 85-86 A-128
05-89-084-50-598*	MULTI	ALL	25-SEP-89	Indiana E&T Svcs FY 87 A-128
05-89-085-50-598	MULTI	ALL	27-SEP-89	Wisconsin FY 88 A-128
05-89-041-98-599*	OT AGY	NONE	03-APR-89	Cook County, Illinois FY 87 A-128
06-89-149-01-010*	OSEC	ASP	25-SEP-89	NM State Occ. Info. Coord. Comm. FY 88 A-128
06-89-130-03-325*	ETA	SESA	12-JUL-89	Arkansas Empl Sec FY 88 A-128
06-89-002-03-340	ETA	JTPA	29-SEP-89	JTPA Grant Fund Protection - Houston
06-89-128-03-340*	ETA	JTPA	13-JUN-89	Northwest Cap. of Wyoming FY 88 A-128
06-89-132-03-340*	ETA	JTPA	25-JUL-89	Wyoming Job Training Admin. FY 88 A-128
06-89-136-03-355*	ETA	DINAP	11-AUG-89	Inter-Tribal Cncl of LA FY 87 A-128
06-89-137-03-355*	ETA	DINAP	11-AUG-89	Inter-Tribal Cncl of LA FY 88 A-128

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06-89-148-03-355*	ETA	DINAP	22-SEP-89	Four Tribes Consortium FY 88 A-128
06-89-257-03-355	ETA	DINAP	27-JUL-89	Crow Creek Sioux Tribe FY 87 A-128
06-89-265-03-355	ETA	DINAP	19-APR-89	Fort Belknap Community Cncl FY 87 A-128
06-89-266-03-355	ETA	DINAP	26-APR-89	Northern Cheyenne Tribe FY 86 A-128
06-89-267-03-355	ETA	DINAP	26-APR-89	Northern Cheyenne Tribe FY 87 A-128
06-89-268-03-355	ETA	DINAP	24-MAY-89	Turtle Mountain Chippewas FY 87 A-128
06-89-269-03-355	ETA	DINAP	23-JUN-89	Pueblo of Acoma FY 87 A-128
06-89-270-03-355	ETA	DINAP	20-JUL-89	Mescalero Apache Tribe FY 87 A-128
06-89-271-03-355	ETA	DINAP	20-JUL-89	Sisseton-Wahpeton Sioux Tr. FY 87 A-128
06-89-272-03-355	ETA	DINAP	24-JUL-89	SD Lower Brule Sioux Tribe FY 87 A-128
06-89-273-03-355	ETA	DINAP	24-JUL-89	Seminole Nation of OK FY 87 A-128
06-89-274-03-355	ETA	DINAP	25-JUL-89	Choctaw Nation of OK FY 87 A-128
06-89-275-03-355	ETA	DINAP	24-JUL-89	Dallas Inter-Tribal Center FY 87 A-128
06-89-276-03-355	ETA	DINAP	25-JUL-89	Osage Nation FY 87 A-128
06-89-277-03-355	ETA	DINAP	28-JUL-89	Cheyenne & Arapaho Tribes FY 87 A-128
06-89-278-03-355	ETA	DINAP	26-JUL-89	Comanche Indian Tribe FY 87 A-128
06-89-279-03-355	ETA	DINAP	26-JUL-89	Tigua Indian Reservation FY 88 A-128
06-89-280-03-355	ETA	DINAP	27-JUL-89	Caddo Indian Tribe of OK FY 87 A-128
06-89-281-03-355	ETA	DINAP	02-AUG-89	Three Affiliated Tribes FY 87 A-128
06-89-282-03-355	ETA	DINAP	07-AUG-89	Mescalero Apache Tribe FY 88 A-128
06-89-283-03-355	ETA	DINAP	07-AUG-89	SD United Sioux Tribes FY 87 A-128
06-89-284-03-355	ETA	DINAP	02-AUG-89	SD United Sioux Tribes FY 88 A-128
06-89-285-03-355	ETA	DINAP	22-AUG-89	Crow Tribe of Indians FY 85 A-128
06-89-286-03-355	ETA	DINAP	25-AUG-89	Flandreau Santee Sioux Tribe FY 87 A-128
06-89-287-03-355	ETA	DINAP	05-SEP-89	Blackfeet Indian Tribe FY 87 A-128
06-89-288-03-355	ETA	DINAP	31-AUG-89	Ramah Navajo School Board FY 87 A-128
06-89-289-03-355	ETA	DINAP	31-AUG-89	Tonkawa Tribe of OK FY 88 A-128
