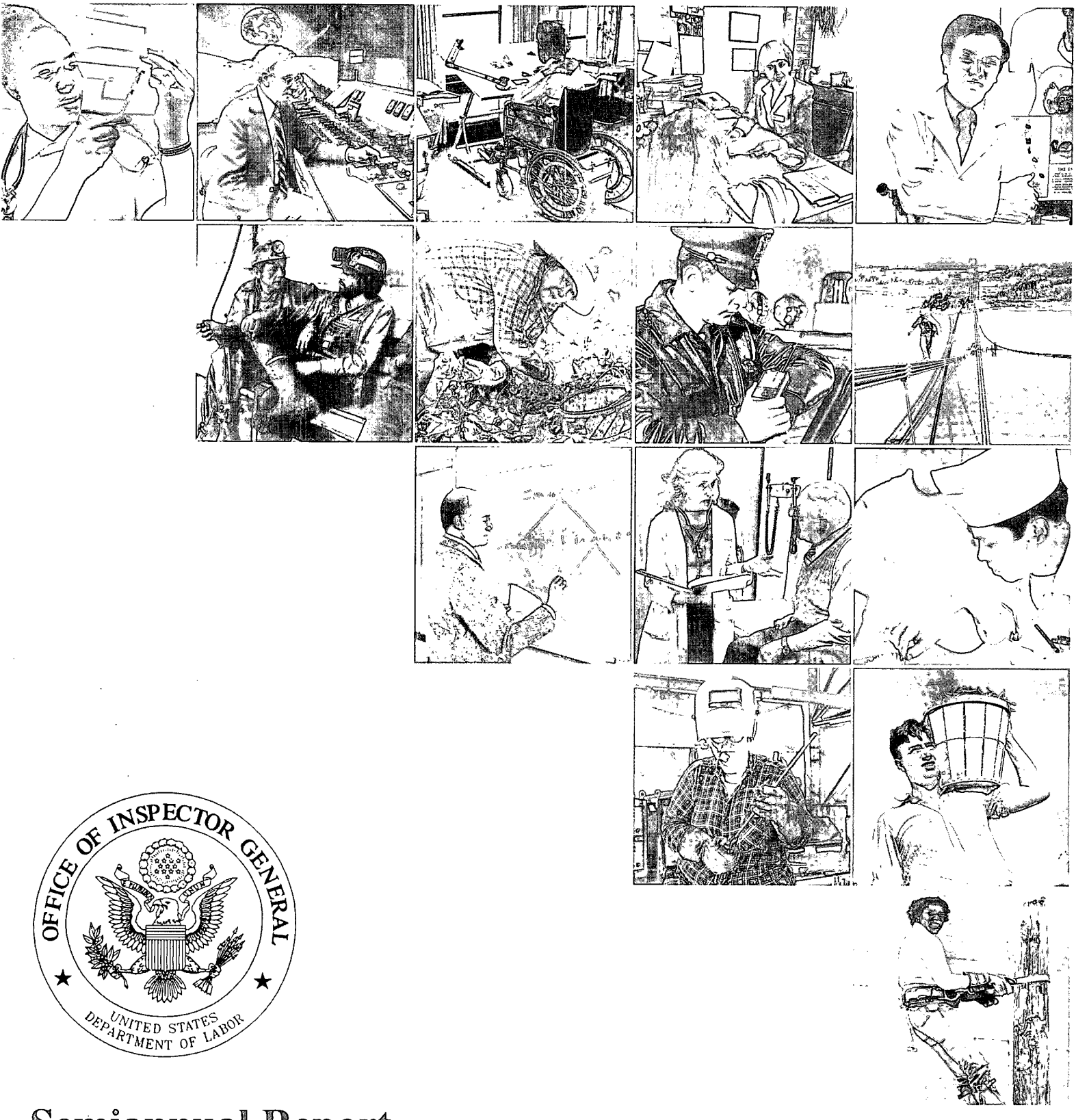

Semiannual Report to the Congress

U.S. Department of Labor
October 1, 1993 - March 31, 1994

OFFICE OF INSPECTOR GENERAL

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The OIG appreciates the assistance of the U.S. Department of Labor's Historian in making available to us the archived photographs of American working men and women that appear on our cover.

OFFICE OF INSPECTOR GENERAL

Semiannual Report to the Congress
October 1, 1993 - March 31, 1994

UNITED STATES DEPARTMENT OF LABOR

THE INSPECTOR GENERAL'S STATEMENT

This Semiannual Report, covering the period from October 1, 1993, to March 31, 1994, documents many significant accomplishments of the men and women of the U.S. Department of Labor's (DOL) Office of Inspector General (OIG).

During the first half of Fiscal Year 1994, the OIG issued 179 audits of DOL programs, reporting questioned costs of $20.6 million. An additional $5.7 million was recommended to be put to better use and $4.1 million in costs were disallowed by the DOL, based on OIG audit recommendations. Moreover, OIG criminal investigations resulted in 124 indictments and 144 convictions, and generated over $20 million in fines, penalties, restitutions, recoveries, settlements, forfeitures, and cost efficiencies. Among the OIG's many noteworthy accomplishments are:

- The OIG's continued leadership in investigating and combating waste and abuse in the Federal Employees' Compensation Act, Unemployment Insurance, and Job Training Partnership Act Programs.

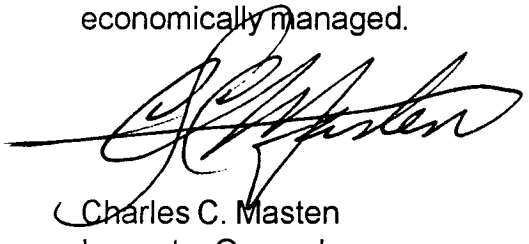
- The OIG's continued emphasis on investigating racketeering activity in employee benefit plans, particularly health insurance fraud.

- The identification of significant improper direct and indirect charges by several DOL grantees and contractors.

Additionally, in keeping with the streamlining and reinvention principles of the National Performance Review, the OIG initiated a comprehensive review of its internal reports and directives to simplify and eliminate redundant or unnecessary issuances. The OIG has reduced, by almost a quarter, our Washington Metropolitan Area audit and investigative top management staff.

I am pleased to report that, during these past 6 months, DOL has taken action on some of our previous recommendations. These include testifying in support of stronger DOL criminal enforcement and making a commitment to re-evaluate or eliminate ineffective job training programs, such as the Targeted Jobs Tax Credit and Trade Adjustment Assistance Programs.

As in the past, my staff and I remain committed to working with Secretary Reich and the DOL management at all levels to ensure that the programs and funds of the DOL are effectively, efficiently, and economically managed.



Charles C. Masten
Inspector General

SIGNIFICANT CONCERNS OF THE INSPECTOR GENERAL

Billion Dollar Tax Credit Program Ineffective

In the fall 1993 semiannual report, the OIG raised its concerns that the Targeted Jobs Tax Credit (TJTC) Program is not effective in promoting the employment of those whom the Congress intended to be served. During an audit of the TJTC Program in Alabama for 1991, employers interviewed by the OIG acknowledged they would have hired 95 percent of the same participants -- even without the tax incentive. The audit disclosed that their hiring decisions were typically made before TJTC eligibility was determined, apparently negating the need for the tax subsidy.

The OIG recommended that the Department and the Congress evaluate whether the TJTC program is meeting its objectives and determine whether it should be discontinued or sharply redirected.

As the effectiveness and future of the program is considered by the Secretary and the Congress, the OIG remains very concerned that this program is ineffective. The OIG looks forward to completion of the current nationwide audit of this program and to providing additional recommendations to the Secretary and the Congress.

Abuses by Grantees and Contractors Persist

The OIG is concerned that audits of overhead costs incurred by DOL contractors and grantees continue to reveal abusive practices. The OIG believes that deterrents (such as imposition of interest and penalties back to the date of expenditure or reimbursement) need to be built into the system to discourage the inclusion of unallowable costs in claims to the Government.

Inefficient Collection and Reporting of Injuries and Illnesses Data

BLS report is of minimal value for OSHA enforcement

The OIG remains concerned with the Department's collection and reporting of occupational injury and illness statistics and their use in enforcement of employers' reporting requirements. Based on the audit findings, analysis, and discussions, the OIG is concerned that the aggregate, industry-specific occupational injuries and illness report prepared by BLS is only of minimal value to the Secretary and to OSHA in enforcing the OSH Act. In fact, OSHA must now seek substantial additional congressional funding to collect the worksite-specific data it needs to target its inspections and enforcement efforts. This funding will be in addition to the $16 million al-

ready appropriated for this function. The OIG believes that the Department needs to review the original intent and mandate of the OSH Act with respect to the collection of occupational safety and health statistics.

Inadequate Audits Leave Pension Plan Funds Vulnerable

Since 1984, the OIG has reported its concerns that hundreds of billions of dollars in employee pension funds are not being adequately audited to ensure that they are being safeguarded and available in the future to pay promised benefits. The limited scope audit provision of the Employee Retirement Income Security Act (ERISA) of 1974 is an important contributor to the danger of inadequate auditing of pension plan assets. The limited scope audit provision exempts from review by an auditor all pension plan funds that have been invested in institutions such as savings and loans, banks, or insurance companies already regulated by Federal or State Governments. At the time ERISA was passed, almost two decades ago, it was assumed that all funds invested in those regulated industries were being adequately reviewed. Unfortunately, as has since been discovered, this is far from true. The OIG has long recommended that ERISA be amended to repeal the limited scope audit provision. Such a change will be a major step that will involve public accountants in the kind of active role that ERISA originally intended them to take -- that of offering a first line of defense to pension plan participants by apprising them of potential problems with their pension plans.

After 20 years, pension plans are still not adequately protected

In addition, the OIG is concerned with some of the potential conflicts of interest that are inherent in the audit procurement process. Specifically, the current pension plan audit process is flawed by the very system that is being used to procure pension plan audits, since the plan administrators are the ones who normally select and retain the auditors of their own plans. Moreover, the public accountants generally report their findings directly to the plan administrator who is responsible for their being hired. This circumstance creates an awkward situation at best, and a potential conflict of interest at worst, since a public accountant who finds fault with a plan may be jeopardizing his or her chance to be considered by that plan for future employment. Furthermore, if the public accountant reports only to the plan administrator, the administrator may not possess the initiative and/or independence necessary to take any necessary corrective actions. As we approach the 20th anniversary of the enactment of ERISA, very little progress has been made in this vulnerable area.

Unless Congress Acts, FECA Fraud Convicts May Continue to Draw FECA Benefits in Jail

As a result of a joint OIG/U.S. Postal Inspection Service study, since 1992, the OIG has raised its concerns that FECA claimants who have been convicted of defrauding the FECA program continue to receive FECA benefits, because the DOL does not have the statutory authority to terminate benefits solely on the basis of a criminal conviction. The OIG believes that DOL needs the statutory authority to terminate FECA benefits to individuals convicted of defrauding the FECA program.

The OIG is also concerned that individuals incarcerated for any felony offense continue to collect full FECA benefits while in prison. The OIG is of the opinion that individuals incarcerated for any felony offense should have their full FECA benefits suspended during the period of time that they are in prison. In those instances when these incarcerated claimants have dependents, reduced benefits (similar to survivor benefits under the social security system) would be provided.

National Performance Review adopts OIG recommendation

The Vice President's National Performance Review adopted the OIG's recommendation regarding FECA. In addition, Congress included language in DOL's annual appropriation prohibiting the use of FY 1994 DOL funds to pay for FECA benefits to anyone convicted of defrauding the FECA program. The OIG vigorously supports permanent changes by the Congress to the appropriate sections of Titles 5 and 18 of the U.S. Code to fully address the OIG's recommendations to terminate benefits to claimants convicted of FECA fraud, suspend payment of benefits to incarcerated felons, and raise the level of violating §1920 from a misdemeanor to a felony.

UI Still Vulnerable to Third Party Claimant Fraud

The Employment and Training Administration (ETA) has indicated that it believes that aggressive steps have been taken to work with the States to improve their integrity systems in order to prevent future occurrences of all types of fraud. However, the Unemployment Insurance (UI) Program remains vulnerable to third party claimant fraud. Moreover, there are not sufficient mechanisms in place to swiftly address newly discovered fraud.

Although OIG investigations in Texas have identified the potential for millions of dollars in losses and have resulted in more than 30 convictions, ETA has indicated that California and Texas are prohibited by due process concerns from taking action against individual claimants who were associated with the third party fraudulent schemes.

For many years, ETA has argued that due process prevents the States from taking decisive action in the area of UI fraud. While the OIG certainly appreciates the need for UI claimants to have due process, the OIG is not convinced that ETA has adequately explored all potential avenues for addressing fraud and declaring overpayments particularly with respect to third party interstate claim fraud.

The OIG recommends that ETA in conjunction with California and Texas examine how other Federal and State agencies handle due process issues involving the notification of individuals about benefit termination and/or overpayment. The OIG believes that innovative and creative ways of addressing fraud and overpayment exist while satisfying the States' due process concerns.

TABLE OF CONTENTS

SELECTED STATISTICS

October 1, 1993 - March 31, 1994

Office of Audit

Reports issued on DOL activities	179
Total questioned costs	$20.6 million
Funds recommended for better use	$5.7 million
Dollars resolved	$5.5 million
Allowed	$1.3 million
Disallowed	$4.1 million
Agreed funds be put to better use	$0.1 million

Office of Investigations[1]

Cases opened	163
Cases closed	171
Cases referred for prosecution	64
Cases referred to DOL for administrative action	55
Indictments	50
Convictions	60
Recoveries, cost efficiencies, restitutions, fines/penalties, and civil monetary actions	$4.4 million

Office of Labor Racketeering[2]

Cases opened	45
Cases closed	70
Indictments	74
Convictions	84
Fines	$0.4 million
Restitutions	$15.9 million

[1] The methodology used to compute the statistical accomplishments for the Office of Investigations has changed. Statistics previously reported for FYs 1992 and 1993 have been recomputed using the new methodology to permit a consistent basis for analysis. For further explanation see pages 57 and 58.

[2] Although reported during this period, 3 indictments and 3 convictions occurred prior to October 1, 1993.

OFFICE OF AUDIT

During this reporting period, 179 audits of program activities, grants, and contracts were issued. Of these, 14 were performed by OIG auditors, 15 by CPA auditors under OIG contract, 24 by State and Local Government auditors for DOL grantees and subrecipients, and 126 by CPA firms hired by DOL grantees and subrecipients. A list of these audit reports is contained in the Audit Schedules Section of this report.

EMPLOYMENT AND TRAINING ADMINISTRATION

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

A major ETA responsibility is to administer the Job Training Partnership Act (JTPA) which establishes a decentralized structure for the delivery of employment and training services funded through grants and administered predominantly by the States.

ETA's employment security functions are carried out by the Unemployment Insurance Service (UIS), which administers a nationwide unemployment compensation system, and the U.S. Employment Service (USES), which administers the operation of a nationwide public employment service system. Both activities are operated by the State Employment Security Agencies (SESAs).

TRADE ADJUSTMENT ASSISTANCE PROGRAM

The purpose of the Trade Adjustment Assistance (TAA) program is to assist workers who lost their jobs because of increased imports to return to suitable employment. Created by the Trade Act of 1974, the most recent program amendments emphasize the importance of training as a means to assist workers in finding suitable employment.

Audit of Trade Adjustment Assistance Program (Resolution)

Significant steps taken to address problems with TAA program

ETA has taken several significant steps to address the problems identified in OIG's performance audit of the TAA program which were discussed in detail in the previous semiannual report.

One problem cited in the audit report was that about half of the 1,198 TAA participants sampled were not enrolled for various reasons in TAA-approved training as emphasized by the Act. ETA, in its bridge program to assist workers affected by the North American Free Trade Agreement, has eliminated the provision for waivers of the training requirement. Thus, all workers must enroll into approved training as a condition to receive weekly allowance payments.

Moreover, in the TAA program, ETA is reviewing State practices for granting waivers and has issued guidance to the States re-emphasizing the administrative processes which must be maintained to ensure proper administration of the waiver of training requirements.

Another problem cited was that the TAA program fell short of achieving the intent of the Act because less than 1 in 10 workers participating in the program found employment related to the training received that paid suitable wages. OIG believes this was largely due to: (1) the lack of clearly defined program objectives for the States to strive for in administering their respective TAA programs, (2) no requirement for States to follow up on participant outcomes after terminating from the program, and (3) no relevant measures existed to judge program performance.

The Secretary and ETA have expressed their commitment to develop relevant performance measures, followup systems and management systems. ETA is establishing a workgroup to develop the specific operational details of this initiative and to explore further goals, objectives and measures of performance aimed at refocusing the TAA program on training and reemployment. ETA has advised us of their plans to enter into dialogue with State program managers to define appropriate measures of performance and will be developing a revised TAA handbook, for use by State and regional staff, articulating the emphasis on quality training and reemployment services.

Moreover, ETA has been designated by Vice President Gore and Office of Management Budget Director Panetta to participate in a pilot project under the Government Performance and Results Act of 1993 (GPRA), which is designed to measure performance in Federal agencies. The GPRA pilot project will cover dislocated workers' programs, including TAA.

With respect to followup and management systems, the OIG understands ETA is developing processes for dual enrollment of TAA claimants in the JTPA Title III, Economic Dislocation and Worker Adjustment Assistance (EDWAA) program. As a result, TAA participants are now being tracked under the EDWAA performance standards and followup system, which includes followup at 13 weeks after termination. New performance measures, followup procedures and management systems to be developed for the dislocated workers' programs under the GPRA pilot project will apply to TAA as well. (Report No. 05-93-008-03-330; issued September 30, 1993)

JTPA TITLE II AND III PROGRAMS

Title II of the JTPA authorizes employment and training services for eligible adults and youth and is funded through grants administered by the States.

The EDWAA program, authorized under Title III of the JTPA, provides comprehensive employment, training, and support services to eligible dislocated workers.

Alamo Consortium SDA JTPA Program

The OIG conducted a performance audit of the Alamo Consortium Service Delivery Area (SDA) JTPA Program for Program Years (PY) 1989 and 1990. The OIG audit was limited to programs operated under JTPA Title II-A and Title III.

OIG recommends the SDA be classified as a high risk subgrantee

The Alamo Consortium SDA (located in San Antonio, Texas) exhibited management and control problems of such magnitude, that the OIG recommended the Assistant Secretary for Employment and Training take steps to classify the SDA as a high risk subgrantee under the provisions of 20 CFR 627.423. The OIG further recommended that, if the resultant special subgrant conditions and restrictions prove ineffective in protecting JTPA funds, the Assistant Secretary invoke the emergency sanctions provi-

sions of Section 164(f) of the JTPA Amendments of 1992. Such sanctions may include the termination or suspension of financial assistance to the SDA.

Audit Findings: The OIG audit found the SDA did not effectively use JTPA funds to provide quality training and services to eligible participants and failed to properly administer the program. Instead, significant funds were spent on activities that provided marginal, if any, benefit to participants. These included funding local economic development activities and non-JTPA research projects, and paying multiple vendors for the same labor market information.

The audit also found significant expenditures for training and services that were unnecessary, inadequate and/or undocumented, resulting in poor or questionable participant outcomes.

Inefficient SDA management and questionable training results in questioned costs of $7.1 million

The OIG identified questioned costs totaling $7.1 million. Discussed below are some of the major findings and related questioned costs resulting from inefficient management and questionable training.

From a random sample of 250 Title II-A participants who were reported as placements resulting from the JTPA program, the OIG identified 90 whose placements, job retentions, and/or training were questionable. The audit specifically identified questioned costs of $157,976 for 67 of the 90 participants. These results raised the questions as to how service providers targeted participants to be served, how they determined what training to provide, and what placement services they provided after training.

The integrity of program records for three contracts awarded to the Bexar County Opportunities Industrialization Center (OIC) was questionable. The OIG found inadequate records to support time in training and questionable reported participant outcomes; $531,004 paid to OIC for training was questioned.

The Bexar County Women's Center (BCWC) did not establish an adequate method to allocate its payroll costs among its various sources of funding; the OIG questioned BCWC's PYs 1989 and 1990 salaries and fringe benefits of $1,235,316.

Program ineffective in meeting needs of dislocated workers

The audit also found the Title III program did little to meet the occupational skills training needs of dislocated workers as follows:

- The program provided little or no service to 56 percent of the applicants included in the initial sample of 100 participants. Also, the basic readjustment services activity was used as a holding category to keep participants in the program as long as necessary to claim a positive termination.

- Of the 77 San Antonio Dress Company (SADCO) dislocated workers who received JTPA assistance, 2 were enrolled in customized training, 9 received other occupational training and the remainder were provided basic readjustment services only. For those participants who received skills training, there was a 70 percent placement rate. For the majority who received only basic readjustment services, however, the placement rate was only 39 percent. It appeared dislocated workers needed the occupational training for placement, but few got it.

- The OIG reviewed 457 Title III participants receiving classroom training and 67 Title III and Title II-A participants receiving on-the-job training through the BCWC. As a result of its review, the OIG questioned the eligibility, quality, and/or appropriateness of training provided to a majority of the participants; costs of $2,187,520 were questioned.

The SDA used JTPA resources to fund five local economic development activities that did not appear to be consistent with the purposes of the Act in that they did not have a direct relationship to a JTPA participant; $1,453,243 in JTPA expenditures were questioned.

The SDA funded 14 research projects for which the procurements were defective, fiscal controls were lacking resulting in questionable or unsupported payments, and the value of the research to the JTPA program was questionable; $301,771 in JTPA expenditures were questioned.

Contracts awarded for services already available for free

The SDA awarded contracts to the University of Texas San Antonio (UTSA) and Education Service Center Region 20 and the Alamo Community College District to provide labor market information which the OIG found was already available at no additional cost to the program. Furthermore, the information was of minimal use to the program; the OIG questioned $813,721.

Another major deficiency was the Alamo SDA's procurement of service providers for PY 1992. The OIG audit found:

- procurement of service providers violated State requirements for maximum free and open competition by imposing unreasonable conditions for qualification as a bidder;

- competitive procurement of service providers was inadequate because the RFP process failed to clearly state SDA requirements, evaluate proposals properly using appropriate criteria, award funding consistent with numerical ratings, and justify departures from the RFP's stated intentions;

- service provider contracts were inadequate in that they did not include standard contract terms, failed to include clear objectives and did not properly define the period of work in all cases;

- information to properly evaluate proposed costs was not solicited and adequate cost analyses for contracts and modifications were not performed; and

- the SDA was not in compliance with State requirements to develop and implement written procurement policies.

In addition to the defective PY 1992 procurement system, the audit found that procedures governing contracts and modifications, financial and contract management, and cost documentation, classification and allocation were inadequate.

Recommendations. Based on the widespread deficiencies identified in all areas of program administration, the OIG recommended the Assistant Secretary take steps to classify the SDA as a high risk subgrantee under the provisions of 20 CFR 627.423. If the special subgrant conditions and restrictions imposed by the Assistant Secretary under 20 CFR 627.423 do not provide the necessary protection of JTPA funds, the OIG recommended the Assistant Secretary invoke the emergency sanctions provisions of Section 164(f) of the JTPA Amendments of 1992.

The OIG further recommended the Assistant Secretary require the State to direct the SDA to completely revise its service provider

procurement system to comply in all respects with Sections 107 and 164 of the JTPA Amendments of 1992.

The OIG also recommended the Assistant Secretary require that the State direct the SDA to implement sufficient internal controls to ensure that: the program is properly administered; all costs are allowable, adequately documented and properly classified and allocated; service provider contracts are properly procured, executed and enforced; and service providers are adequately monitored as to technical performance, financial administration and compliance with all applicable requirements.

Finally, the OIG recommended the Assistant Secretary require the State to institute in-depth monitoring of the SDA's financial and administrative systems and service provider performance to ensure these recommendations have been implemented. (Report No. 06-94-002-03-340; issued March 31, 1994)

Massachusetts Dislocated Worker Retraining Services (Resolution)

The OIG, ETA and the Massachusetts Industrial Service Program conducted a joint review of Title III funds provided to dislocated workers in the Pittsfield, Massachusetts area. The Pittsfield program was jointly administered by the General Electric Company, Inc., and the International Union of Electrical Workers. ETA and the State signed a settlement agreement with General Electric which returned $200,000 to the Federal and State Governments and resolved all other issues identified by the joint review. (Report No. 02-93-274-03-340; issued September 30, 1993)

JTPA TITLE IV PROGRAMS

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

The Job Corps Program

The Job Corps is designed to assist economically disadvantaged, unemployed, and out-of-school youth (ages 16-24) in obtaining employability skills by offering basic education, vocational training, work experience and supportive services in a residential setting. Training centers are operated by both private contractors and Federal agencies.

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

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

The OIG has developed two audit guides (center level audit guide and national office audit guide) that will provide cost-based program results statements for the Job Corps program. The guides will be used in the forthcoming national audit of Job Corps.

Excelsior Springs Job Corps Center

The center level audit guide was field tested at the Excelsior Springs Job Corps Center. The OIG completed a financial and program outputs audit of the Excelsior Springs Job Corps Center for July 1, 1991 through June 30, 1992 (PY 1991).

Financial reports completed by Center management were found to be accurate. The OIG's review of compliance with laws and regulations disclosed no exceptions. Consequently, there were no questioned costs. However, the OIG did note certain conditions which the OIG believes need attention.

Financial internal controls need to be strengthened

While the current systems of internal control over financial reporting are adequate, OIG believes management at Excelsior Springs should address the following matters:

- lack of supervisory approval of the manual journal entries;
- transfer of non-expendable property without preparation of required transfer documents;
- improper accounting of stock receipts in the inventory system for items purchased and immediately issued; and
- failure to retain physical inventory count sheets.

Emergency facility repairs take too long

The process to implement the repair of the Humphrey Hall roof took 498 days from the first heavy rain on June 13, 1992, until actual repairs began on October 25, 1993. This occurred because the procedures outlined in Job Corps' Policy and Requirements Handbook (PRH) are inadequate, in the OIG's opinion, for responding to emergency requests for repairs. As a result, the building was inundated with over 80 inches of rain which caused substantial damage to property and equipment. Job Corps management contends that the 498-day period was caused by complex procedures under the Federal Acquisition Regulations.

One-third of students were absent from class

Approximately one-third of the student population missed one or more of their assigned classes on days the OIG selected for review. The OIG believes this absenteeism interferes with the students' ability to achieve their academic goals.

The OIG examined portions of the "Daily Class Attendance Report" for 5 days in September 1993. This examination showed that, with the exception of the St. Joseph satellite, approximately one-third of the students were unexcused from one or more class periods during each school day. The OIG also observed high absenteeism during unannounced visits to the advanced math and graded reading classes during the same period.

Center staff explained that students often attend an unassigned class because they like one teacher more than another. Teachers often allow these students to remain in the wrong class.

Center not notified of invalid placements

The Center is not notified of invalid contractor placements detected by the Job Corps Regional Office and receives only verbal notification of the invalid center placements. Consequently, the Center's placement data contained in the Data V System is not accurate and reconciliation with the Job Corps' Management Information System (MIS) is difficult, if not impossible.

Test scores are vulnerable to alteration

Current Test of Adult Basic Education (TABE) testing procedures include internal control weaknesses that increase the risk of compromising the integrity of test results. For example, the answer card is not an accountable document. The cards are not pre-numbered and students do not sign the card.

The OIG recommended that the Assistant Secretary for Employment and Training direct the Office of Job Corps to:

- require center management to include controls over the four reported conditions;
- modify its procedures for authorizing capital improvements to better respond to emergency requests for repairs;
- explore new approaches that will foster increased student attendance in assigned classes;
- amend the PRH to include procedures for notifying the affected Job Corps Center when invalid placements are removed from the MIS; and
- implement controls to ensure integrity of the TABE testing procedures. (Report No. 05-94-001-03-370; issued February 22, 1994)

Native American Programs

JTPA Title IV grants awarded to Native American groups are designed to improve the economic well-being of Native Americans (Indians, Eskimos, Aleuts, and Native Hawaiians) by providing job training and employment-related services to eligible individuals.

Navajo Nation JTPA Audit

The OIG performed an audit of the Navajo Nation's JTPA program for Program Years 1990 and 1991 to: (1) determine if administrative expenditures were within the allowable JTPA limits; (2) determine how efficiently JTPA funds were made available for direct training services to individual Navajo participants; and (3) evaluate whether Navajo JTPA participants entered and remained in unsubsidized employment.

Funding under JTPA Title IV-A was provided directly by the Employment and Training Administration (ETA), Division of Indian and Native American Programs (DINAP). The Navajo Nation also received indirect JTPA funding from ETA as a Service Delivery Area (SDA) for the States of Arizona and New Mexico under JTPA Title II, and as a Title III subrecipient of the State of New Mexico.

JTPA funds of almost $12 million per year were received during Program Years 1990 and 1991, by far the most funding for any Native American JTPA program in the United States.

Excessive administrative costs

The audit disclosed the Navajo Nation exceeded JTPA cost limits for administration, resulting in $677,574 of questioned costs. These costs primarily represent salary and fringe benefits for JTPA program staff who performed administrative functions but whose costs were charged to the training cost category. The OIG recommended that ETA disallow the administration costs in excess of JTPA limits.

The audit also determined that the Navajo Nation spent only 50 percent of total JTPA Title II-A, III, and IV-A program costs on direct training (22 percent) and employment (28 percent) programs, the only activities that directly address participants' training needs. The remaining 50 percent was spent on administration (23 percent), training support (16 percent), and participant support (11 percent). The OIG recommended that ETA ensure that the Navajo Nation reduces the proportion of JTPA grant funds expended on administration and increase its spending for training.

Incorrect reporting of unsubsidized placements

Some placements, whose salaries were being subsidized with JTPA administrative funds, were being reported as unsubsidized placements. Also, some participants whose training was being funded by more than one JTPA Title were being counted as placements under each Title for the same job.

The OIG recommended that ETA clarify to the Navajo Nation the definition of unsubsidized employment. Furthermore, ETA should issue a policy stating that a participant, if trained under more than one training activity or more than one Title, can be counted as only one placement for the same job.

Administrative processes should be streamlined

To reduce costs and increase efficiency and program effectiveness, the OIG concluded that administrative processes should be streamlined. A capable administrative and outreach staff is essential for fulfilling the mission of JTPA. Nevertheless, JTPA limitations on expenditures for administration reflect the intent for SDAs to spend the maximum amount possible on direct participant training and services. During the audit period, Title II statutory provisions limited SDA administrative costs to 15 percent of funds available for a specific program year. Title IV regulations limited costs of administration to 20 percent of funds available.

It appeared the Navajo Nation could reduce its JTPA administrative costs by changing some of its cumbersome procedures. The

OIG found that, during the audit period, the required contract approval process did not consider the size of proposed subgrants or contracts. On average it took about 6 weeks to process a proposal and award a training contract.

Also, tribal entities such as the Navajo Community College submitted proposals and were awarded contracts the same as if they were separate non-tribal organizations. The contracting method for distributing JTPA funds among tribal entities appeared inefficient without any apparent increase in accountability for the expenditures. Fund transfers from the Navajo Department of Employment and Training (NDET) to another tribal entity do not constitute an arms length transaction or represent a bona fide contract because both parties are part of the same recipient legal entity, the Navajo Nation.

The OIG believes that there is an opportunity for the Navajo Nation to increase the level of services for participants and reduce its administration costs.

Limited potential for placements in private sector jobs

Based on the OIG's review of the Navajo Nation's JTPA Management Information System, the OIG concluded that there was limited potential for placing participants in private sector unsubsidized jobs on the Navajo Nation. Consequently, as discussed above, 28 percent of the PYs 1990 and 1991 funds were spent on Community Service Employment for which JTPA subsidized the participants' salaries. (Report No. 06-94-001-03-340; issued March 31, 1994)

IMPROPER CHARGES BY GRANTEES AND CONTRACTORS

A widespread Government problem

Although the entire universe of DOL grants and contracts has not been audited -- and never will be audited -- the findings of those audits that have been conducted by OIG, as well as by GAO and other Government agencies, leads OIG to believe that unallowable, unallocable, and unreasonable direct and indirect charges to DOL grants and contracts (particularly overhead costs) are a growing, widespread problem that potentially affects all Government agencies.

In fact, on March 3, 1994, the Senate Budget Committee held a hearing on waste and mismanagement abuses in Department of Defense contracts. The hearing focused on unallowable costs submitted as overhead billings by eight defense contractors. GAO testified stating the following regarding "Unallowable and Questionable Costs Charged by Government Contractors":

Similar findings by other Federal agencies

> "Over the years, our office has issued numerous reports on contractor overhead costs ... Our work and the audits of the Defense Contract Audit Agency and the Inspectors General shows that unallowable and questionable overhead costs are a significant and widespread problem -- costing Federal agencies and American taxpayers potentially hundreds of millions of dollars annually."

At that same hearing, the Defense Contract Audit Agency (DCAA) testified that:

> "DCAA is concerned that contractors continue to include unallowable costs in their incurred cost submissions."

Moreover, a Government-wide study under the auspices of the OMB found recurring instances of contractors seeking reimbursement for "questionable costs, such as alcohol, gold watches, parties, tickets to sporting events, and social club memberships." This study recommended the enactment of legislation that would provide for civil penalties and interest on unallowable costs submitted to civilian agencies, as are currently available for DOD contractors. As a result, in May 1993, OMB proposed legislation that would address this recommendation.

Background

Over the years, the OIG has issued numerous audit reports on grantee/contractor costs that should not have been charged/allocated to DOL. Many of these financial audits are conducted at the request of the Department. These audits have shown:

- substantial questioned costs,
- lengthy audit resolution actions, and
- a need for imposition of civil penalties and interest on disallowed costs so as to deter grantee/contractors from repeatedly claiming unallowable costs.

As a result of the OIG audits on indirect costs, coupled with discussions with ETA grantees and contractors, in August 1991, the Department established an Indirect Cost Workgroup comprised of senior representatives from the OIG, ETA, and OASAM. The purpose of the Workgroup was to determine the causes for grantee/contractor improper charges and develop and implement recommendations to eliminate/minimize these improper charges.

Workgroup Findings. The Workgroup analyzed the findings and types of questioned costs in 20 audit reports issued by the OIG in FYs 1990 - 1991. The most common types of questioned indirect costs were:

- Direct costs for non-ETA/non-Federal objectives charged as indirect costs.
- Indirect costs allocable to non-ETA objectives charged as direct costs to ETA.
- Charging excessive and unreasonable costs.
- Charging unallowable costs to the indirect cost pool.
- Lack of adequate documentation.
- Charging excessive travel and per diem costs in violation of Federal cost principles.
- Failure to credit the indirect cost pool for program income.

Principle causes. The principle causes for the questioned indirect costs were:

- Limited Federal oversight resources (insufficient fiscal monitoring by ETA, coupled with insufficient on-site cost determination reviews by OASAM's Division of Cost Determination, and insufficient OIG audit coverage).
- Lack of knowledge of Federal cost accounting principles by grantee and contractor staffs.
- Weak financial management systems.
- Not obtaining necessary Grant/Contracting Officer approval on selected cost items.
- Fiscal mismanagement.

The question of insufficient resources came up time and again regarding correcting the problems and implementing corrective action. The Workgroup's recommendations were constrained to the point of assuming the status quo on resources. (In July 1993 Secretary Reich transmitted to OMB the results of a limited review of service contracts in DOL. The Secretary noted OIG's concern about the insufficient resource level that the Department devoted to managing and overseeing the administration of the Department's grants and contracts.)

Recommendations. The Workgroup made recommendations (which were adopted and implemented) to reduce the incidence of questioned indirect costs in ETA grants/contracts. They were:

- Conduct training sessions across the country for ETA grantees/ contractors on indirect cost issues.
- Provide all grantees/contractors with indirect cost determination guides.
- Revise ETA's grant/contract packages to be very specific as to what is allowable indirect costs and what is allowable to be included in the indirect cost pool.
- Conduct pre-award reviews/audits of all new grantees/ contractors with estimated costs of $500,000 or more.
- Ensure that grantees/contractors submit their indirect cost proposals for their provisional/final indirect cost rates within the prescribed timeframe.

Existing Authorities

The Federal Acquisition Regulation (FAR) [48 CFR Chapter 1] sets forth cost principles for Government contracts (there are similar requirements for grants under the OMB Circulars). The FAR and the OMB Circulars specify that grantees/contractors may only claim costs [both direct costs and indirect (overhead) costs] that are allowable, allocable to the contract/grant activity, and reasonable and necessary in the conduct of the contract/grant [48 CFR 31.201-6].

The Government is responsible for a pro rata share of total overhead costs. Therefore, if claimed overhead costs include unallowable expenses, the Government would end up paying, unless detected, a portion of the cost of items that are expressly not allowed.

The Department of Defense (DOD) Supplement to the FAR provides that contractors who include unallowable costs in proposals to DOD are subject to an assessment of penalties and interest [48 CFR 231.7000-7004/325.015-71/242.770-5/252.231-7001]. This authority extends back to the date the costs were reimbursed by the Federal Government. There are two levels of penalties. The first level of penalty applies to contractors who claim indirect costs which, by "clear and convincing" evidence, are unallowable. The penalty is equal to the amount of the disallowed cost, plus interest for costs actually paid by the Government. The second level of penalty applies when a subsequent indirect cost proposal contains the same unallowable costs that were previously determined to have been unallowable. In that instance, the contractor is subject to penalties triple the amount of the disallowed cost, plus

interest. In addition, a contracting officer may assess an additional penalty of up to $10,000 for any cost subject to the first or second level of penalty.

In contrast, at the present time, there is no authority for civilian agencies to assess (a) civil penalties for improper charges to Government grants and contracts, and (b) interest from the time the Government reimburses the grantee/contractor for the improper charge until repayment is made. Rather, the Debt Collection Act only authorizes penalties and interest and requires civilian agencies to charge interest starting from the date a Federal agency provides notice of a claim. Thus, interest does not begin to accrue until there is a final management decision and the Department then issues a debt collection notice.