06-89-290-03-355	ETA	DINAP	06-SEP-89	Lower Brule Sioux Tribe FY 88 A-128
06-89-291-03-355	ETA	DINAP	07-SEP-89	Confed. Salish & Kootenai Tr. FY 88 A-128
06-89-293-03-355	ETA	DINAP	28-SEP-89	Taos Pueblo FY 86 A-128
06-89-294-03-355	ETA	DINAP	29-SEP-89	Fort Belknap Community Cncl FY 88 A-128
06-89-295-03-355	ETA	DINAP	15-SEP-89	Devils Lake Sioux Tribe FY 87 A-128
06-89-296-03-355	ETA	DINAP	18-SEP-89	Taos Pueblo FY 88 A-128
06-89-297-03-355	ETA	DINAP	28-SEP-89	Caddo Indian Tribe of OK FY 88 A-128
06-89-298-03-355	ETA	DINAP	26-SEP-89	Cheyenne River Sioux Tribe FY 88 A-128
06-89-299-03-355	ETA	DINAP	26-SEP-89	Citizen Band Potawatomi FY 88 A-128
06-89-300-03-355	ETA	DINAP	26-SEP-89	Kiowa Tribe FY 87 A-128
06-89-301-03-355	ETA	DINAP	26-SEP-89	Shawnee Area Central Tribes FY 88 A-128
06-89-302-03-355	ETA	DINAP	26-SEP-89	Muscogee (Creek) Nation FY 88 A-128
06-89-303-03-355	ETA	DINAP	28-SEP-89	Standing Rock Sioux Tribe FY 88 A-128
06-89-304-03-355	ETA	DINAP	28-SEP-89	Assiniboine and Sioux Tribes FY 87 A-128
06-89-305-03-355	ETA	DINAP	28-SEP-89	Blackfeet Indian Tribe FY 88 A-128
06-89-306-03-355	ETA	DINAP	28-SEP-89	Shoshone and Arapahoe Tribes FY 85 A-128
06-89-307-03-355	ETA	DINAP	28-SEP-89	Shoshone and Arapahoe Tribes FY 86 A-128
06-89-308-03-355	ETA	DINAP	28-SEP-89	Shoshone and Arapahoe Tribes FY 87 A-128

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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
06-89-129-03-365*	ETA	DSFP	26-JUN-89	Tierra del Sol Housing Corp. FY 88 A-128
06-89-135-03-365*	ETA	DSFP	11-AUG-89	OK Oro Development Corp. FY 88 A-128
06-89-139-03-365*	ETA	DSFP	21-AUG-89	CO Rocky Mtn SER/Jobs/Progress FY88 A-128
06-89-140-03-365*	ETA	DSFP	29-AUG-89	Home Ed. Livelihood Program FY 88 A-128
06-89-001-04-431	ESA	FECA	29-SEP-89	FY 88 Compl. Review: FECA Payment Systems
06-89-134-10-101*	OSHA	OSHAG	02-AUG-89	WY Occ/Health/Safety Comm. FY 87-88 A-128
06-89-143-10-101	OSHA	OSHAG	25-AUG-89	New Mexico Health/Environ. FY 87 A-128
06-89-144-10-101	OSHA	OSHAG	25-AUG-89	New Mexico Health/Environ. FY 88 A-128
06-89-292-10-101	OSHA	OSHAG	08-SEP-89	New Mexico Health/Environ. FY 86 A-128
06-89-146-11-111*	BLS	BLSG	19-SEP-89	Arkansas Workers' Comp. Comm. FY 88 A-128
06-89-127-50-598	MULTI	ALL	07-JUN-89	Texas FY 87 A-128
06-89-133-50-598*	MULTI	ALL	28-JUL-89	Wyoming Empl Sec Comm FY 88 A-128
06-89-138-50-598*	MULTI	ALL	25-AUG-89	New Mexico DOL FY 88 A-128
06-89-141-50-598	MULTI	ALL	24-AUG-89	Colorado FY 87 A-128
06-89-142-50-598	MULTI	ALL	01-SEP-89	Louisiana FY 88 A-128
06-89-145-50-598	MULTI	ALL	30-AUG-89	Oklahoma FY 87 A-128
06-89-147-50-598*	MULTI	ALL	21-SEP-89	Arkansas DOL FY 88 A-128
09-89-590-02-210	VETS	VETSP	01-MAY-89	Oregon FY 87 A-128
09-89-006-03-310	ETA	OFAM	29-SEP-89	Data Transformation/McManis Assoc.