The problem at DOL is exacerbated because the Job Training Partnership Act (JTPA) [29 USC 1574(d)] prohibits collection of any misspent funds (and therefore any interest or penalties) until the grantee/contractor has been provided notice of a Final Determination by the Contracting/Grant Officer and an opportunity for a hearing. As such, a grantee/contractor can defer repayment and earn interest on the funds (which interest will not have to be repaid) simply by appealing the Final Determination to an Administrative Law Judge (ALJ) or to the Board of Contract Appeals, then to the Secretary, and then to the U.S. Court of Appeals. This process can take years.

Currently, if unallowable costs are identified, the improper charges are simply disallowed; only infrequently is debarment action or criminal/civil prosecution pursued or a contract terminated or not renewed. As a result, there is no strong incentive for contractors to stop including unallowable indirect costs in their claims to the Government. Furthermore, because of limited auditor and cost negotiator resources, contractors' cost submissions are finalized in many instances without either on-site review by cost negotiators or auditors. Thus, the chances of getting caught are minimal. In OIG's opinion, civilian agencies need such authorities to: (1) help deter contractors from routinely submitting claims for reimbursement under their grants/contracts for unallowable, unallocable and/or unreasonable costs; and (2) compensate the Government for the grantee/contractor's use of any funds paid in excess of the amount to which they were entitled.

Legislative Recommendations

On December 3, 1992, the House Energy and Commerce Committee (John Dingell, Chairman) held a hearing on the OMB study. As noted, on May 6, 1993, OMB proposed legislation that would allow civilian agencies of the Federal Government to assess penalties against contractors for including unallowable costs in billings submitted to the Government.

Similarly, on October 13, 1993, Senator John Glenn (D-Ohio) submitted a comprehensive bill (S.1587) relating to Government procurement which includes a provision for the assessment of penalties.

All agencies need authority to charge interest and penalties back to date of expenditure or reimbursement of improper charge

As a result of audit findings and studies by the OIG, GAO, and other Government agencies, the OIG supports legislation that would: (a) assess civil penalties for including unallowable, unallocable and unreasonable costs in claims to Government grants and contracts, and (b) assess interest charges from the time the Government reimburses the grantee/contractor for the improper charge until repayment is made.

The OIG believes that the proposed penalty and interest authority should be similar to that which is presently available to DOD. Moreover, the penalty and interest must be severe enough to serve as a deterrent to the existing financial incentives to include improper charges in claims to the Government.

Examples of Audit Reports Issued

The following OIG audit activities illustrate the types of abuses discussed in this section and the delays associated with the resolution of this type of audit.

Leo A. Daly Company ($842,015 Tentatively Owed DOL)

The Leo A. Daly Company (Daly) is a for-profit private company, which was awarded a cost-plus-fixed-fee contract to perform inspection and facilities surveys at Job Corps Centers throughout the United States. During the current 6-month reporting period, the OIG issued three final audit reports, one for each year, on Daly's claims for reimbursement for FYs 1988 - 1990. Issuance

of these three reports was delayed until this reporting period pending resolution of OIG's audit reports covering FYs 1983 - 1987.

Questioned Costs. Daly proposed that $26.2 million in indirect costs be allocated to DOL and non-DOL activities for the 3 years. OIG questioned $3,636,804 of these indirect costs, with a DOL impact of $622,575. The questioned indirect costs resulted from including items in the indirect cost pool that were not allowable, allocable or reasonable in the performance of the DOL contract. Most of the questioned costs were incurred by the company president, or on his behalf, and included amounts for such items as $1.034 million for personal travel expenses (first-class and chartered air travel, inadequately documented travel, limousine rentals, exorbitantly priced hotel rooms, etc.); $683,000 for personal residence expenditures (depreciation on household furnishings, building and grounds maintenance, rent, utilities, etc.); $510,000 for an office in Tokyo that provided no service or benefit to the Government; $275,500 for entertainment; $257,000 for non-business professional services (advertising and public relations); $203,000 for freight, customs and storage of personal household items; $71,000 for social/ civic club memberships; $70,000 for liquor; and $55,000 for dry cleaning. Daly's proposal included a note which removed 25 percent ($97,191) of new business expenses from the total indirect cost pool; the questioned costs are net of this amount.

Auditee's Comments and Audit Rebuttal. Daly provided a response to each report. In general, Daly disagreed with almost all of OIG's questioned costs. Daly stated that (1) the company was in the highly competitive business of architecture and interior design; (2) what the auditors characterized as a personal residence was in fact the Company's design center established and maintained for a legitimate business purpose; and (3) the costs associated with the design center were reasonable, allocable, and not specifically disallowed by any of the cost principles, contract terms, Cost Accounting Standards, or generally accepted accounting principles.

OIG disagrees with Daly's position. DOL contracted with Daly for engineering services to be performed at Job Corps Centers, not for interior design work. The OIG concluded that the so called "design center" is actually the company president's personal residence. In addition, if it is agreed that such a business does exist, then Daly should have established a cost center for that business, allocated a portion of the indirect costs to that cost center,

and further reduced the amounts allocated to the Department and other funding sources. (Reports No. 18-94-009-03-370, 18-94-010-03-370, 18-94-011-03-370; issued March 4, 1994)

Impact on DOL Contracts. While the Department has terminated its relationship with this contractor, its Division of Cost Determination now needs to negotiate final overhead rates taking into account the questioned costs. The ETA Contracting Officer then needs to issue a Final Determination on the amount owed DOL. If all the questioned costs are sustained, Daly will owe DOL $842,015 -- $622,575 in questioned costs and another $219,440 as a result of overdrawing its interim payments from DOL.

Daly will not be required to pay any penalties or interest on the improperly reimbursed costs despite the fact that Daly was reimbursed these funds in FYs 1988 - 1990 (4 to 6 years ago). Moreover, it may take several more years for the audit resolution process to be completed if Daly does not negotiate final overhead rates with the Department and appeals the Contracting Officer's Final Determination to an Administrative Law Judge.

Nebraska Indian Inter-Tribal Development Corporation (NIITDC) ($607,354 Questioned)

NIITDC is a consortium of four Indian tribes established to administer funds under the JTPA, Title IV, Section 401 program. NIITDC also serves as the JTPA Native American Program grantee for non-reservation areas in Iowa and Nebraska. DOL contracts with the consortium to provide training, employment and supportive services to unemployed and economically disadvantaged Native Americans to enhance their employability qualifications. The OIG performed a financial and performance audit for the period July 1, 1987 through September 30, 1991 and applied agreed-upon procedures for the period July 1, 1991 through September 30, 1992..

The financial audit resulted in $607,354 in questioned costs (36 percent of the $1.7 million in reported costs). The OIG's major findings were that Nebraska overallocated costs to the DOL grant, used grant funds for non-grant purposes, and spent funds on unallowable and undocumented legal fees and travel costs.

For example, Nebraska: (1) drew down $116,961 more than it reported; (2) charged $130,000 in salary and fringe benefit costs to

the training cost category when the work being performed was administration, a category that had met its expenditure limitation under the grant; (3) charged $117,000 of the Executive Director's salary directly to the grant in violation of the Indirect Cost Agreement; and (4) charged $92,000 of participant wages to a Community Service Employment cost center when the work the participants were performing did not meet the definition of a Community Service Employment activity.

The OIG audit concluded that, due to the numerous audit findings and significant questioned costs, Nebraska is no longer in compliance with 20 CFR 632.32 (Financial Management Systems) and 20 CFR 632.125(b) (Responsibilities of Native American Grantees for Preventing Program Abuse). Because of this, it is questionable whether Nebraska continues to meet the threshold requirement in 20 CFR 632.10 of having a "capability to administer" a Federal grant.

The OIG recommended that ETA make a Responsibility Review before refunding Nebraska's grant starting July 1, 1994. **(Report No. 18-94-007-03-355; issued February 3, 1994)**

Transportation Communications International Union
($151,425 Cost Avoidance)

TCIU is a nonprofit corporation which has received a number of cost reimbursement contracts from DOL for the administration, management, vocational training, and job placement support services for Job Corps students in its advance clerical skills and computer-based training program. The OIG performed an audit of TCIU's indirect cost rate proposal and tested its direct costs for the 6 months ended December 31, 1992.

The OIG's financial audit disclosed that the proposed indirect cost pool should be reduced by $653,366 and that the direct cost base should be increased by $813,876. The primary reasons for these changes were that the indirect costs claimed by TCIU directly benefited the Grand Lodge and its union members and, therefore, should have been charged as direct costs, were not adequately supported by personnel activity reports, and/or were not treated consistently with other costs incurred for the same purpose in like circumstances. In addition, the direct cost base was increased to agree with TCIU's audited financial statements. The

net effect was a recommended reduction in TCIU's proposed indirect cost rate from 13.13 percent down to 4.88 percent, with a DOL savings of $151,425 for the 6-month period. The auditors also concluded that significant material weaknesses were present in TCIU's internal control procedures. Because of the questioned costs and internal control weaknesses, the auditors issued an Adverse Opinion on TCIU's final indirect cost rate proposal.

In addition, the auditor's comparative analysis of TCIU's fringe benefit costs with those of other organizations indicate that TCIU's fringe benefit costs, while approved by the Department of Labor, were excessive. Thus, the OIG recommended that ETA either contract for these services on a competitive basis rather than on the present noncompetitive sole source basis, or negotiate a more reasonable fringe benefit rate with TCIU (about 35 percent versus the 68 percent claimed) for the 4 remaining contract option years. Using the recommended 35 percent fringe benefit rate could provide estimated savings of about $2.5 million for the 4 option years. (Report No. 18-94-012-07-735; issued March 31, 1994)

Examples of Decisions Disallowing Costs

Technical Assistance Group (TAG) ($365,323 Disallowed)

On February 2, 1994, ETA issued a Final Decision disallowing $177,038 as a result of the OIG's second and third audit reports on this Job Corps support contractor which covered the period 1989-90. The OIG previously issued an audit report for the period 1986-89, which resulted in ETA disallowing $188,285. Thus, TAG owes DOL $365,323.

TAG is a family-operated Job Corps support contractor that received cost-fixed-fee contracts starting in 1983 for real estate management support services in support of over 100 Job Corps Centers nationwide.

The questioned costs resulted from transactions which, when taken collectively, indicated a pattern of program abuse. TAG claimed unallowable costs, including numerous personal expenses (i.e. one semester of college tuition for the company president's son, family vacations, clothing, jewelry, food items and cable television service to their personal residence), that directly benefited the president and his family. TAG also charged the DOL contract for

unallowable wages and fringe benefits paid to family members which were (a) in excess of contractual ceilings or (b) incurred for non-Job Corps activities (residential real estate).

As result of the OIG's audit reports, in September 1990, ETA terminated its relationship with this Job Corps support contractor (who formerly served as the Director of ETA's Office of Administrative Services.) (Report Nos. 18-91-007-07-735; issued March 31, 1994, 18-92-026-07-735; issued August 24, 1992, and 18-90-022-07-735; issued May 2, 1990)

Home Builders Institute (HBI) ($319,857 Disallowed)

On February 7, 1994, ETA issued a Final Decision and a revised Final Decision disallowing $319,857 as a result of two audit reports on this Job Corps support contractor for the period 1985-1988.

The contracts, sole-source cost reimbursement contracts, provided for HBI to conduct vocational training and to coordinate job placement services to Job Corps members in trades and skills related to the home building industry.

Reasons for the costs being disallowed as direct costs or being disallowed from the indirect cost pool (a portion of which is then charged to the DOL contracts) include $147,540 of excessive executive salary increases and bonuses, $908,241 (of which $829,247 was reclassified as indirect costs) of salaries and fringe benefits for HBI employees who actually worked on HBI's commercial programs or indirect functions inappropriately charged directly to the Job Corps contracts, and $118,244 of unallowable entertainment costs. The disallowed entertainment costs include $82,892 for lunches and dinners for HBI National Office personnel only (on a recurring basis) and HBI personnel and present or prospective vendors/subcontractors, $4,769 for liquor, $4,629 for theater tickets and entertainment, and $6,522 for health club memberships.

Also, as of the close of the semiannual reporting period, the OIG had concluded the fieldwork and was preparing draft reports on an audit of HBI's costs for FYs 1989 - 1991 (through June 30, 1991). The findings in this audit are similar to those in the prior audits. (Report Nos. 18-90-010-07-735; issued February, 6, 1990 and 18-91-042-07-735; issued September 23, 1991)

National Plastering Industry's Joint Apprenticeship Trust Fund
($175,313 Disallowed)

On October 22, 1993, the ETA Grant Officer issued a Final Decision disallowing $175,313 as a result of the OIG's audit report issued on April 26, 1993, covering the Trust Fund's claims for reimbursement under its job training contract for the 2-year ending period June 30, 1991.

The National Plastering Industry's Joint Apprenticeship Trust Fund, a nonprofit organization, was established by the Operative Plasterers and Cement Masons International Association of the United States and Canada and the International Association of Wall and Ceiling Contractors to provide plastering apprenticeships in support of the local unions.

The Trust Fund also administers Job Corps cost reimbursement contracts for the Departments of Labor and Interior to provide vocational training at Job Corps Centers. These cost reimbursement contracts authorized the contractor to coordinate training for plasterers and cement masons at selected Job Corps Centers and to provide associated job placement. These contracts provide for the direct costs of coordinators and instructors and for instructional materials, tools, and uniforms.

DOL's questioned costs of $175,313 resulted primarily from costs claimed for salaries and fringe benefits for non-Job Corps activities, failure to obtain approval for nonexpendable equipment and consultant costs, profit on sales of materials and supplies, excess cash drawdowns, and uncredited receipts and unsupported expenditures. On December 10, 1993, the Trust Fund appealed the grant officer's Final Decision to the Board of Contract Appeals. (Report No. 18-93-014-03-370; issued April 26, 1993)

National Council on the Aging (NCOA)
($462,701 in DOL Funds Tentatively Disallowed for CY 1990)

NCOA is a private, 6,000 member non-profit organization founded in 1950 to provide training, research, information, and technical assistance to professionals and volunteers in the aging field. NCOA is one of the national sponsors under ETA's Senior Community Service Employment Program (SCSEP). The SCSEP annual grant provides continuance of an employment and training project which provides subsidized, part-time, community service

employment opportunities for low income individuals 55 years of age or older. In March 1993, the OIG issued an audit report on the $36 million of costs claimed for reimbursement expended to pay for the salaries of the 11,000 older workers in 64 projects in 21 States.

On March 18, 1994, ETA issued an Initial Determination tentatively disallowing all of the questioned direct and indirect costs contained in the OIG's audit report issued in March 1993 on NCOA's indirect costs claimed under the SCSEP for CY 1990.

The DOL impact is $462,701. Most of the questioned costs resulted from NCOA improperly charging salaries and fringe benefits to its indirect cost pool and DOL grants, and the excessive allocation of non-personnel costs to the DOL grants. NCOA also charged excessive amounts of rent expense to the DOL grants and improperly charged various costs, chargeable to its non-DOL programs, directly to the DOL grants. (Report No. 18-93-009-07-735; issued March 18, 1993)

The Falmouth Institute ($145,411 Tentatively Disallowed)

The Falmouth Institute (TFI) is a for-profit corporation whose workload largely involves consultant services to Native American and Indian Organizations. ETA awarded TFI a contract to provide training and technical assistance through on-site visits for Native American and Indian Grantees funded under JTPA and to conduct specified training seminars.

On March 31, 1994, the ETA Contracting Officer issued an Initial Determination disallowing all of the questioned costs (totaling $145,411) in the OIG audit report issued on October 29, 1993. The questioned costs result from the OIG's audit of the direct and indirect costs claimed during the period June 20, 1990 to June 20, 1992. The questioned costs were primarily due to:

- TFI's president and DOL project director both charged their time directly to DOL when they actually worked on either training courses conducted by another firm owned entirely by the president or on other contracts;

- fringe benefits relating to the questioned salaries, including a $5,000 bonus to TFI's vice president for administration, who is the president's wife; and

- duplicate consulting fees, unallowable post-contract period costs, travel and telephone costs not provided for in the budget, and overhead and general and administrative costs applicable to the questioned direct costs.

(Report No. 18-94-001-07-735; issued October 29, 1993)

Examples of Appealed Disallowed Costs

WAVE ($622,602 owed to DOL)

WAVE is a national, non-profit organization which receives grants from ETA for job training programs for youth. The OIG audited the FYs 1987 - 1989 grants and issued an audit report on September 30, 1991.

The OIG questioned almost $800,000 primarily as a result of WAVE improperly claiming a disproportionate amount of general and administrative costs under its Partnership Program grants. WAVE used predetermined percentages and amounts based on budgets to allocate these costs, rather than allocating such costs, as required, on an actual cost basis. WAVE also improperly included unallowable costs in the general and administrative cost pool. In addition, WAVE failed to reduce the overall rental expense for rental income received for sublet space. Because of the reported findings, the auditors issued an adverse opinion on the costs claimed for the audit periods.

Subsequently, the ETA Grant Officer issued a Post-Final Determination disallowing net questioned costs of $622,602. WAVE then filed a request for an administrative hearing. A formal ALJ hearing was held in April 1993, followed by post-hearing briefs. In December 1993, the ALJ issued a decision fully supporting the Grant Officer's Final Determination. The Judge ordered WAVE to repay DOL $622,602.

As provided for under Section 166(b) of the JTPA, WAVE then appealed the decision to the Secretary of Labor. On February 1, 1994, the Department notified WAVE that the Secretary had considered WAVE's appeal but was not accepting the case for review. WAVE is now seeking judicial review in the United States Court of Appeals.

WAVE may now owe DOL $622,602, plus interest accrued only after February 1, 1994, for funds received 5-7 years ago. In effect, until February 1, 1994, WAVE had an interest-free advance from the Federal Government.

Moreover, OIG has concluded the fieldwork and is preparing a draft report on an audit of WAVE's FYs 1990 - 1992 (through June 30, 1992). The findings appear similar to those in the OIG's audit of FYs 1987 - 1989. (Report No. 18-91-021-03-340; issued September 30, 1991)

National Council on the Aging ($805,246 owed to DOL)

In July 1991, the OIG issued an audit report as a result of a financial audit of the National Council on the Aging for calendar years (CYs) 1988 - 1989. The audit resulted in questioned indirect and direct costs of $901,119 (Government impact of $742,251, including $717,440 for DOL). Most of the questioned indirect costs resulted from improper salaries and fringe benefits charged to the indirect cost pool and excessive allocation of non-personnel costs. NCOA improperly charged the time of employees who worked on non-Federal programs and NCOA's own activities, such as fund-raising and membership, to its indirect cost pool. By improperly charging the time as indirect costs, NCOA shifted substantial amounts of the costs assignable to fund-raising, membership, and other non-DOL activities, to DOL by allocating such costs via the indirect cost pool. The OIG also found that NCOA improperly charged as direct costs the time of eight SCSEP Division key personnel for work on non-DOL programs, including fundraising and lobbying.

In addition to the questioned costs, the OIG also found that NCOA had not refunded $364,672, excluding interest, owed to DOL. As a result of the OIG finding, NCOA refunded DOL the $364,672.