09-89-587-03-320	ETA	USES	01-MAY-89	Oregon FY 87 A-128
09-89-547-03-325*	ETA	SESA	01-APR-89	DLIR - Hawaii FY 86 A-128
09-89-588-03-340	ETA	JTPA	01-MAY-89	Oregon FY 87 A-128
09-89-601-03-340	ETA	JTPA	04-MAY-89	American Samoa Manpower Res. FY 87 A-128
09-89-603-03-340	ETA	JTPA	03-MAY-89	Rural Community Assistance FY 88 A-128
09-89-604-03-340*	ETA	JTPA	04-MAY-89	Fed. States of Micronesia FY 87 A-128
09-89-575-03-355*	ETA	DINAP	25-APR-89	Fresno American Indian Cncl FY 87 A-128
09-89-576-03-355*	ETA	DINAP	25-APR-89	Fresno American Indian Cncl FY 88 A-128
09-89-581-03-355*	ETA	DINAP	21-APR-89	Alu Like, Inc. FY 86-87 A-128
09-89-582-03-355*	ETA	DINAP	24-APR-89	Las Vegas Indian Center FY 88 A-128
09-89-583-03-355*	ETA	DINAP	21-APR-89	Bristol Bay Native Assoc. FY 88 A-128
09-89-584-03-355	ETA	DINAP	24-APR-89	Navajo Nation/Tribal Entities FY 88 A-128
09-89-586-03-355*	ETA	DINAP	17-APR-89	No. CA Indian Dev. Cncl FY 88 A-128
09-89-606-03-355*	ETA	DINAP	04-MAY-89	Tucson Amer. Indian Assoc. FY 88 A-128
09-89-610-03-355*	ETA	DINAP	05-JUN-89	Western Washington Indian E&T FY 88 A-128
09-89-611-03-355*	ETA	DINAP	09-JUN-89	Cook Inlet Tribal Cncl FY 88 A-128
09-89-614-03-355*	ETA	DINAP	27-JUN-89	Indian Human Resource Ctr FY 88 A-128

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09-89-615-03-355	ETA	DINAP	26-JUL-89	Siletz Indians FY 87 A-128
09-89-619-03-355	ETA	DINAP	18-SEP-89	Kootenai Tribe of Idaho FY 86 A-128
09-89-620-03-355	ETA	DINAP	28-SEP-89	Nez Perce Tribe of Idaho FY 88 A-128
09-89-621-03-355*	ETA	DINAP	25-SEP-89	Native Americans/Comm. Action FY 88 A-128
09-89-589-03-360	ETA	DOWP	01-MAY-89	Oregon FY 87 A-128
09-89-605-03-360	ETA	DOWP	04-MAY-89	American Samoa Adm. of Aging FY 87 A-128
09-89-612-03-360*	ETA	DOWP	21-JUN-89	Older AK Commission FY 87 A-128
09-89-573-03-365*	ETA	DSFP	04-APR-89	Rural/Farmworker Housing FY 88 A-128
09-89-595-03-365*	ETA	DSFP	25-JUL-89	Center for Empl. Training FY 88 A-128
09-89-613-03-365*	ETA	DSFP	27-JUN-89	Proteus Training & Empl. FY 86 A-128
09-89-616-03-365	ETA	DSFP	18-SEP-89	Santa Cruz Co. Housing Auth. FY 88 A-128
09-89-579-06-601*	MSHA	GRTEE	04-APR-89	Arizona Mine Inspector FY 87-88 A-128
09-89-591-06-601	MSHA	GRTEE	01-MAY-89	Oregon FY 87 A-128
09-89-005-07-734	OASAM	OSPM	11-JUL-89	Motor Vehicle Management System
09-89-585-10-101	OSHA	OSHAG	24-APR-89	Navajo Nation/Tribal Entities FY 88 A-128