In September 1992, the ETA Grant Officer issued his Final Determination disallowing $342,545. NCOA immediately appealed requesting an administrative hearing. Since then, the case has been at the Office of Administrative Law Judges and no date has yet been assigned for an administrative hearing. Until the appeal process is exhausted, NCOA has, in effect, an interest-free advance from the Federal Government.

As noted in the earlier section, the OIG issued a similar audit report for CY 1990. The audit resulted in ETA issuing, on March 18, 1994, an Initial Determination disallowing questioned costs with a DOL impact of $462,701. Therefore, NCOA may now owe the Department as much as $805,246, for funds received for CYs 1988 - 1990 (4 to 6 years ago) subject to downward revision by the ETA Grant Officer in his Final Determination and by the ALJ. As previously noted, until all appeals have been exhausted, NCOA has, in effect, an interest-free advance from the Federal Government. Moreover, NCOA cannot be assessed any penalties for charging/allocating improper costs to the Government grant. (Report Nos. 18-91-018-07-735; issued July 19, 1991, and 18-93-009-07-735; issued March 18, 1993)

Example of Appealed Audit Awaiting Resolution

City of Detroit -- $3.4 million owed to DOL (under appeal)

OIG audits concluded that the City of Detroit, between 1977 and 1980, charged DOL grants with almost $9 million in improper administrative costs on its CETA grants. Now, 16 years later, the City still does not have to repay these funds because the Department's Office of Administrative Appeals (OAA) -- the unit charged with carrying out certain adjudicative functions in the Department -- has yet to announce a decision on the City's appeal. Moreover, interest has not been accruing while this case has been in appeal.

In 1982 and 1983 (11-12 years ago) OIG issued four final audit reports on the City of Detroit's CETA Program for the period from October 1, 1977 to September 30, 1980. The audits recommended that $8.8 million be disallowed due to a lack of documentation for administrative costs charged to the CETA program by the City. In 1983 the DOL Grant Officer issued Final Determinations disallowing the $8.8 million. The City of Detroit appealed. By the time of the ALJ hearing in 1987, these four audits and six subsequent audits were consolidated into one case. The ALJ issued his Decision and Final Order in October 1990 requiring the City of Detroit to repay DOL $2,591,483 of the $8.8 million disallowed by the ETA grant officer, plus another $800,000 for the other 6 cases, for a total of $3,391,483. The City immediately appealed to the Secretary of Labor. In November 1990, OAA accepted the case for review. Over 3 years have elapsed and the case is still pending review (awaiting a decision by the Secretary).

Conclusion

Federal Agencies today lack the resources to adequately monitor grantee/contractor compliance with statutory laws/regulations. As a result, many taxpayers' dollars are wasted because there is little or no incentive for grantees and contractors to exclude improper costs from claims submitted to the Government. The OIG believes that the proposed civil penalties and interest would serve as the needed deterrent.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

The Occupational Safety and Health Administration (OSHA) provides leadership in protecting the health and safety of 90 million American workers by administering the provisions of the Occupational Safety and Health Act of 1970. The purpose of this Act was "to assure so far as possible...safe and healthful working conditions for every working man and woman in the Nation."

To carry out its responsibilities under the law, OSHA develops and promulgates Federal safety and health standards, operates a compliance program based on both voluntary compliance and physical inspection of workplaces, provides grant programs to State-operated safety and health programs, provides technical assistance, and collects and publishes statistics in support of safety and health programs.

In this reporting period, the OIG completed a special review of OSHA's management of information technology financial resources. The OIG also continued dialogue with OSHA and BLS regarding its concerns with the collection and reporting of occupational safety and health injury and illness statistics, which are discussed on page 82 of this report.

OSHA Needs to Better Budget for and Track Information Technology Costs

The 1986 Paperwork Reduction Act, as amended, the Chief Financial Officers (CFO) Act and the Office of Management and Budget's Circulars A-130 and A-11 instruct agencies to use budget formulation and cost tracking as tools for effectively managing, administering and controlling costs. Taken as a whole, these Federal mandates and others, e.g., Federal Managers' Financial

Integrity Act, form the basis from which OSHA was to manage planned FY 1992 information technology obligations of $14.02 million.

The OIG audited OSHA's information technology budgeting process, cost tracking systems, and use of cost information. The OIG found OSHA had not developed a separate budget or developed a system from which OSHA could track and identify its information technology obligations.

The only document that resembled an information technology budget was OSHA's OMB A-11, Exhibit 43A, "Report on Obligations for Information Technology Systems." Although OSHA has no other discrete budgeting mechanism for information technology, OSHA believes the 43A process is not intended to be an active prescription for managing information technology resources. Regardless, the agency reported obligating $2.6 million more than their FY 1992 planned obligations for information technology. Using the Department's financial system of record, DOLAR$, and applying OIG's methodology for estimating information technology costs, OIG estimated OSHA obligated $4.5 million more in FY 1992 than the agency planned to obligate.

OSHA obligated $4.5 million extra for information technology costs

In addition, OSHA's FY 1992 budget plans for information technology omitted approximately $1.74 million in information technology costs for its Technical Data Center and the Salt Lake Technical Center.

These weaknesses in OSHA's 43A formulation process and methodology are attributed to:

- Inaccurate compiling and reporting.
- Omission of information technology costs for all offices except the Office of Management Data Systems (OMDS).
- No realignment of the 43A obligation figures for effects of Presidential and Congressional revisions.
- Limited involvement by information resources managers in the 43A compilation.
- Lack of reviews and approvals.

- Lack of written documentation for the information technology compilation.

Also, OSHA had not established and did not have systematic procedures for tracking and comparing information technology costs for purposes of providing management useful cost information. Because OSHA does not have the fundamental tools for budgeting and tracking information technology costs, it cannot effectively and efficiently manage, administer, and control information technology resources in a manner needed to realign, contain or reduce costs.

In OIG's opinion, OSHA can improve managing its information technology with a well executed information technology budget formulation strategy and a systematic methodology for tracking and reconciling actual costs to budget. (Report No. 17-94-001-10-001; issued March 31, 1994)

FINANCIAL MANAGEMENT

DOL-OIG Perspective on Financial Statements and Performance Statistics: The OIG began a long-range project in 1986 to assist DOL management in including, as a key factor in the decision making process, the concept of "Return on Investment." By enacting the Chief Financial Officers Act of 1990 and the Government Performance and Results Act of 1993, the Congress provided the tools and impetus for similar long-range projects throughout Government.

The OIG has worked closely with the Office of Management and Budget (OMB) and the Department to develop DOL financial statement and performance measures requirements. Initially the Department's financial statements were compiled and audited by both the Department and the OIG. Finally, with the Fiscal Year 1991 financial statements, DOL management compiled the statements and the OIG performed the audit.

As required by the OMB, the Department included program statistics in the overview portion of the Fiscal Year 1991 financial statements. Although to a great extent, these first program statistics were primarily inputs and outputs, the Government Performance and Results Act of 1993 requires all Government Agencies to be reporting program outcomes by March 31, 2000. Certain Government Agencies, including the Employment and Train-

ing Administration and the Occupational Safety and Health Administration, have been designated as pilot agencies for developing and reporting program outcomes for Fiscal Years 1994, 1995, and 1996.

The OIG's audit of the 1992 program statistics covered the accuracy of the reported program statistics and to a more limited extent looked at whether the reported statistics were appropriate. The audit of the 1993 program statistics is placing greater emphasis on the appropriateness of the reported program statistics. Just as DOL-OIG was a leader in the Government in assisting and encouraging management to prepare financial statements, the OIG is now working with management to assist in the early implementation of the Government Performance and Results Act of 1993. The OIG is of the opinion that the taxpayers will benefit from expedited implementation.

The OIG looks at the financial statements and program statistical reports as a baseline for the Department to be more accountable to the taxpayers. However, the OIG believes the financial statements and program statistical reports are only the first steps to full accountability. Reports on return on investment are the ultimate for each DOL program.

To be accountable to taxpayers and to look for ways to improve the use of tax revenue, DOL management should compute and publicize rates of return on investment for each DOL program. To prepare the rates of return, management should first prepare reports on program statistics, financial activity (financial statements), program outcomes and the economic impact of the program.

Management should then prepare appropriate cost and benefit analyses reports as necessary steps to preparing the return on investment report. In preparing and issuing these reports, management would be making assertions, as applicable, of existence and occurrence; completeness, rights and obligations; valuation and allocation; presentation and disclosure; and compliance with applicable laws and regulations. The OIG should audit and report on management's assertions.

The OIG's audit of the Job Corps program is leading the way for audits of other DOL programs. During Fiscal Year 1994, the OIG will draft and audit financial statements and program statistics

and then prepare a cost analysis report. In addition, the OIG is extending its audit of Job Corps placements to determine how long the participants retain their jobs (program outcomes). This is a significant step towards making benefit analyses of programs. The return on investment cannot be accurately made until the Department is able to make complete cost and benefit analyses.

OIG Concerns About Chief Financial Officer Vacancy and Proposed Organizational Structure: The OIG continues to be concerned about the lack of a permanent Chief Financial Officer (CFO) for the Department of Labor. The OIG is of the opinion that appointment of a highly qualified CFO would enhance the Department's ability to achieve and maintain a high degree of sound financial management. Among the benefits an independent CFO should provide to the Department would be objective financial information before various program policy decisions are made and objective financial evaluation of the results of such decisions, such as cost analyses of performance measures and activities, the monetary benefits of program outcomes, and the return on investment.

The OIG is also concerned about the CFO organizational structure proposal recently submitted to OMB. The Department wants to combine the functions of the Assistant Secretary for Policy with those of the CFO. The OIG is of the opinion that this could result in a conflict of interest. The perception, and perhaps reality, would be that the CFO would not objectively evaluate the Department's finances related to his or her program policy decisions. To maintain appropriate separation of duties, the CFO organization should be a separate agency in DOL.

According to the acting CFO, the Department's proposed organizational structure was based on the Department of Transportation's (DOT) CFO structure, approved by OMB in January 1994. However, after reviewing the reorganization at DOT, the OIG believes that the Department's proposal is significantly different. According to information obtained by the OIG about DOT's organizational structure, DOT combined its former Assistant Secretary for Budget and Programs with its Finance Management office. However, DOT had before and after its reorganization an Assistant Secretary for Transportation Policy.

DEPARTMENTAL MANAGEMENT

Departmental Management (DM) refers to those activities and functions that implement and formalize policy, procedures, systems, and standards that promote efficient and effective operation of the Department's administrative and managerial programs. DM includes both those activities and functions applicable to all agencies of the Department as well as a small number of operating programs and activities for which incorporation in an existing DOL component is not suitable.

Directorate of Civil Rights Followup Audit

Directorate of Civil Rights takes steps to reduce complaint backlog

An earlier OIG audit of the Department's Directorate of Civil Rights' (DCR) operations during the period FYs 1989 - 1991 identified potentially significant deficiencies in the timeliness of processing complaints filed under Titles VI and VII of the Civil Rights Act, record keeping and tracking systems, and performance of compliance reviews of entities receiving Department of Labor funds. The review also identified a backlog of complaints and compliance review reports. The OIG concluded that these potential deficiencies and weaknesses constituted vulnerabilities that jeopardized the DCR's effectiveness in performing its basic mission.

The OIG conducted a followup audit of DCR's FY 1992 operations to determine whether DCR had made any improvements. Since the OIG's FYs 1989 - 1991 review, DCR has taken several actions which show the potential to reduce the backlog and improve the processing of compliance review reports and complaints.

These actions included:

- eliminating the required Solicitor's Office review of compliance review reports and establishing a 90-day time limit for issuing reports;
- issuing new regulations on State non-discrimination plans for Job Training Partnership Act and State Employment Security Agency grantees;
- eliminating the required Solicitor's Office review for all Title VI cases;

- implementing the Equal Employment Opportunity Commission's regulations on Title VII complaints; and

- developing new management information systems.

However, much work remains to be done before DCR can provide the Secretary of Labor with the required assurance that programs funded by the Department are operated in a non-discriminatory manner. The OIG's audit of FY 1992 operations found that compliance reviews continued to remain open for long periods of time. As of the end of FY 1992, DCR had 38 open compliance reviews for which the on-site visits had been made in FY 1990 or earlier.

Problems also continued in the area of limited coverage of the grantee universe. In the FY 1992 Civil Rights Implementation Plan submitted to the Department of Justice, DOL stated that DCR would review all States and most Service Delivery Areas over the next 3 years. In FY 1992, DCR conducted compliance reviews of 26 JTPA SDAs. DCR planned to conduct 38 JTPA compliance reviews each in FYs 1993 and 1994. If all of the planned reviews are conducted, DCR will have visited 102 of the 630 SDAs in the country, far fewer than committed to in DOL's Civil Rights Implementation Plan.

Problems persist in coverage of grantee universe

Further, while concentrating all of its compliance review resources on the State's administration of the JTPA program and selected SDAs in FY 1992, DCR conducted no reviews of the other programs under its jurisdiction. Two of these programs, Job Corps and Dislocated Workers, are expected to expand significantly in FYs 1994 and 1995.

Finally, the followup audit found that DCR's backlog of Title VI and Title VII complaints had been reduced but not eliminated. DCR had made some progress in reducing its backlog of Title VI cases but was still unable to meet its stated goal of issuing final decisions within 180 days of accepting the complaint. New regulations governing the processing of Title VII cases became effective as of October 1, 1992. The new regulations should improve the ability of DCR to process Title VII cases in a more timely manner and further reduce its backlog.

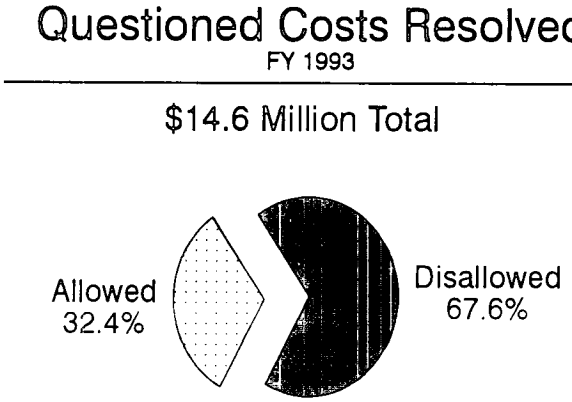
The OIG recommended that DCR develop and adhere to a corrective action plan to reduce and eventually eliminate the back-

log of compliance reviews and complaints, and develop a plan for conducting compliance reviews that adequately covers those programs within DCR's jurisdiction.

In response to the draft report, the Assistant Secretary for Administration and Management stated that DCR's workplan is being revised to address the audit recommendations. The Assistant Secretary stated that the audit report did not provide a clear portrayal of the extent of DCR's enforcement responsibilities or a discussion of what is realistic for DCR to accomplish given the resources that have been authorized. Increases in DCR's workload and decreases in staff are critical factors in the development of any meaningful corrective action plan. The Assistant Secretary also pointed out that the targeting strategy for FY 1992, focusing on the JTPA program, was not inconsistent with DCR's primary strategy of ensuring maximum coverage to those programs with the greatest potential for discrimination to occur. (Report No. 17-94-005-07-770; issued March 31, 1994)

Fiscal Year 1993 Resolution of Audit Recommendations Containing Questioned Costs

For audit recommendations with questioned costs, resolution occurs when the DOL program agency issues a management decision that "allows" or "disallows" these costs and the OIG agrees with the management decision. For OIG audit recommendations (not reports) containing questioned costs which were resolved in Fiscal Year 1993, DOL agency officials disallowed over 67 percent of the total costs questioned in audits performed or contracted for by the OIG.



Following is a summary and brief analysis of monetary audit recommendations that were resolved by agency management and the OIG in Fiscal Year 1993.

Resolution of Monetary Recommendations for Audits Performed by the OIG and Contracted Services Fiscal Year 1993

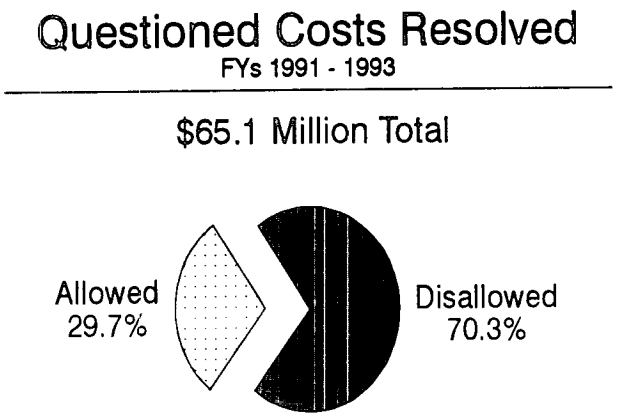
	$ Resolved (000)	$ Allowed (000)	$ Disallowed (000)	Percent Disallowed
ETA	12,838.3	3,904.6	8,933.7	69.6%
JTPA (1)(2)	4,995.2	1,886.8	3,108.4	62.2%
ESA	32.4	0.0	32.4	100.0%
OASAM	1,332.5	772.1	560.4	42.1%
Indirect Costs (1)	840.4	435.5	404.9	48.2%
OSHA	355.5	46.0	309.5	87.1%
Total	**14,558.7**	**4,722.7**	**9,836.0**	**67.6%**

(1) Figures are provided for information because they comprise a substantial portion of the Agency total.

(2) Figure represents predominately Title II Programs; other JTPA-authorized programs are included in the ETA figures.

As evident from the above chart, over $14 million (97 percent) of all questioned costs resolved during the period occurred in two agencies, ETA and OASAM. Two activities in these agencies, the JTPA program and indirect cost charges to the DOL, accounted for about $5.8 million (40 percent) of all resolved questioned costs. In any one fiscal year, the amounts of questioned costs resolved and the percentages of questioned costs allowed and disallowed may vary significantly.

To more accurately present the results of audit resolution activities over time, this pie chart summarizes, and the below chart depicts in more detail, the results of monetary resolution activities over the most recent 3 fiscal years.



Over this 3-year period, DOL officials disallowed 70.3 percent of all costs questioned by the OIG. ETA officials disallowed almost 77 percent of JTPA Title II questioned costs, and OASAM officials disallowed 71.5 percent of questioned costs related to indirect costs associated with grants and other awards made by DOL.

Resolution of Monetary Recommendations for Audits Performed by the OIG and Contracted Services Fiscal Year 1991 - 1993

	$ Resolved (000)	$ Allowed (000)	$ Disallowed (000)	Percent Disallowed
OSEC	41.1	0.0	41.1	100.0%
VETS	1,587.5	990.7	596.8	37.6%
ETA	53,855.8	15,197.7	38,658.1	71.8%
JTPA (1)(2)	35,151.6	8,164.9	26,986.7	76.8%
ESA	47.0	0.1	46.9	99.8%
OASAM	8,724.5	2,990.8	5,733.7	65.7%
Indirect Costs (1)	7,782.4	2,221.0	5,561.4	71.5%
OIG	29.8	1.2	28.6	96.0%
OSHA	811.1	172.1	639.0	78.8%
Total	**65,096.8**	**19,352.6**	**45,744.2**	**70.3%**

(1) Figures are provided for information because they comprise a substantial portion of the Agency total.

(2) Figure represents predominately Title II Programs; other JTPA-authorized programs are included in the ETA figures.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT ACTIVITIES

The Federal Managers' Financial Integrity Act (FMFIA) provides a formal mechanism for assessing and reporting the effectiveness of management's internal control structure and the agencies' financial management activities. The OIG reviewed the Secretary's annual report and reports of the Department's component agencies to determine whether the reports were accurate and complete. The status of corrective actions is monitored through ongoing audits.

No new high risk material weaknesses were identified during Calendar Year 1993. However, of the five high risk weaknesses identified during Calendar Year 1992, two remained on the high risk list for Calendar Year 1993.

While some weaknesses have been addressed...

A summary of the three material weaknesses removed by OMB from the high risk list follows.

1) JTPA Audit Coverage: Audit coverage of the JTPA was on the DOL high risk list because the Single Audit Act (SAA) does not provide for adequate coverage of JTPA service providers. The service providers are generally non-profit and profit-making organizations.

   The DOL's FMFIA report has included this as a weakness since 1987. The DOL proposed that this item be taken off DOL's high risk list since unilateral action by DOL to address this problem is not feasible. OIG agreed to the deletion from DOL's list when OMB proposed that it be taken off the DOL list and put on a Government-wide list of high risk areas. OMB has not yet published a Government-wide list.

   The Fiscal Year 1995 budget, Chapter 24, high risk areas, states that the Administration will consider whether legislative changes (to the Single Audit Act) are needed in 1994. Table 24-1 outlined progress made on the high risk areas by agency.

2) Inaccurate and Untimely Grant Information: Prior year OIG audits of DOL grantor agencies found that grant accounting needs to be improved to ensure that financial information is reliable, complete, comparable, and consistent.

   The Department proposed removal from the high risk list because they had greatly improved their financial management systems and ETA, the primary grantor agency, had implemented a

new grants and contracts management information system. While some control, reporting and operating improvements are still needed in administrative and grants systems, the OIG agreed that this was no longer a high risk area. OMB removed the item from the high risk list.

3) DOL Equity in SESA Real Property: DOL has equity in SESA real property purchased with Federal funds. An OIG audit found that some SESAs did not comply with DOL regulations governing acquisition, management, and disposition of property. Furthermore, ETA did not account for the Department's equity of approximately $296 million in 472 State properties as of September 30, 1988.

   During FY 1993, ETA expanded SESA real property monitoring and began the process of reconciling ETA's SESA real property inventory with the States. On December 23, 1993, ETA published in the Federal Register a General Administrative Letter on the acquisition, use and disposition of the SESA real property. As a result, the OMB deleted this item from the high risk list. The OIG concurs with OMB's action.

...other weaknesses remain

The two high risk material weaknesses which remain on DOL's high risk list are:

1) State JTPA Grant Operations: This weakness encompasses several distinct problems: on-the-job training; fixed unit price, performance-based broker contracts; and other contracting practices. Amendments to JTPA contained in the Job Training Reform Act of 1992 are designed to address these problems. In December 1992, DOL published interim final regulations. These regulations significantly strengthened JTPA monitoring requirements and program accountability. ETA planned to issue final regulations early in 1994; however, the regulations have not been issued.

2) The ERISA Audit Process: While widespread fiduciary abuse has not been identified, audits with scope limitations which exclude a sizeable portion of welfare benefit plans are currently allowable under the Employee Retirement Income Security Act (ERISA). Fraud and abuse may be going undetected because of the audit limitations currently allowed under the law.

DOL plans to resubmit a legislative proposal to repeal the limited scope exemption for certain pension plan audits. The Pension and Welfare Benefits Administration (PWBA) will review the quality of employee benefit plan audits and the effect of the American Institute of Certified Public Accountants revised audit guide after the completion of the first full filing cycle following the implementation of the revised guide.

REVISED MANAGEMENT DECISIONS

There were no significant revised management decisions during this reporting period.

OFFICE OF INVESTIGATIONS

SUMMARY OF PROGRAM INVESTIGATIONS

The Office of Investigations (OI) is pleased to report, not only its investigative short-term statistical accomplishments for this reporting period, but also on its continued work in attacking the structural sources of fraud, waste, and abuse in the Department of Labor (DOL) and its programs, especially within the Federal Employees' Compensation Act (FECA) Program. During this period, investigative attention and resources remained focused on conducting quality investigations in established priority areas of suspected or alleged wrong-doing by DOL employees or others entrusted with DOL funds or responsibilities, threats to life and safety, and significant program fraud. This focus resulted in OI devoting 27 percent of its investigative time to FECA fraud matters, approximately 33 percent to Job Training Partnership Act (JTPA) related issues, 13 percent to Unemployment Insurance (UI) cases involving mostly interstate fictitious employer/employee or third party false claims, and 14 percent to investigations of employee misconduct.

The OI also continued its leadership role in the Fraud and Abuse Subcommittee of the Joint Agency Office of Workers' Compensation Task Force. Two of the Subcommittee's main priorities are the development of methods for FECA program cost reductions and the identification of training needs. In March, training was provided to 13 OI regional Special Agents and investigative assistants in the use of automated FECA claimant databases to more effectively focus its limited resources and provide expanded assistance and direction to agencies at the regional and local levels.

APPROPRIATIONS LANGUAGE ALLOWS TERMINATION OF FECA BENEFITS

As OIG continues working with the Office of Workers' Compensation Programs (OWCP) in its effort to seek support for legislative revision to the Federal Employees' Compensation Act, as amended, to remove the ability for a FECA claimant, convicted of fraud against the program, to continue receiving compensation, a temporary solution was achieved during this reporting period. The OIG, in conjunction with OWCP, has long sought support from Congress for the introduction of permanent legislation to amend the FECA as well as Title 18 US Code (USC) §1920 (False Statement to Obtain Federal Employees' Compensation), to terminate

benefits to claimants convicted of FECA fraud, suspend payment of benefits to incarcerated felons, and raise the level of violation from a misdemeanor to a felony.

Thanks to language in this year's appropriation bill, effective October 21, 1993, DOL is no longer required to pay benefits to those convicted of FECA fraud. Pursuant to Section 102, General Provisions, of Public Law (PL) 103-112, authorizing DOL's Fiscal Year 1994 budget appropriation, Congress directed that funds not be used to pay any benefits, compensation, or other related expenses to individuals convicted of a violation of Title 18 USC §1920, or any felony related to the application for, or receipt of, FECA benefits. While this is a temporary solution, effective only for Fiscal Year 1994, OIG vigorously supports permanent changes by the Congress to the appropriate sections of Titles 5 and 18 USC.

In lieu of permanent changes, if similar language is continued in future appropriation bills, the impact of such new authority should enable DOL to improve its enforcement of FECA and result in the saving of millions of dollars.

OWCP Quick To Terminate Benefits of Convicted FECA Recipients

Working with information detailing investigative results furnished by OIG, OWCP has been quick to utilize the language contained in PL 103-112 to terminate the FECA benefits of individuals who have been convicted of FECA fraud.

James A. Winstead and Lee R. Ball, two Federal employees recently convicted of mail fraud and making false statements concerning their respective employment and earnings while receiving FECA benefits, were the first of several FECA recipients to have their benefits terminated under provisions of DOL's 1994 budget appropriations act. Without the new provisions, OWCP would have had to continue paying their benefits until medical evidence proved no further disability existed. Instead, both individuals have been removed from the FECA rolls and will no longer receive compensation. Examples illustrating how this new authority has resulted in cost savings in these two instances and others during this reporting period are detailed below.

Former U.S. Army Civilian Sentenced to 12 Months' Imprisonment

James A. Winstead, a former housekeeper for the U.S. Department of the Army at Walter Reed Medical Center, on February 17, 1994, was sentenced in the District of Columbia to 12 months'

imprisonment to be followed by 3 years' supervised probation and ordered to pay a special assessment fee of $800. On November 29, 1993, a jury found Winstead guilty on 16 counts of mail fraud and making false statements to OWCP after an OIG investigation revealed that Winstead, while receiving more than $108,000 in FECA benefits, concealed from OWCP his employment as a computer lab aid for the District of Columbia Public School System, his 6-months' active duty with the U.S. Army Reserves, and his duties as a military policeman with the District of Columbia's Army National Guard. Immediately upon his conviction, OWCP, using Section 102 of PL 103-112, terminated Winstead's FECA benefits of $935 every 28 days and subsequently declared an overpayment in excess of $85,232. *U.S. v. Winstead* (D. District of Columbia)

FECA Recipient Convicted for Concealing Employment

In a similar fashion, following Lee R. Ball's conviction on December 1, 1993, OWCP took immediate action and terminated the $2,347 FECA benefit payment he received every 28 days. Ball, a former warehouse foreman at the U.S. Department of Defense Depot in Richmond, Virginia, had been indicted on charges of mail fraud and making false statements to OWCP to fraudulently obtain more than $135,000 in FECA benefits over a 5-year period. A joint investigation with the Defense Criminal Investigative Service and the Defense General Supply Center's Office of Command Security disclosed that Ball was gainfully self-employed in a firewood cutting and sales business while receiving compensation. Ball was sentenced to 24 months' imprisonment to be followed by 3 years' supervised probation. He was also fined $500 and ordered to pay immediate restitution to the government of $161,967. *U.S. v. Ball* (E.D. Virginia)

Former Postal Police Officer Sentenced on 31 Counts

On March 23, 1994, Philip G. Arcadipane, a former U.S. Postal Service Postal Police Officer from Massachusetts, was sentenced to 5 months' detention in a community treatment center, to serve an additional 5 months under house arrest, followed by 3 years' probation, and ordered to pay a mandatory special assessment fee of $1,550, and make restitution of $35,778. As detailed in the last report, Arcadipane, had been indicted in August 1993 after a joint OIG and Postal Inspection Service investigation disclosed he failed to report to OWCP that he was self-employed and operated a weapons and ammunition supply company from his home. Arcadipane had received in excess of $59,600 in FECA benefits

since an alleged stress related claim in August 1986. Following a four day trial, on December 16, 1993, Arcadipane was convicted on 28 counts of mail fraud and 3 counts of false statements. On January 18, 1994, OWCP notified Arcadipane, that effective with his conviction, the approximately $2,507 in FECA benefits he had been receiving every 28 days were to be terminated. *U.S.* v. *Arcadipane* (D. Massachusetts)

Former Letter Carrier Sentenced in FECA Fraud Scheme

A savings of $1,939 every 28-days was also realized by OWCP when, using the appropriation language in PL 103-112, it terminated the FECA benefits of George A. Nichols, a former Postal Service letter carrier in Natick, Massachusetts. After being advised by OIG that Nichols had pled guilty on December 1, 1993, to an indictment charging him with 12 counts of making false statements in connection with his FECA claim for an alleged shoulder injury, OWCP terminated his compensation benefits effective that same date. A joint investigation with the U.S. Postal Inspection Service disclosed that Nichols had been employed and physically active in coaching football and wrestling teams at two high schools from August 1991 through February 1992. Nichols, however, failed to report his employment or his earnings to OWCP as required. In fact, Nichols attempted to further hide his employment and earnings by having his salary payments for his coaching duties made in his wife's name and under her social security number. Upon acceptance of his guilty plea, Nichols was sentenced to 36 months' probation with the first 4 months to be served in home detention, ordered to make restitution to DOL in the amount of $10,772, and pay a special assessment of $600. *U.S.* v. *Nichols* (D. Massachusetts)

Former Navy Employee Pleads Guilty to FECA Fraud

Based on his January 26, 1994, guilty plea to 2 counts of a 6-count indictment charging him with making false statements, OWCP was also able to quickly terminate Gordon E. Goodwin's FECA benefits of $1,523 every 28 days. Goodwin, a former civilian employee at the Portsmouth, New Hampshire, Naval Shipyard, had reportedly injured his back in 1982, while working as a rigger. Goodwin had been indicted on September 8, 1993, after a joint OIG and Naval Investigative Service investigation disclosed that he was self-employed as a carpenter and actively engaged in building wooden decks and small wooden craft items while he received FECA benefits in excess of $88,000 over a 5-year pe-

riod. Goodwin claimed to be totally incapable of any type of employment or physical activity. Sentencing is pending. *U.S. v. Goodwin* (D. New Hampshire)

Temporary Authority to Terminate Benefits Results in Significant Savings

As shown by these few examples, the language in PL 103-112 giving OWCP temporary authority to immediately terminate benefits of claimants convicted of fraud against the FECA program only begins to demonstrate what the financial impact of enacting permanent legislation amending the FECA and §1920 of Title 18 USC would be. Not only is there an immediate cost savings to the taxpayer, but the immediate loss of benefits would serve as a significant deterrent to future FECA fraud. This shows that OIG is not only serious about reducing the opportunity to defraud the FECA program, but also that OWCP will take swift and permanent action to terminate future benefits of those found to be defrauding the program.

In the 5 examples cited above, OWCP has recognized an immediate annual cost savings to the government of $120,263. Using the life expectancy of these same individuals, based on current mortality rates, the potential lifetime loss to the government in these 5 instances, had benefits not been otherwise terminated, would exceed $4.1 million.

Benefits to One Jailed FECA Claimant Finally Terminated, But Another Continues to Receive Them

In direct contrast to the examples cited above, without the authority to terminate the benefits of individuals serving time in prison for fraud against the FECA program, OWCP was prohibited from taking such timely action to terminate the FECA benefits of Arthur J. Smullen. As described in the last report, Smullen, a Massachusetts postal distribution clerk, was sentenced on May 27, 1993, to 27 months' imprisonment, 36 months' probation, and ordered to pay $121,377 restitution for failing to report the employment and income received from cycle and dragway businesses with which he was associated.

On January 26, 1994, OWCP declared an overpayment of $178,565 in this instance. However, because his conviction took place prior to the October 21, 1993, effective date of PL 103-112,

OWCP was precluded from using the authorization to terminate his benefits. Smullen, therefore, continued to receive his $2,040 in FECA compensation benefits every 28 days, even while in jail. OWCP subsequently determined, via additional medical evidence, that Smullen no longer suffered from any residual effects of his accepted injury. Only then could OWCP notify Smullen that, effective February 6, 1994, his FECA benefits were being terminated, not because he had defrauded the program, but because the medical evidence supported the lack of any residual effects. *U.S.* v. *Smullen* (D. Massachusetts)

In a more egregious example of how OWCP was inhibited by its lack of authority to terminate a claimant's FECA benefits upon their conviction involving FECA fraud is illustrated in the sentencing of a former Defense Construction Supply Center employee. The employee had previously pled guilty to two counts of theft of public funds after an investigation determined the employee had assumed a false identity and worked in the medical home care area while collecting FECA benefits. The employee was sentenced to 37 months in prison and is currently incarcerated in a Federal prison. Because OWCP could not automatically terminate the benefits upon the conviction, while in prison, this former employee continues to receive FECA benefits of over $838 every 28 days and stands to receive over $33,545 in tax-free FECA benefits while in jail convicted of defrauding the FECA program.

SIGNIFICANT INVESTIGATIVE ACCOMPLISHMENTS

While OIG attention continues on several significant on-going investigations, the results of which will be presented in future reports as these cases come to fruition, some examples of more meaningful investigative results occurring during this reporting period are next illustrated.

Former U.S. Deputy Marshal Indicted for FECA Fraud

On March 16, 1994, Albert P. Slugocki, a former Deputy U.S. Marshal, was indicted by a Federal grand jury in the Southern District of Florida at Ft. Lauderdale, and charged with 19 counts of mail fraud, making false statements, and/or making false statements to obtain Federal employees' compensation. A joint investigation with the Department of Justice OIG linked Slugocki, who also served as a Sergeant Major in the U.S. Army's Special Forces, and his wife, Margaret, to "Margarita Tours" and "Amazon River Expeditions" of Ft. Lauderdale, a high-adventure international

business enterprise that offered tour packages, including survival skills training, fishing and photography cruises, and other nature related activities in Peru, the Amazon, and the Australian "Outback." Slugocki, who had been drawing total disability benefits from OWCP since 1978 for a back injury, collected over $300,000 in benefits over a 10-year period while working as the "Director of Jungle Survival" for the business. Publicity brochures and other documentary evidence obtained in a search of Slugocki's residence pictured Slugocki and others in deep jungle scenes and indicated his personal involvement as a personal guide and river boat captain on expeditions for a number of clients. *U.S. v. Slugocki* (S.D. Florida)

Two Arrested in Unemployment Insurance Scheme

Following a year-long joint investigative effort, on March 9, 1994, a task force of DOL OIG special agents, U.S. Postal Inspectors, and agents from the U.S. Department of Health and Human Services and the Immigration and Naturalization Service, arrested two New Jersey men, Marino Figueroa and Antonio Rodriguez. Both men were charged in separate complaints with mail fraud.

A Federal grand jury for the District of New Jersey, at Newark, on March 17, 1994, returned an indictment against Figueroa (a/k/a Marino Rodriquez) charging him with mail fraud in connection with his working with one or more "inside" employees at the Elizabeth, New Jersey, UI office, to fraudulently receive, directly or indirectly, at least 440 UI benefit checks in the aggregate amount of $143,834 which were made payable to 17 different individuals.

The OIG investigation was initiated based on information furnished by the New Jersey Department of Labor (NJDOL) which indicated suspicious transactions taking place at the Elizabeth UI office. Further investigation disclosed that a large number of apparently fraudulent UI benefit checks, payable to various ineligible individuals, were being sent to post office boxes in Elizabeth and Rahway, New Jersey, which were under the control of Figueroa. During an analysis of the suspect checks, it was noted that most had been issued after overriding the internal controls at the Elizabeth UI office through use of a NJDOL employee's computer access code. Further analysis disclosed that some of these benefit checks were also being generated out of the Newark UI office, after internal controls there were apparently also manually overridden.

On April 7, 1994, Antonio Rodriguez, was officially charged with one count of conspiracy and five counts of mail fraud after OIG's investigation determined that Rodriguez, who operated from a hot dog truck outside the Newark UI office for more than 10 years, would, for a fee, serve as a "go-between" with certain NJDOL "insiders" in order to ensure that the illegal aliens and other ineligibles received improper UI benefits. The indictment alleges that, in so doing, Rodriguez also caused approximately $51,000 in UI benefit checks to be made payable to at least 22 different claimants, and mailed to his Newark residence. Rodriguez allegedly shared the money he received from the claimants with the NJDOL "insiders." This investigation continues and additional indictments are expected. *U.S.* v. *Figueroa* (D. New Jersey)

South Carolina Trio Charged in Misuse of $294,000 in JTPA Funds

James E. Dennis and Robert E. Scott, Jr., president and comptroller, respectively, of Dennis and Associates, Inc. (DAI), a South Carolina on-the-job training (OJT) contract administrator, and Ishmael M. Holley, Jr., a former JTPA balance of state director and employee of the South Carolina Governor's Office of Employee and Training Division and the Employee Security Commission, were named in a 24-count indictment on November 2, 1993. The indictment charged the trio with 24 counts of embezzlement, bribery, and money laundering in a JTPA funds conspiracy. Scott subsequently pled guilty to a single count of misapplication of JTPA funds and Dennis signed a plea agreement wherein he agreed to plead guilty to paying Holley $8,000 with intent to influence and reward him. A joint investigation with the Internal Revenue Service's Criminal Investigation Division disclosed the trio's involvement in the misapplication of over $294,000 in JTPA funds. Holley, an 18-year state employee, also allegedly received over $50,000 from Dennis and DAI during 1989 and 1990 in connection with certain alleged transactions he carried out in his official capacity.