09-89-592-10-101	OSHA	OSHAG	01-MAY-89	Oregon FY 87 A-128
09-89-602-10-101	OSHA	OSHAG	04-MAY-89	American Samoa Human Res. FY 87 A-128
09-89-548-11-111*	BLS	BLSG	01-APR-89	DLIR - Hawaii FY 86 A-128
09-89-593-11-111	BLS	BLSG	01-MAY-89	Oregon FY 87 A-128
09-89-001-12-001	PWBA	ADMIN	20-SEP-89	PWBA Reporting and Disclosure Office
09-89-597-50-598*	MULTI	ALL	19-JUL-89	Arizona Econ. Sec. Dept. FY 86-87 A-128
09-89-569-98-599*	OT AGY	NONE	04-MAY-89	City of Los Angeles FY 87 A-128
12-89-001-03-001	ETA	ADMIN	27-SEP-89	FY 88 ETA Financial Statement
12-88-048-03-370	ETA	OJC	29-SEP-89	Dayton Job Corps Center
12-89-005-03-370	ETA	OJC	30-JUN-89	AFL-CIO Appalachian Council, Inc.
12-89-006-03-370	ETA	OJC	27-JUN-89	AFL-CIO Appalachian Council, Inc.
12-89-007-03-370	ETA	OJC	26-JUN-89	AFL-CIO Appalachian Council, Inc.
12-89-008-03-370	ETA	OJC	29-JUN-89	AFL-CIO Appalachian Council, Inc.
12-89-009-03-370	ETA	OJC	26-JUN-89	AFL-CIO Appalachian Council, Inc.
12-89-010-03-370	ETA	OJC	30-JUN-89	Arkansas ES Division
12-89-011-03-370	ETA	OJC	30-JUN-89	CO Dept. of Labor & Employment
12-89-012-03-370	ETA	OJC	27-JUN-89	CO Dept. of Labor & Employment
12-89-013-03-370	ETA	OJC	29-JUN-89	Covenant House
12-89-014-03-370	ETA	OJC	17-JUL-89	DC Dept. of Employment Services
12-89-015-03-370	ETA	OJC	27-JUN-89	Delaware Dept. of Employment Security

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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
12-89-016-03-370	ETA	OJC	30-JUN-89	Dynamic Science, Inc.
12-89-017-03-370	ETA	OJC	29-JUN-89	Dynamic Science, Inc.
12-89-018-03-370	ETA	OJC	26-JUN-89	Florida Dept. of Labor & ESA
12-89-019-03-370	ETA	OJC	26-JUN-89	Georgia Employ. Sec. Agency
12-89-020-03-370	ETA	OJC	26-JUN-89	Georgia Employ. Sec. Agency
12-89-021-03-370	ETA	OJC	27-JUN-89	North Dakota Job Service
12-89-022-03-370	ETA	OJC	27-JUN-89	Kansas Dept. of Human Resources
12-89-023-03-370	ETA	OJC	17-JUL-89	Kentucky Dept. of ES
12-89-024-03-370	ETA	OJC	29-JUN-89	Louisiana Dept. of Labor
12-89-025-03-370	ETA	OJC	26-JUN-89	Michigan Employ. Sec. Commission
12-89-026-03-370	ETA	OJC	30-JUN-89	Minact, Inc.
12-89-027-03-370	ETA	OJC	29-JUN-89	Mississippi Employ. Sec. Comm.
12-89-028-03-370	ETA	OJC	27-JUN-89	Missouri Div. of Employment Sec.
12-89-029-03-370	ETA	OJC	30-JUN-89	Nebraska Division of Employment
12-89-030-03-370	ETA	OJC	29-JUN-89	Baltimore Neighborhood Progress Admin.