DAI, South Carolina's primary balance of state OJT contractor, has been the recipient of millions of dollars in JTPA funds since the mid-1980's to administer certain JTPA service contracts. After the OIG criminal investigation identified serious misapplication of funds, the OIG's Office of Audit (OA) was subsequently brought into this case. After its examination, OA has questioned $3 million in costs.

Dennis and Scott each face a maximum penalty of 10 years' imprisonment and a $250,000 fine, while Holley faces 185 years' imprisonment and fines totalling $4.75 million. *U.S.* v. *Dennis, et al* (D. South Carolina)

East Baton Rouge City Employee Sentenced to 33 Months in JTPA Bribery Scheme

Joan M. Palmer was sentenced on February 14, 1994, to 33 months' imprisonment, 3 years' supervised probation, and fined $7,500 after a jury found her guilty of theft of Federal program funds and making a false statement to the government. Investigation disclosed that Palmer, who was in the planning section for the City of Baton Rouge, Louisiana, JTPA Service Delivery Area, agreed to accept a $2,000 bribe from Tony Palermo, owner/operator of the Louisiana Bartending Institute. In return, she assisted Palermo by changing scores on contract proposals to insure Palermo's contracts were approved. For her assistance, Palmer was to receive one half of the contract amount for each contract she assisted in obtaining for Palermo. A total of $71,000 was to be paid to Palmer for contracts already approved; however, the OIG investigation interrupted the scheme after Palmer had received only $2,000. Palermo, who had previously pled guilty to related charges and was sentenced to 8 month's incarceration, agreed to testify for the prosecution. *U.S.* v. *Palmer* (D. Louisiana)

The following case narratives, by major program area, are representative of other significant OIG investigative accomplishments achieved during this reporting period in OIG's continuing efforts to prevent and detect fraud within DOL programs.

FEDERAL EMPLOYEES' COMPENSATION ACT (FECA)

HHS Nurse Sentenced in FECA Fraud Scheme

Addison C. Fair, a former U.S. Department of Health and Human Services civilian nurse at St. Elizabeths Hospital in Washington, D.C., was sentenced on March 16, 1994, to 4 months' home confinement, 2 years' probation, and ordered to pay $30,000 restitution and a $50 special assessment fee. In December 1993, Fair waived indictment and entered a guilty plea to a one-count felony information charging him with making a false statement to the government after an OIG investigation determined that he had fraudulently received over $87,000 in FECA benefits since alleg-

edly sustaining a back injury in 1982. Evidence developed during the investigation disclosed that Fair had been gainfully employed as a taxicab owner/operator since 1986. Fair's FECA benefits were terminated by OWCP during this investigation for his failure to complete and return forms required by OWCP to determine his continued eligibility for benefits. *U.S. v. Fair* (D. District of Columbia)

Physical Therapist Receives 27 Months in False Billing Scheme

As a follow-up to a case reported in the Semiannual Report for the period ending March 31, 1993, Leonard and Kathleen Vigliatore were sentenced in October 1993, for their involvement in a fraudulent physical therapy billing scheme. Leonard J. Vigliatore, a registered physical therapist, was sentenced to 27 months' imprisonment, 36 months' probation, and ordered to make restitution of $125,000, and pay a mandatory special assessment fee of $50. His wife who was his former office manager was sentenced to 24 months' probation and payment of the mandatory $50 assessment fee. As previously reported, the Vigliatores each pled guilty to one count of a 71-count indictment returned against them after an OIG led joint investigation with the Postal Inspection Service and Health and Human Services (HHS) OIG disclosed that they had devised a scheme to defraud the DOL, HHS, and various private insurance companies by submitting fraudulent bills for physical therapy treatment that was never rendered. The defendants received approximately $1.4 million as a result of the scheme. *U.S. v. Vigliatore and Vigliatore* (E.D. New York)

Former Letter Carrier Ordered to Forfeit $221,000 in FECA Claims

A two-count criminal information was filed in the U.S. District Court, Cleveland, Ohio, on December 14, 1993, charging a former letter carrier, Phillip A. Zampino, with making false statements to OWCP in connection with his alleged FECA claim. The filing of the information followed a lengthy joint investigation by the OIG and the Postal Inspection Service. Zampino allegedly sustained a back injury on April 26, 1972, and worked intermittently for the Postal Service until he reported a recurrence 4 years later. The investigation disclosed that Zampino concealed income that he earned from Zampino's Drum Shop, a business established by Zampino and his wife. Since the initial claim, Zampino received over $260,000 in compensation payments and medical expenses. As a result of the investigation, OWCP was able to issue a Compensation Order/Forfeiture of Claim amounting to over $221,000 against Zampino. Further court action against Zampino is pending. *U.S. v. Zampino* (N.D. Ohio)

Former Air Traffic Controller Indicted for Making False Statements

An indictment was returned on November 17, 1993, by a Federal grand jury in Dallas, Texas, charging Gerry L. George with five counts of making false statements. George was employed as an air traffic controller in 1975 when he submitted a claim for FECA benefits for the job related aggravation of a spastic colon. From 1987 through 1992, George reported to OWCP that he had a part time job as a golf coach with the Richardson Independent School District, earning $100 per week. However, an OIG investigation disclosed that, while he reported his part time employment as a coach, George had failed to report that he was also employed full time as a classroom teacher from 1976 through the present. Based on his false statements, OWCP computed an administrative overpayment to George of $132,212. Further court proceedings are pending. *U.S. v. George* (N.D. Texas)

BLACK LUNG PROGRAM

Cardiologist Indicted in $100,000 Kickback Scheme

Dr. Dominic W. DiLeo, a cardiologist with offices in Uniontown and New Salem, Pennsylvania, was indicted on January 26, 1994, for his part in a conspiracy to defraud Medicare, Medicaid, and DOL's Black Lung Program of some $900,000. Dr. DiLeo is the fifth individual to be charged in this on-going OIG lead case being jointly investigated with agents from the OIG at Health and Human Services. This investigation involves false billings related to the supply of oxygen equipment to black lung and medicare patients (see the April 1 - September 30, 1992 and October 1, 1991 - March 31, 1992 reports). Dr. DiLeo allegedly conspired with his brother, who established Penn Medical Services, Inc. (PMSI), and others to certify patients as needing oxygen and breathing equipment, and then referred them to PMSI. These referrals accounted for the majority of PMSI's business, allowing it to bill DOL, Medicare, and Medicaid in excess of $900,000. In exchange, Dr. DiLeo allegedly received $100,000 in kickbacks from PMSI, including direct payments, as well as assistance from PMSI and its employees in obtaining hotel rooms, jewelry, and other items to maintain clandestine relationships between Dr. DiLeo and several women. *U.S. v. DiLeo et al.* (W.D. Pennsylvania)

JOB TRAINING PARTNERSHIP ACT (JTPA)

Two Corporate Officials Sentenced in TJTC Fraud Scheme

The utilization of OIG investigative resources in a relatively new area of potential program fraud has resulted in the first successful Targeted Jobs Tax Credits (TJTC) prosecution based on a DOL OIG investigation. On November 24, 1993, Jerry and Gary Gonzaba, corporate officials for the Jerrard Group, Inc. (JGI), a San Antonio based TJTC consultant firm, were sentenced in the Western District of Texas, for their part in a scheme wherein JGI submitted false and/or forged information to the Florida Department of Labor in order to obtain tax credit certifications on individuals who were not eligible for the TJTC program. Jerry Gonzaba, who had previously pled guilty to a single count of conspiracy, was sentenced to 30 months' imprisonment, to be followed by 3 years' supervised probation, and ordered to make restitution of $23,000 and pay a $50 special assessment. Gary Gonzaba, after pleading guilty to one count of making a false statement, was sentenced to a 3 year probated sentence, the first 6 months of which is to be spent at a half-way house. He was also fined $1,000, and ordered to make restitution of $100 and pay a $50 special assessment. The JGI, as a corporation, had been sentenced earlier to 42 months' probation and fined $10,000. *U.S. v. Jerrard Consultants, Inc.* (N.D. Florida)

CPA Pleads Guilty to JTPA Indictment

Information furnished to OIG by the Atlanta Regional Office of the Employment Training Administration (ETA) led to an investigation which culminated in a December 9, 1993, guilty plea being entered in the Northern District of Georgia, by Hope Merritt, Jr. to one count of making a false statement. Merritt, a Certified Public Accountant (CPA) and president of Hope Merritt and Company (M&C), an Atlanta CPA firm, had been charged in September 1993, in a nine-count indictment with allegedly filing false financial reports with ETA. Merritt, dba M&C, had received a two-year contract with the Atlanta Regional ETA office to pay travel and training bills for JTPA related events throughout the region. The OIG investigation found that Merritt co-mingled personal, business, and JTPA funds and overstated his actual expenses to ETA by claiming approximately $150,000 in training and travel expenses which he had not actually incurred. Merritt allegedly used the funds for personal expenses. Sentencing is pending. *U.S. v. Merritt* (N.D. Georgia)

Former President of Indian Council Convicted and Sentenced to Prison in JTPA Fraud

Gregory W. Frazier, the former president of the National Indian Business Council (NIBC), was sentenced in Salt Lake City, Utah, on December 9, 1993, to 10 months' imprisonment, 5 years' probation, fined $7,500, and ordered to pay restitution of $8,207. The sentencing followed a jury trial and Fraizer's conviction on one count of theft of Federal program funds and one count of making false statements. From 1983 through 1989, Frazier, through the NIBC and other related organizations, had received $4.7 million through seven JTPA grants for the purpose of training Native Americans who live off the reservation in job search skills. Audits of these grants resulted in $1.7 million in questioned costs. The majority of these costs involved JTPA contracts with companies either owned by Frazier or co-conspirators. The companies provided little or no training to JTPA participants. Most of the contract money was funneled back to Frazier. Three co-conspirators were previously convicted in this investigation. *U.S.* v. *Frazier* (D. Utah)

UNEMPLOYMENT INSURANCE

UI Clerk Pleads Guilty to Accepting Bribes

James Simon, a former Intermittent Unemployment Clerk at the Plainfield, New Jersey, UI office, pled guilty on February 16, 1994, to accepting a bribe for processing UI claims for illegal aliens. Simon was arrested by OIG agents and New Jersey State Investigators in December 1993, after an undercover agent, posing as an illegal alien, made payments to Simon for processing fraudulent UI claims for the agent and several "friends." When arrested, Simon admitted to receiving approximately $16,000 for processing claims for illegal aliens. Sentencing is scheduled for May 13, 1994. *State of New Jersey* v. *Simon* (New Jersey)

Guilty Pleas Continue in UI Fraud Scheme

Following a guilty plea in a UI case detailed in the last report, on January 18, 1994, Scott Druen was sentenced to 4 years' imprisonment to be followed by 4 years' probation during which he must pay $10,000 in restitution. Druen, 1 of 36 alleged conspirators indicted in this case, had previously entered a guilty plea to a conspiracy charge filed in connection with his part in a scheme to defraud the Indiana Department of Employment and Training Services (IDETS) of nearly $329,000 in UI funds. This joint investigation with the Indiana State Police determined that Druen had assisted his brother, Craig Druen, a former IDETS auditor, and one other principal in a

scheme to prepare and submit fraudulent UI contribution refund vouchers in the names of employers who had reportedly overpaid their UI contributions. Scott Druen assisted by helping to recruit 33 individuals to complete the vouchers, forge the required signatures, and cash the UI refund checks. To date, 15 of the defendants have pled guilty. *State of Indiana* v. *Druen et al.* (Indiana)

Sentencing in Mexican Border UI Investigations Continue

The sentencing of individuals indicted as a result of the previously reported investigations of UI fraud schemes being conducted along the U.S. and Mexican border continued during this reporting period. Francisco J. Parra, one of the operators involved in these schemes in El Paso, Texas, was sentenced on January 28, 1994, to 15 months in prison, fined $10,000, and ordered to pay restitution of $7,525 and a $50 special assessment fee. Parra had previously pled guilty to mail fraud and aiding and abetting charges for his part in a scheme wherein Parra falsified documents which aided Mexican Nationals to collect UI benefits while they lived in Mexico. *U.S.* v. *Parra* (W.D. Texas)

EMPLOYEE INTEGRITY

MSHA Inspector Sentenced for FECA Fraud

As follow-up to a matter detailed in this section in the last report, Gerald E. Sloce, a former DOL mine inspector who had pled guilty in August 1993, to two counts of false claims for fraudulently receiving FECA benefits, was sentenced on November 3, 1993. Sloce, who had received over $64,000 in FECA benefits while actively employed in the home remodeling, roofing, and carpentry businesses and as the minister of a small local church, was sentenced to 4 years' probation, 4 months' home confinement, and ordered to pay restitution of $50,711. *U.S.* v. *Sloce* (W.D. Virginia)

Additional Charges Filed in Million Dollar Conspiracy

In follow-up to a matter which was highlighted as a significant investigation in the last report, on March 25, 1994, Robert Bostick, former Associate Deputy Under Secretary for the Bureau of International Labor Affairs, was sentenced to 3 years' probation, fined $10,000, ordered to pay a $50 assessment fee, and has to perform 500 hours of community service. Bostick's sentence follows his August 1993 guilty plea to a one count conspiracy information filed in the District of Columbia after an OIG investigation disclosed

that he used his official position and responsibilities to arrange post-DOL employment for himself by joining in a partnership to build and sell houses for workers in Mexico. Criminal conspiracy informations were also filed in the District of Columbia against two of Bostick's co-conspirators, Leonard Malcolm and Terence Nolan, international financiers based in Mexico City, Mexico. On December 17, 1993, Malcolm and Nolan entered guilty pleas to charges of conspiring with Bostick to violate conflict of interest provisions of USC 18. Malcolm also pled guilty to conspiracy to violate USC 18 with regard to dual payments of compensation to a Federal employee. Investigation in this case continues. Sentencing for Malcolm and Nolan is pending. Malcolm and Nolan face 2 years' and 1 year imprisonment and $200,000 and $100,000 fines, respectively. *U.S. v. Malcolm and Nolan* (D. District of Columbia)

COMPLAINT ANALYSIS OFFICE ACTIVITIES

Breakdown of Allegation Reports by Source

Walk-in	0
Hotline calls or letters from individuals or organizations	103
Other Telephone Calls	0
Letters from Congress	7
Letters from DOL agencies	22
Letters from Non-DOL agencies	0
Incident Reports from DOL agencies	4
Reports by Special Agents and Auditors	13
Referrals from GAO	1
Total	150

Breakdown of Allegation Reports by Referral:

Referred to Office of Audit	5
Referred to Office of Labor Racketeering	1
Referred to Office of Investigations Regional Offices	36
Referred to DOL program management	90
Referred to other agencies	6
No further action required	4
Pending disposition at end of period	8
Total	150

Appendix 1
Office of Investigations Financial Accomplishments for October 1, 1993 - March 31, 1994

CATEGORIES

Recoveries: **$2,221,985**

(The dollar amount/value of an agency's action to recover or reprogram funds or to make other adjustments in response to OIG investigations.)

Cost Efficiencies: **553,486**

(The one-time or per annum dollar amount/value of management's commitment, in response to OIG investigations, to more efficiently utilize the Government's resources.)

Restitutions: **925,669**

(The dollar amount/value of restitutions resulting from OIG criminal investigations.)

Fines/Penalties: **719,020**

(The dollar amount/value of fines, assessments, seizures, investigative/court costs, or other penalties resulting from OIG criminal investigations.)

Civil Monetary Actions: **26,000**

(The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, or other penalties resulting from OIG civil investigations.)

TOTAL: **$4,446,160**

Note: Due to variances among the dates when actions took place and when the actions were actually reported, some monetary actions may have occurred in another reporting period. A revised methodology will minimize such statistical variances in the future.

Appendix 2
Office of Investigations Revised Statistics for Fiscal Years 1992 and 1993

ACTION	Reported FY 1992	Adjusted FY 1992	Reported FY 1993	Adjusted FY 1993
Cases Opened	530	**533**	377	**378**
Cases Closed	691	**715**	663	**673**
Cases Referred for Prosecution	280	**261**	314	**267**
Cases Referred to DOL for Administrative Action	204	**163**	155	**133**
Indictments	169	**146**	199	**195**
Convictions	162	**132**	151	**153**
Recoveries	$6,336,949	**$6,477,591**	$2,469,238	**$2,202,523**
Cost Efficiencies	$1,146,167	**$1,164,186**	$1,940,816	**$991,858**
Restitutions	$1,632,187	**$1,319,406**	$2,154,677	**$2,335,296**
Fines/Penalties	$106,336	**$114,194**	$1,228,291	**$1,229,974**
Civil Monetary Actions	$516,372	**$684,981**	$3,265,915	**$3,281,297**
Forfeiture/Court Costs	$126,291	**	$3,358	**
Total	$9,864,302	**$9,760,358**	$11,062,295	**$10,040,948**

Notes:

Due to variances among the dates when actions took place and when the actions were actually reported, some monetary actions may have occurred in another reporting period. A revised methodology will minimize such statistical variances in the future.

** Included in civil monetary actions

OFFICE OF LABOR RACKETEERING

INVESTIGATIVE PRIORITIES

The OIG's Office of Labor Racketeering (OLR) conducts criminal investigations to eliminate the influence of organized crime, labor racketeering and corruption in employee benefit plans, labor-management relations and within unions themselves. During this period OLR efforts resulted in 74 indictments, 84 convictions, and $16,331,961 in fines and restitutions.

Emphasis on Employee Benefit Plans

The last issue of the IG's Semiannual Report reported on the success OLR has had in addressing and transforming the significant problem of fraudulent health insurance offered by some Multiple Employer Welfare Arrangements (MEWAs). OLR is continuing to investigate these frauds and has several very significant prosecutions to report this period. Additionally, several investigations are underway of bogus labor unions, identified in the last Semiannual Report as a refuge sought by fraudulent MEWA operators.

The success of investigative efforts in this area has allowed OLR to return some of the resources devoted to MEWA investigations to more traditional labor racketeering cases. What has remained constant as the OIG redirects resources, however, is the investigative emphasis on fraud involving employee benefit plans.

It is apparent that the large amounts of money residing in pension plans (estimated at a total in excess of $3 trillion) and the billions of dollars flowing through employee benefit plans is a lucrative target for racketeers. Investigations have also made it apparent that the cost of making contributions to these plans is a significant expense for employers, an expense that some will avoid by bribing a corrupt union official. OLR is increasing the attention paid this latter crime, targeting the corrupt businessman equally with the union official.

"Impact" as a Performance Measure

It has long been accepted that the mere removal of a corrupt or organized crime controlled union official, benefit plan trustee, service provider, or businessman by means of a criminal prosecution has

little long term effect on reducing criminal activity. As long as the conditions which allow racketeering to flourish remain, isolated prosecutions do little to achieve OLR's goal of "reducing labor racketeering and corruption."

Statistical accomplishments, particularly the numbers of indictments and convictions obtained during a particular period, shed little light on what has actually been accomplished that will reduce racketeering. In order to better gauge accomplishment, OLR has recently initiated a form of accomplishment reporting, dubbed "Impact Statement." Impact statements attempt to capture the notion of what has changed as a result of OLR's efforts that will result in a reduction - not merely a temporary hiatus - in racketeering activity.

By incorporating the concept of "Impact" as a primary performance measure, the OIG hopes to reach the point where every investigation undertaken has the potential for significant positive change in the racketeering environment.

SIGNIFICANT INVESTIGATIVE ACCOMPLISHMENTS

Following are some of OLR's more significant investigative results during this period.

Employee Benefit Plans

Conviction Ends Investment Advisor's 23-Year Control over $300 Million in Pension Funds

William E. Miller, a Phoenix, Arizona based investment advisor was the sole decision maker from 1965 through 1988 in the investment of $300 million for the following construction union plans in Phoenix: the Arizona State Carpenters Pension Fund; the Arizona Laborers, Teamsters, and Cement Masons Local 395 Pension Trust Fund (Combined Pension Fund); and the Operating Engineers Local 428 Health and Welfare Trust Fund and Pension Fund. Between 1982 and 1987 Miller directed over $140 million in pension funds to be invested in real estate mortgages brokered by Keith E. Dolgaard, a mortgage broker in Tucson, Arizona. The Dolgaard investments resulted in a loss to the union pension funds of $90 million.

Miller and Dolgaard were indicted in November, 1992 by a federal grand jury in Tucson. On December 2, 1993, they were convicted of racketeering, conspiracy, and receiving and paying kickbacks. A month long trial outlined a racketeering scheme lasting from June 1984 through November 1988. During that period, Dolgaard and Miller conspired to and engaged in a pattern of racketeering by making and receiving, respectively, over $700,000 in illegal payments. The payments were made to influence Miller's decisions with respect to the investment of pension fund monies in entities Dolgaard controlled or real estate transactions where Dolgaard was the broker. The illegal payments were disguised as loans from Dolgaard or Dolgaard controlled entities to Miller.

Dolgaard received over $6.7 million in fees for brokering and servicing real estate investments that were financed with more than $140 million from pension funds that Miller controlled. Moreover, Miller arranged for Dolgaard to receive $36 million in pension fund loans for companies or entities controlled by Dolgaard.

Impact: The investigation resulted in the filing of a private civil law suit that seeks $245 million in restitution to the union pension plans. Moreover, the investigation promoted changes in the procedure of checks and balances used in the investment decisions of the union pension funds. Finally, this investigation removed a corrupt investment advisor who, for 23 years had controlled $300 million in union pension funds.

This investigation was conducted jointly by the OIG's Office of Labor Racketeering and the Federal Bureau of Investigation. *U.S. v. William Miller and Keith Dolgaard* (D. Arizona)

Former Teamster CPA Guilty of Embezzlement, Kickbacks, and Bank Fraud

From 1980 to 1990, Steven J. Watchmaker and his business associate Neil Zais, used their influence over officials at several International Brotherhood of Teamsters (IBT) union and IBT associated benefit plan offices within the New England area for their own personal benefit. Watchmaker was the "independent" certified public accountant (CPA) for over 10 IBT benefit plans and approximately 20 IBT local unions in the New England area. Zais was Watchmaker's partner in various real estate ventures.

At the expense of the various beneficiaries, Watchmaker and Zais converted more than $5 million dollars of IBT union and related

benefit plan assets to their own use. During 1980 to 1989, Watchmaker's accounting firm earned approximately $6 million for financial and consulting services rendered to three IBT benefit plans. Watchmaker has been a close associate and confidant of William J. McCarthy, the former international president of the IBT, co-chairman of the New England Teamsters & Trucking Industry Pension Fund (NETTIPF), and president of IBT Local 25, Boston Massachusetts. According to an April 1986 report by the Presidents's Commission on Organized Crime, IBT Local 25 was controlled by an Irish organized crime group once headed by Howard Winter.

In January 1992, Watchmaker and Zais were indicted on charges of racketeering (RICO), conspiracy, embezzlement, kickbacks, and reporting violations. In September 1993, Watchmaker and Zais were indicted on bank fraud violations.

On November 4, 1993, Watchmaker and Zais pled guilty to numerous charges contained in the two indictments that addressed their manipulation of IBT union and benefit plan related funds to benefit their personal real estate ventures as well as several bank fraud schemes in which they engaged in connection with those ventures.

Impact: These investigations ended systematic graft and corruption through control or influence over the decision-making process of officials at Teamster unions and related benefit plan offices within the New England area by an influential Teamster employee. The New England Teamsters & Trucking Industry Pension Fund alone has approximately 70,000 participants and assets in excess of $2 billion.

Both investigations were conducted by the OIG's Office of Labor Racketeering, with technical assistance provided by the Pension and Welfare Benefits Administration. The U.S. Attorney's Strike Force Division prosecuted both cases. *U.S.* v. *Steven Watchmaker and Neil Zais* (D. Massachusetts)

Former Union President Convicted for Embezzling Union Funds

William Loeb, former president and trustee of Consolidated Local Union 867 and the Consolidated Welfare Fund, Jericho, New York, created this union primarily to sell health insurance. Through a network of insurance brokers, Loeb marketed the plan to over

9,000 participants nationwide. Local 867's plan was eventually deemed insolvent, leaving members with millions of dollars of unpaid health care claims while Loeb embezzled approximately $500,000 using the proceeds on gambling sprees, luxury cars, and lavish vacations.

In October, 1992, Loeb and two others were charged in a federal grand jury indictment in the Southern District of New York with embezzlement of union and benefit plan funds. In March, 1993, Loeb pled guilty to one count of embezzlement from an employee benefit fund.

On December 10, 1993, Loeb was sentenced to 71 months' imprisonment and was ordered to pay approximately $494,000 in restitution.

Impact: This investigation stopped criminal activity before participants could be injured. This is the OIG's Office of Labor Racketeering's first success in its ongoing efforts to eliminate abuses in bogus union sponsored health plans which circumvent oversight by state insurance regulators and exploit Americans seeking to purchase health insurance.

This investigation was conducted jointly with the Pension and Welfare Benefits Administration. *U.S. v. William S. Loeb et al.* (S.D. New York)

Federal Racketeering Law Used to End Health Insurance Scam

In January, 1992, four officers and an escrow agent for the Denver, Colorado based Cabot Day Insurance Company were indicted for racketeering, conspiracy, theft of employee benefit funds and wire fraud, in connection with a massive health insurance fraud scheme involving thousands of policyholders in 14 States. Between October, 1988 and August, 1990, the defendants engaged in selling fraudulent health insurance and diverted over $5 million in health insurance premiums to their own personal benefit. This scheme left thousands of policyholders throughout the United States with more than $5.7 million in unpaid medical bills. In addition to large unpaid bills, many of these victims were unable to secure new health insurance because they had pre-existing medical conditions. Pennsylvania had the highest amount of unpaid claims, but policyholders were also victimized in New Jersey, Delaware, West Virginia, Ohio, California, South Carolina, Tennessee, Georgia, Utah, Montana, and Maryland.

Cabot Day Insurance Company's business began as Maranatha Insurance Company, an offshore shell company chartered in the British Virgin Islands in 1988. Cabot Day used bogus assets to support false financial statements showing up to $50 million in assets available to pay claims.

As a result of evidence amassed during the investigation, all five defendants, four of whom are attorneys, pled guilty to racketeering (RICO) charges. To date, four of the five defendants have been sentenced to lengthy periods of incarceration. On January 25, 1994, J. William Vendeveer, former president of Cabot Day was sentenced to 7 years' and 6 months' imprisonment. Fred Dellorfano, escrow agent, received the most severe jail sentence, ten years and ten months' in prison and he was ordered to pay $5.1 million in restitution.

Impact: The successful investigation and prosecution ended a health insurance scam that defrauded thousands of policyholders throughout the United States. This was the first case in which the RICO statute was charged in a fraudulent health insurance scheme of this nature.

The investigation was conducted by the OIG's Office of Labor Racketeering and the U.S. Postal Inspection Service. Assistance was received from the state insurance departments of Pennsylvania, Delaware, Texas, and Colorado. *U.S.* v. *Frank L. O'Bryan et al.* (E.D. Pennsylvania)

Bogus International Insurance Network Derailed

Alan Teale, a British resident alien, came to the United States in 1981. Using his former affiliation with Lloyds of London as a credential, Teale began his involvement in the insurance industry in the United States. During the late 1980's and early 1990's, Teale and his wife, Charlotte Rentz, formed over 80 fraudulent enterprises, many of them offshore insurance companies. A hallmark of Teale's operations was the sophisticated use of fraudulent assets to make his sham companies appear financially sound.

Between 1989 and 1992, Teale and Rentz's insurance companies took in premiums in excess of $75 million and left thousands of victims throughout the United States with unpaid insurance claims exceeding $50 million. One of their schemes involved the World Life and Health Insurance Company of Pennsylvania (World

Life), a licensed insurance company in Pennsylvania for over 30 years. Utilizing a complex scheme involving numerous shell companies in foreign countries, the fraud eventually led to the collapse of World Life in 1991. World Life policy holders who had paid in over $12 million in premiums for non-existent insurance, were left with unpaid medical insurance claims of approximately $5 million.

On November 30, 1993, a criminal information was filed in the Eastern District of Pennsylvania charging Teale and Rentz with violation of the Racketeer Influenced and Corrupt Organization (RICO) statute. On December 2, 1993, Teale and Rentz pled guilty to these and other criminal charges stemming from a case investigated by the FBI in Mobile, Alabama. That case related to property and casualty insurance fraud schemes.

Impact: This investigation eliminated perpetrators of one of America's largest insurance frauds from further injuring thousands of victims throughout the United States.

For sentencing purposes the two cases were disposed of simultaneously. Teale and Rentz were sentenced to 17 years and 13 years in prison, respectively, and were ordered to make restitution of $50 million to their victims. Of this amount, an estimated $5 million is directly attributable to the scheme relating to World Health. This case was investigated jointly by OLR and the Postal Inspection Service. *U.S. v. Alan Teale and Charlotte Rentz* (E.D. Pennsylvania).

Health Plan Executive Convicted for Fraud and Money Laundering

Craig B. Sokolow, an attorney from Strafford, Pennsylvania operated a fraudulent medical benefits plan between May, 1987 and June, 1989, which collected over $34 million in premiums. The scheme victimized over 4,600 individuals in 16 states and left unpaid medical claims of $5.5 million.

Sokolow was the President and controlling stockholder of Pennsylvania Independent Business Association, Inc. (PIBA), National Independent Business Association, Inc. (NIBA), and American Independent Business Alliance, Inc. (AIBA). He was also the controlling trustee of the NIBA Benefit Trust and AIBA Group Benefit Trust, both of which were engaged in the unlicensed selling of health benefit plans. These plans were marketed as though they

were fully insured, when in fact they were not. They also falsely represented to policyholders that the plans were fully backed by Blue Cross.

Sokolow was charged by a federal grand jury in Philadelphia in August, 1993, with mail fraud, relating to the bogus health plan scheme; and money laundering, relating to Sokolow's using several million dollars from this illegal scheme for his personal use. The government also charged him with criminal forfeiture.

On March 18, 1994, after a nine week trial and one week of deliberations, a federal jury in Philadelphia convicted Sokolow of all charges: 107 counts of mail fraud, 17 counts of money laundering, and one count of criminal forfeiture for property and money in excess of $4 million.

Impact: The investigation caused the termination of a fraudulent Pennsylvania based health insurance operation and prevented its owner from further defrauding thousands of health insurance policyholders. A short time before Sokolow was indicted he withdrew his name as a candidate for a local judgeship position.

The investigation was conducted by the OIG's Office of Labor Racketeering and the Postal Inspection Service. *U.S.* v. *Craig B. Sokolow* (E.D. Pennsylvania)

Decade of Embezzlement from Health Plan Ends

Cloyd Holmes and Salvatore Frasca, president and secretary treasurer, respectively, of United Service Employees Union Local 377 of the Retail Wholesale and Department Store Union (RWDSU), Long Island City, New York, perpetrated a 10 year embezzlement scheme from Local 377's welfare fund. The embezzlement involved the submission of false medical claims to the welfare fund on behalf of union members. The checks for these false claims were negotiated with the proceeds going to Holmes and Frasca.

In July, 1993, Holmes and Frasca were convicted of embezzlement and related charges in a federal district court in Brooklyn, New York. On December 10, 1993, Holmes was sentenced to 97 months' incarceration and Frasca was sentenced to 57 months' incarceration. They were also jointly ordered to pay $931,722 in restitution to the welfare fund.

Impact: The investigation stopped an embezzlement scheme which spanned over 10 years and netted approximately $1 million from the special claims account of Local 377's welfare fund. In addition to removing Cloyd Holmes, president of Local 377 and Salvatore Frasca, secretary treasurer of Local 377; Holmes' daughter, Patrice Holmes-Lopez and son, Cloyd Holmes, Jr. were also removed from positions in Local 377 after the investigation disclosed that they had prior criminal convictions which barred them from being employed by a union. The International RWDSU has imposed an emergency trusteeship over Local 377.

This investigation was conducted by the OIG's Office of Labor Racketeering with the assistance of the Internal Revenue Service, Criminal Investigation Division. *U.S. v. Salvatore Frasca and Cloyd Holmes* (E.D. New York)

Health Care Provider Linked to Organized Crime is Convicted

Health Corporation of America (HCA) administered closed panel dental and vision services to United Paper Converters Local 286 Health and Welfare Fund (the Fund) in Philadelphia, Pennsylvania and to other labor unions' benefit plans in the Philadelphia area. Michael Coyle was chief financial officer of HCA. Coyle was responsible for all accounting functions at HCA and HCA subsidiaries. On an annual basis, HCA was required by the Fund to furnish the Fund with Schedule A forms for the dental and vision plans. Coyle directed the preparation of the Schedule A's and supplied false figures for benefits provided and administrative fees to the Fund.

Coyle was indicted by a federal grand jury in July, 1993, on charges of mail fraud, false statements in documents required under the Employee Retirement Income Security Act (ERISA), and blackmail. On December 3, 1993, Coyle was found guilty of the charges.

Coyle's submission of false statements to the Fund were necessary to conceal the high percentage of the Fund's premium payments that HCA retained as administrative costs. HCA was retaining in excess of 45% of funds received for administration of the dental plan and in excess of 70% of funds received for the administration of the vision plan. The false reports prevented the Fund's trustees from evaluating the administrative costs charged by HCA and enabled HCA to retain premium payments that would be returned to the Fund if determined to be in excess of the true administrative cost.

A large percentage of these administrative costs were paid to Larry Smith of Eastern States Casualty Agency (ESCA). ESCA served as an agent and broker between HCA and the Fund. Smith received in excess of $600,000 from HCA between 1984 and 1989. Smith has been identified by the Pennsylvania Crime Commission as an associate of the Philadelphia La Cosa Nostra (LCN) organized crime family dating back to Angelo Bruno, the deceased head of the Philadelphia LCN.

HCA received $2.1 million in premium payments from the Fund during 1986, 1987, and 1988. From these payments, HCA retained fees of $1.2 million as the cost of administering the plan. Excess funds remaining after payments to doctors and administrative cost were to be returned to the Fund. HCA, however, never returned any money to the Fund, and Coyle made false representations to some of the fund trustees. Joseph Cusumano, former chief executive officer of HCA, is currently incarcerated as the result of a prior conviction and was not charged in this case. Cusumano cooperated and testified in the Coyle trial regarding Coyle's attempt to blackmail him relative to this scheme.

Impact: The investigation and successful prosecution stopped a health care provider, with links to organized crime, from continuing to overcharge the United Paper Converters Local 286 Health and Welfare Fund and its over three thousand members for dental and vision care coverage.

The investigation was conducted by the OIG's Office of Labor Racketeering and the U.S. Labor Department's Pension and Welfare Benefits Administration with assistance from the Federal Bureau of Investigation. *U.S.* v. *Michael Coyle* (E.D. Pennsylvania)

Health Care Fraud Investigation Reveals Corruption

Omega Network Systems Inc. (Omega) was a third party administration company in Parsippany, New Jersey that administered the health funds of the Township of Parsippany-Troy Hills, the Township of Woodbridge, Teamsters Local 723, and other entities in the state of New Jersey.

On February 26, 1992, Kenneth Mullins, former Controller of Omega, pled guilty to embezzlement of $8,000 from a "pre-fund" account consisting of advanced cash deposits of the Township of Woodbridge.

On March 18, 1992, Nicholas Carrara, President of Omega, and Timothy Walsh, Vice President of Omega, pled guilty to conspiracy to bribe Salvatore Zingone, President of Teamsters Local 723, Montville, New Jersey, in order to obtain business from Local 723's health fund and conspiracy to embezzle approximately $650,000 from the "pre-fund" account of the Township of Woodbridge.

On October 9, 1992, Salvatore Zingone, was convicted of receiving kickbacks of approximately $36,000 from Omega officials. On June 11, 1993, Paul Kuehner and Edward Haas, employees of the Township of Parsippany-Troy Hills, both pled guilty to perjury before the grand jury. On January 24, 1994, Joseph Valenti, the former Town Clerk of Woodbridge and one of the town's Insurance Commissioners, pled guilty to accepting bribes by receiving health benefits to which he was not entitled from Omega in return to influence his decisions as a public official.

On March 14, 1994, Robert Armento, a part owner of Omega, pled guilty to conspiracy with Nicholas Carrara and others to give gifts to Joseph Valenti, intending to influence and reward Joseph Valenti in connection with the administration of the health fund of the Township of Woodbridge.

On March 24, 1994, Frank Priore, mayor of Parsippany-Troy Hills Township, New Jersey, and Donald Mueller, the former superintendent of the Township's publicly owned golf course were convicted March 24, 1994, after a four month trial in federal district court in Trenton. Priore and Mueller were convicted of all counts of a September 9, 1993, indictment that charged extortion, bribery, conspiracy and mail fraud violations. Priore and Mueller were convicted of conspiracy to defraud the Parsippany-Troy Hills Township's self-funded health insurance plan of more than $5,000. They were also convicted of conspiracy to accept bribes and commit extortion relating to contracts for catering services at the Municipal Golf Courses in Parsippany and conspiracy to extort free rooms from a Parsippany hotel in exchange for the mayor's assistance in approving directional signs advertising the hotel.

Priore was also convicted of obstructing grand jury investigations of the health insurance scheme and of the hotel scheme by coaching witnesses to lie to the grand jury and by withholding crucial documents subpoenaed from the township.

Impact: This three year investigation of Omega Network Systems Inc., a now defunct third party administration company, led to the conviction and removal of corrupt municipal officials. A Teamsters official, and third party administration officials who provided health claims administration services to labor unions and municipalities in New Jersey have also been convicted and removed from their respective positions. Moreover, the corrupt dominance of Frank Priore over the Municipal Government of Parsippany-Troy Hills has ended.