12-89-031-03-370	ETA	OJC	29-JUN-89	Nero & Associates, Inc.
12-89-032-03-370	ETA	OJC	29-JUN-89	Nero & Associates, Inc.
12-89-033-03-370	ETA	OJC	29-JUN-89	Nero & Associates, Inc.
12-89-034-03-370	ETA	OJC	29-JUN-89	Nero & Associates, Inc.
12-89-035-03-370	ETA	OJC	26-JUN-89	NJ WICS
12-89-037-03-370	ETA	OJC	17-JUL-89	NY Human Resources Admin.
12-89-038-03-370	ETA	OJC	30-JUN-89	New York State Dept. of Labor
12-89-040-03-370	ETA	OJC	29-JUN-89	North Carolina Dept. of Human Resources
12-89-041-03-370	ETA	OJC	05-SEP-89	North Carolina Dept. of Human Resources
12-89-042-03-370	ETA	OJC	30-JUN-89	Oklahoma Employ. Sec. Comm.
12-89-043-03-370	ETA	OJC	27-JUN-89	Oregon Labor/Industries Appr. Trng Div.
12-89-044-03-370	ETA	OJC	17-JUL-89	Oregon St. Trng/Employment Consortium
12-89-045-03-370	ETA	OJC	26-JUN-89	Prince George's County PIC
12-89-046-03-370	ETA	OJC	26-JUN-89	Rose Richards of New Mexico
12-89-047-03-370	ETA	OJC	26-JUN-89	South Carolina Empl. Sec. Comm.
12-89-048-03-370	ETA	OJC	26-JUN-89	South Carolina Empl. Sec. Comm.
12-89-049-03-370	ETA	OJC	30-JUN-89	South Dakota Dept. of Labor
12-89-050-03-370	ETA	OJC	26-JUN-89	TN Dept. of Empl. Sec.
12-89-051-03-370	ETA	OJC	26-JUN-89	TN Dept. of Empl. Sec.
12-89-052-03-370	ETA	OJC	27-JUN-89	Texas Employment Commission
12-89-053-03-370	ETA	OJC	29-JUN-89	Washington Employment Security Dept.
12-89-054-03-370	ETA	OJC	27-JUN-89	NJ WICS
12-89-055-03-370	ETA	OJC	30-JUN-89	WICS
12-89-056-03-370	ETA	OJC	26-JUN-89	WICS
12-89-057-03-370	ETA	OJC	30-JUN-89	WICS
12-89-058-03-370	ETA	OJC	30-JUN-89	WICS
12-89-059-03-370	ETA	OJC	19-JUL-89	WICS
12-89-060-03-370	ETA	OJC	30-JUN-89	WICS
12-89-061-03-370	ETA	OJC	29-JUN-89	WICS
12-89-062-03-370	ETA	OJC	30-JUN-89	WICS
12-89-063-03-370	ETA	OJC	30-JUN-89	Wyoming Empl. Sec. Comm.

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12-89-065-03-370	ETA	OJC	26-JUN-89	Virgin Islands DOL
12-89-067-03-370	ETA	OJC	17-JUL-89	Res-Care
12-89-068-03-370	ETA	OJC	29-JUN-89	US Dept. of Interior Iroquois JCC
12-89-069-03-370	ETA	OJC	29-JUN-89	ITT Job Training Services
12-89-072-03-370	ETA	OJC	26-JUN-89	Chesapeake JCC
12-89-073-03-370	ETA	OJC	29-SEP-89	Vinnell Corp.
12-89-076-03-370	ETA	OJC	29-JUN-89	Management & Training Corp.
12-89-077-03-370	ETA	OJC	29-JUN-89	Management & Training Corp.
12-89-078-03-370	ETA	OJC	17-JUL-89	YWCA
12-89-080-03-370	ETA	OJC	17-JUL-89	Singer
12-89-081-03-370	ETA	OJC	30-JUN-89	Minact, Inc.
12-89-082-03-370	ETA	OJC	14-JUL-89	Alabama State ES
12-89-083-03-370	ETA	OJC	14-JUL-89	Alabama State ES
12-89-084-03-370	ETA	OJC	26-JUN-89	NJ WICS
12-89-085-03-370	ETA	OJC	26-JUN-89	AFL-CIO Appalachian Cncl, Inc.
12-89-092-03-370	ETA	OJC	29-SEP-89	Analysis of Costs Invested in Job Corps
12-89-070-03-380	ETA	SPPD	29-SEP-89	Consulting/Program Management Svcs, Inc.
12-89-074-03-380	ETA	SPPD	29-SEP-89	Birch & Davis Associates, Inc.
12-89-075-03-380	ETA	SPPD	29-SEP-89	SRA Technologies, Inc.
12-89-089-03-380	ETA	SPPD	29-SEP-89	Research and Evaluation Associates, Inc.
12-89-090-03-380	ETA	SPPD	29-SEP-89	Research and Evaluation Associates, Inc.
12-89-091-03-380	ETA	SPPD	29-SEP-89	Research and Evaluation Associates, Inc.
12-89-003-09-001	OIG	ADMIN	06-JUN-89	FY 88 OIG Financial Statement Audit
12-89-066-98-599	OT AGY	NONE	28-APR-89	DOL Day Care Center
17-88-010-04-001	ESA	ADMIN	16-JUN-89	FY 87 Compl. Review: FECA Payment Systems
17-89-003-06-001	MSHA	ADMIN	09-AUG-89	FY 88 Year End Spending Audit
17-89-002-07-001	OASAM	ADMIN	28-APR-89	Consultant Service Awards
17-89-004-07-730	OASAM	DAPP	29-SEP-89	FY 88 Year-End Spending
17-89-005-07-754	OASAM	OPS	18-AUG-89	Sterling Institute
18-89-012-03-355	ETA	DINAP	08-AUG-89	National Urban Indian Council
18-89-013-03-355	ETA	DINAP	08-SEP-89	Phoenix Indian Center, Inc.
18-89-005-03-370	ETA	OJC	04-AUG-89	AFL-CIO Appalachian Cncl Travel/Per Diem
18-89-011-03-370	ETA	OJC	29-SEP-89	Natl Plastering Ind Joint App Trust Fund
18-89-015-03-370	ETA	OJC	29-SEP-89	Edison Job Corps Center
18-89-023-03-370	ETA	OJC	29-SEP-89	Sierra Nevada Job Corps Center
18-89-024-03-370	ETA	OJC	26-SEP-89	Edison JCC Corpsmembers Learning Gains

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18-89-025-03-370	ETA	OJC	29-SEP-89	Phoenix Job Corps Center
18-89-006-07-735	OASAM	OPGM	04-AUG-89	AFL-CIO Appalachian Cncl Indirect Costs
18-89-008-07-735	OASAM	OPGM	25-SEP-89	Res-Care Development Indirect Costs
18-89-009-07-735	OASAM	OPGM	03-MAY-89	Center for Employment Training
18-89-016-07-735	OASAM	OPGM	04-AUG-89	Central Valley Opp Ctr Indirect Costs
18-89-021-07-735	OASAM	OPGM	29-SEP-89	Teledyne Econ. Dev. Indirect Costs
19-89-001-03-001	ETA	ADMIN	11-SEP-89	ETA's IRM Program Needs Improvement
19-89-003-03-001	ETA	ADMIN	25-APR-89	Disapproval of Two ETA Requisitions
19-89-004-11-001	BLS	ADMIN	29-SEP-89	Local Area Network System

*DOL has cognizant responsibility for specific entities under the Single Audit Act. Reports listed above indicate those entities for which DOL has cognizance. More than one audit report may have been issued or transmitted based on the type of funding and the agency/program responsible for resolution. For example, DOL has cognizancy for South Carolina Employment Security Commission (04-89-128-03-325). Most of the funds audited were SESA funds, thus the "lead" report is asterisked and is the one used to count the total number of entities audited during the period. However, reports were also issued on VETS and BLS funds and were transmitted for determination and resolution to those respective agencies. Thus one entity was audited but three reports were issued to various programs on their funds.

Copies of this report may be obtained
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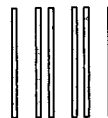
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