This investigation was conducted by the OIG's Office of Labor Racketeering. *U.S.* v. *Priore et al.* (D. New Jersey)

Significant Indictments

Teamster Health Fund Chief Indicted For Receiving Illegal Payments

Gerald Michael Wiedyk, executive director, Michigan Conference of Teamsters Welfare Fund (MCTWF), Detroit, Michigan, was indicted November 16, 1993, by a federal grand jury in Detroit on charges of receiving illegal payments and making and causing to be made false statements in documents required under the Employee Retirement Income Security Act (ERISA).

The indictment alleged Wiedyk established a scheme in 1980 where Wiedyk received regular payments from Metric Medical Laboratory (Metric), a major Michigan medical laboratory and the largest provider of laboratory services to MCTWF. The payments to Wiedyk were disguised by passing them through Billing Specialists, Inc. (BSI), a corporation owned by Wiedyk's wife, Kathleen Y. Wiedyk. The payments, termed as sales commissions, were calculated based on the dollar volume of laboratory referrals to Metric by a clinic which served a large number of MCTWF beneficiaries and to whom BSI provided health insurance billing services. During the period September 1980 to August 1988, Wiedyk and BSI received 96 separate payments totaling $458,925.72.

The false documents charged in the indictment relate to an investigation carried out by the trustees who govern the MCTWF and employ Wiedyk as executive director. The trustees were alerted to the fact that BSI provided billing services to the clinic and that a potential conflict of interest existed under ERISA. The trustees employed an outside law firm to determine whether there had been

a violation of ERISA. Wiedyk used false documents to frustrate this investigation.

An earlier investigation conducted by the Michigan Office of Attorney General resulted in the January, 1990, guilty plea of Metric principal officer Carl Marcus to charges of paying kickbacks to doctors for the referral of laboratory business. This investigation was conducted by the OIG's Office of Labor Racketeering and the Federal Bureau of Investigation. *U.S. v. Gerald Weidyk* (E.D. Michigan)

Real Estate Developer Indicted for Embezzling from Four Union Pension Plans

George Michael Shipsey, a Northern California contractor was charged December 21, 1993, by a federal grand jury in San Francisco, California with embezzling $870,000 from the Operating Engineers Pension Trust Fund for Northern California, the Northern California Plastering Industry Pension Trust Fund, the Sheet Metal Workers of Northern California Pension Trust Fund, and the Carpenters Pension Trust Fund for Northern California (Pension Funds).

Shipsey, doing business as Michael Shipsey & Associates and Michael Shipsey Building Contractor, was indicted on charges of theft from an employee benefit plan, mail fraud, wire fraud, and money laundering.

The indictment charged that Shipsey fraudulently obtained loan proceeds in the construction of a $19,400,000 housing project known as Stonefield at Fountaingrove (Stonefield Project). The four Pension Funds loaned the money to finance the project.

During the same period that the Stonefield Project was under construction, Shipsey was building a lavish personal residence in Novato, California. Shipsey, allegedly, used a number of schemes between January, 1989 and June, 1990 to defraud the Pension Funds and divert funds exclusively for the Stonefield Project to the construction of his personal residence. One such scheme involved subcontractors who worked on Shipsey's personal residence but charged the pension funds as though the work had been performed at Stonefield. Shipsey also submitted false requests for loan proceeds by over billing and double billing work performed at Stonefield.

The investigation was conducted by the OIG's Office of Labor Racketeering and the Criminal Investigation Division of the Internal Revenue Service. *U.S.* v. *Michael Shipsey* (N.D. California)

Former Laborers Union Business Manager Indicted for Embezzling

Michael LaBarbara, a member of the Luchese organized crime family and former head of General Building Laborers Local 66 in Medford (Long Island), New York, was indicted by a federal grand jury in Brooklyn, New York on charges of conspiracy, union and employee benefit plan embezzlement, mail fraud, and bank fraud. The indictment was unsealed on March 15, 1994.

LaBarbara was charged with unlawfully using his position to enrich himself, members of his family, and business associates at the expense of the union and its membership by engaging in a variety of illegal schemes in the construction and operation of Local 66's training facility.

The indictment charged that LaBarbara caused the training program to enter into prohibited transactions in which the Local unwittingly paid a co-conspirator an inflated sum for a parcel of land in Medford. The Local 66 training program purchased the 11 acre parcel in January 1987 from the JU-LIN Building Corporation of Coram, N.Y. for $785,000. JU-LIN had purchased the land only one month before for $499,500.

The indictment also alleged that LaBarbara profited from the construction of the training facility erected on the Medford parcel through kickbacks he received from contractors performing construction and landscaping at the site. LaBarbara was further charged with creating a "no-show" position for a relative who was paid by the training program and through loans received by a relative from the construction manager at the center. As a direct result of this activity the cost of the training center, initially estimated at $2 million, exceeded $4 million.

Additionally, the indictment alleged LaBarbara and others misrepresented material facts to a realty credit company in New York in order to finance the costly overruns and induce the lenders to extend a $4 million mortgage loan for financing the construction of the training center. Specifically, the indictment alleged that LaBarbara falsely represented to officials of the realty credit company that Local 66 had approved the use of the union's head-

quarters as collateral for the mortgage issued to the training program when, in fact, no such authorization was approved by the trustees of Local 66. This case was investigated by the Inspector General's, Office of Labor Racketeering. *U.S.* v. *Michael LaBarbara* (E.D. of New York)

Former Union President Indicted on Embezzlement Charges

A federal grand jury indictment in Brooklyn, New York of Julius Isaacson, president, International Union of Allied Novelty and Production Workers (NPW) Joint Board 18, Mineola, New York and two associates on embezzlement related charges was unsealed March 23, 1994. Isaacson also holds the position of president of Mineola New York based NPW Local 118, and is a former president of the NPW International Union. Isaacson and associates James Baldo of Brooklyn and Bernard Miller of Hancock, Massachusetts were charged with conspiracy and embezzlement of union, welfare and pension fund assets from the NPW, NPW Local 118 and NPW Local 231. NPW Joint Board 18 is made up of both Locals 118 and 231.

The indictment alleged that Isaacson, Baldo and Miller, unlawfully conspired to and embezzled approximately $128,000 from the aforementioned union entities and their related funds. The embezzled funds represent $128,000 in inflated site purchase and renovation costs. The proceeds of the theft were divided by the defendants and other unindicted co-conspirators. The indictment alleged the $128,000 was split amongst Isaacson, Baldo, and Miller. Miller, who was an accountant for the renovation contractor, allegedly assisted in the conspiracy by maintaining the contractor's books in such a way as to attempt to conceal the receipt and subsequent distribution of the embezzlement proceeds. Isaacson and Baldo were also charged with witness tampering for their attempt to influence the testimony of a witness involved in official proceedings.

In a related investigation, Edward Wright, an investment broker of Prudential Securities, in Poughkeepsie, New York was arrested March 22, 1994, by special agents of the Office of Labor Racketeering for allegedly making kickback payments to an official of the International Brotherhood of Teamsters (IBT) Local 875 benefit funds through Baldo. The alleged kickback payments relate to $35 million in Local 875 benefit fund investments which were managed by Wright. *U.S.* v. *Julius Isaacson et al.* (E.D. of New York)

LABOR MANAGEMENT RELATIONS

Luchese Family Control of New York Painting Industry Exposed

This investigation was undertaken by the OIG's Office of Labor Racketeering (OLR) in New York as an outgrowth of a series of successful prosecutions involving International Brotherhood of Painters and Allied Trades (Painters) District Council 9, New York, New York. Edward Capaldo, an associate member of the Luchese Crime Family, attempted to wrest control of District Council 9 from James Bishop, secretary treasurer. When Bishop subsequently fell out of favor with Vic Amuso and Anthony Casso, boss and under boss of the Luchese Family, Bishop began to cooperate with OLR agents.

On May 17, 1990, James Bishop was murdered in Queens, New York, two days after appearing before a New York County grand jury. Investigation revealed that Bishop's murder was ordered by Amuso and Casso.

On October 15, 1992, nine indictments were returned charging four union officials, two Luchese La Cosa Nostra (LCN) members and three businessmen with violations involving bribery, murder, racketeering, and conspiracy violations. They were charged with engaging in racketeering in furtherance of bid rigging schemes which controlled lucrative painting contracts of structural steel in the New York metropolitan area. The indictment alleged that between 1978 and 1990, the painting industry in the New York metropolitan area was dominated by a criminal enterprise ruled by the Luchese Crime Family, which controlled the awarding and performance of lucrative painting contracts of structural steel, such as those awarded by the New York City Metropolitan Transit Authority, through bid-rigging, illegal labor payoffs and extortion.

It was further alleged that this activity netted over $4 million dollars in kickbacks to Capaldo as well as other defendants who had been named in the indictment.

Edward Capaldo pled guilty to racketeering and conspiracy charges on September 23, 1993. He was sentenced on March 2, 1994, to 66 months of incarceration and was fined $50,000. Three defendants have also pled guilty to various charges and are awaiting sentencing. Luchese Crime Family soldiers Richard Pagliarulo and Michael De Santis; and Robert Capaldo, son of Edward

Capaldo and an official of Painters Local 1486, Long Island, New York are awaiting trial. Two painting contractors were acquitted of all charges after a jury trial.

Impact: A series of federal prosecutions and the resultant guilty pleas of union officials from Painters District Council 9 and Painters Local Union 1486 have dealt a blow to organized crime, particularly the Luchese Crime Family's control of a "bid-rigging" club for painting contracts with the New York City Transit Authority.

This investigation was conducted jointly by the OIG's Office of Labor Racketeering, New York County District Attorney's Office, the Federal Bureau of Investigation, the Internal Revenue Service, and New York City Police Department. Assistance was received by the Metropolitan Transportation Authority. *U.S. v. Edward Capaldo et al.* (E.D. of New York)

Labor Racketeers in Textile Dyeing Industry Convicted

Joseph LaBarck and his brother Raymond LaBarck, president and vice president, respectively, of Amalgamated Clothing and Textile Workers (ACTWU) Local 1733, Patterson, New Jersey maintained a strangle hold on the textile dyeing industry in northern New Jersey. The industry consists of approximately 15 dye houses which have collective bargaining agreements with Local 1733. In order to maintain their power and influence over the Local and the employers, the LaBarcks continually made and condoned threats and acts of violence against employers, their employees and others associated with the transportation of textile goods.

On February 22, 1994, the LaBarcks were convicted in federal court in Newark, New Jersey of racketeering conspiracy, racketeering, extortion, demanding payments prohibited by the Taft-Hartley Act, and embezzlement from a union. The brothers were convicted of a seven year racketeering scheme. The charges included: demanding and receiving approximately $500,000 in cash from employers of members of Local 1733 in order to ensure labor peace and avoid economic sanctions; demanding that an employer hire and retain certain relatives to ensure labor peace and to avoid economic sanctions; demanding that certain employers defray the cost of health insurance premiums for various LaBarck relatives seeking coverage in the newly created Textile Dyers and Printers Insurance Trust; embezzling, with others, approximately $25,000 from Local 1733's general operating account

which reflected the reimbursement of premiums that were never paid Local 1733's welfare fund; and demanding $20,000 from an employer by use of fear of economic harm.

Impact: The investigation removed entrenched racketeers from domination of the textile processing industry in northern New Jersey. The LaBarcks had maintained criminal dominance, through extortion and fear of violence, of the entire industry.

This investigation was conducted by the OIG's Office of Labor Racketeering. *U.S.* v. *Joseph LaBarck and Raymond LaBarck* (D. New Jersey)

Undercover Probe Exposes Widespread Corruption in New York Garment Industry

An undercover operation by the OIG's Office of Labor Racketeering (OLR) in which a garment contracting firm was established in the New York garment center resulted in a guilty plea in August, 1993 of Seymour Resnick, business agent for International Ladies' Garment Workers' Union (ILGWU) Local 10, New York, New York for conspiring to receive bribes. The undercover operation further led to guilty pleas in February, 1994, by five individuals for murder conspiracy, armed robbery conspiracy, and firearms charges related to their dealings with the OLR undercover agents. Indictments are expected against four other officials of Local 10 for receiving bribes.

Additionally, a stolen check ring was uncovered, and the ring leader pled guilty. Moreover, two individuals have pled to conspiracy to traffic in stolen food stamps. All these activities were directly due to the OIG's OLR undercover operation.

The investigation also uncovered widespread no-show schemes to assist individuals who would be ineligible for ILGWU medical and vacation benefits. Finally, the investigation uncovered a loan sharking ring involving four associates of the Genovese LCN organized crime family. Additional indictments are anticipated.

Impact: The investigation has uncovered long standing schemes which have defrauded ILGWU benefit funds in excess of $20 million and lined the pockets of officials of ILGWU Local 10.

The OIG's OLR undercover operation received investigative support from the U.S. Postal Inspection Service. Also contributing to

the investigation was the U.S. Department of Agriculture's Office of Inspector General, the Bureau of Alcohol, Tobacco and Firearms, and the New York City Police Department. *U.S.* v. *Seymour Resnick et. al* (S.D. New York)

New York Teamster Local Purged of Officials Linked to Gambino Organized Crime Family

Robert Sasso, former president of Teamster (IBT) Local 282, Lake Success, New York, and a Gambino LCN organized crime family associate, resigned from the Local on April 15, 1992. Sasso dominated and controlled the Local on behalf of the Gambino LCN Family, who insisted upon ruling over the business operations of the Local. This control included kickbacks and extortionate demands from employer contractors having collective bargaining agreements (CBA) with the Local, and the circumvention of CBA's by corrupt contractors. It also involved unlawful favoritism for contractors who made illicit payments to Local 282 officials. In exchange for money, Local 282's union officials provided companies various benefits, such as permission to perform work without entering into agreements with Local 282 and without experiencing labor unrest; and the lax enforcement and non-enforcement of the agreements. The officials routinely employed the use of fear of physical, economic and financial harm, including the fear of work stoppages and delays, rigid enforcement of agreements, labor unrest and interference with business relationships.

While conducting these activities, Local 282 union officials often worked with members and associates of the Gambino Crime Family, including Sam "The Bull" Gravano, underboss, Robert "Dee Bee" DiBirnardo, deceased capo, and Edward "Cousin Ed" Garafola, soldier. This arrangement included sharing labor payoffs with organized crime. Moreover, companies affiliated with the Gambino Crime Family received favorable treatment at the expense of competitors. The Gambino Crime Family dictated who would be placed in business agent and working teamster foremen positions within Local 282.

The union officials engaged in conduct designed to prevent government detection of their association with Gambino Crime Family members, and their illegal activities and the proceeds of those activities. That wrongful conduct included lying during depositions taken under oath, accepting illegal payments in cash, arranging clandestine meetings with mobsters, and transferring monies through couriers.

On July 1, 1993, Michael Bourgal president and John Probeyahn secretary treasurer of the local were arrested by OLR agents following a federal indictment in the Eastern District of New York that day charging Bourgal, Probeyahn, Sasso, Michael Carbone (former secretary treasurer of the Local and a Gambino Crime Family associate), and Joseph Matarazzo (former business agent of Local 282) with racketeering conspiracy, receiving illegal payments from employers, extortion, and forfeiture. On March 17, 1994, Sasso pled guilty to racketeering conspiracy, the same charge to which the other defendants had also previously pled.

Impact: The investigation removed entrenched racketeers with ties to the Gambino Organized Crime Family from affiliation with Teamster Local 282. It also helped to initiate the severance of unscrupulous ties to the Gambino Organized Crime Family.

This investigation was jointly conducted by the OIG's Office of Labor Racketeering and the Federal Bureau of Investigation. *U.S. v. Robert Sasso et al.* (E.D. New York)

Significant Indictments

12 Indicted in Union Official Bribery Scheme

Twelve company or union officials were indicted by a federal grand jury in White Plains, New York on November, 30 1993, and December 2, 1993, on charges relating to a scheme to bribe union officials in exchange for contract concessions during collective bargaining.

Robert Weiner and Richard Murphy, principal officers of JRD Management Company, a Mamaroneck, New York property management firm, and others are charged with giving cash to union officials during the course of contract negotiations. Union officials charged with receiving bribes were: Robert Humes, Stationary Engineers, Firemen, Maintenance and Building Service Union Local 670; Michael Galati, Reinaldo Roman, Luis Cueto, John Pinto, James Brogan and Domenic Paciello, Service Employees International Union Local 32E; and Serge Jean-Jacques, Antonio DeJesus, and Joseph La Rosa, Service Employees International Union Local 32B-32J. In addition, Michael Galati, James Brogan, Luis Cueto, and Reinaldo Roman are charged with making false statements in interviews conducted by federal law enforcement officers during the investigation.

Robert Weiner, his brother James Weiner, and Richard Murphy are also charged in a multi-million dollar tax fraud conspiracy alleging they shifted over $500,000 income earned in 1989 to 1990. Robert Weiner, additionally, is charged with fraudulently having JRD pay over $6 million of his personal expenses during the period 1983 to 1990 and not recording the payment as income on his personal tax returns. Robert Wiener and James Weiner are also charged with mail fraud arising from a scheme to fraudulently convert three residential rental properties to cooperative or condominium status.

This investigation was conducted by the OIG's Office of Labor Racketeering, the Internal Revenue Service, and the Federal Bureau of Investigation with the assistance of the New York State Attorney General's Office. *U.S.* v. *Robert Weiner et al.* (S.D. New York)

INTERNAL UNION AFFAIRS

New York Carpenters District Council Freed From Grip of Organized Crime

A civil racketeering lawsuit, which was originally filed in September, 1990, named five former Carpenters District Council of New York City and Vicinity officers and associates of the Genovese LCN organized crime family as defendants. The lawsuit sought to remove the Genovese family's influence over the council.

The settlement will allow union members for the first time to elect officers of the District Council by direct rank and file secret balloting. Beginning July 1, 1994, the officers of the District Council will be barred from simultaneously holding offices in both the District Council and the constituent locals. New job referral rules go into effect based on an out of work list to be maintained by each local. Those members who have been on the out of work list the longest will be referred to jobs first.

The settlement also bars union officers and members from knowingly associating with organized crime figures.

Kenneth Conboy, a former federal judge will serve as the Investigations and Review Officer (IRO) with the power to veto union expenditures and contracts (other than CBA's) and to review and challenge appointments to union positions. He will also have the power to conduct investigations and file charges against all District Council officers and members who violate union rules. There

will also be an Independent Hearing Committee to decide disciplinary charges brought by the IRO.

Impact: The settlement in this investigation will have far reaching impact on the ongoing efforts to rid this union of pervasive corruption and control by the La Cosa Nostra (LCN) organized crime group. Mary Jo White, United States Attorney for the Southern District of New York, said the settlement "represents a major step forward in the Government's ongoing efforts to clean up pervasive La Cosa Nostra corruption in construction unions in the New York City area."

The investigation which led to the filing of the civil racketeering suit was conducted by the OIG's Office of Labor Racketeering, the Federal Bureau of Investigation, the New York State Organized Crime Task Force, and the Manhattan District Attorney's Office. *U.S.* v. *Carpenters District Council of New York and Vicinity* (S.D. New York)

EXECUTIVE DIRECTION AND MANAGEMENT

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 (IG Act) of 1978, including legislative and regulatory review, reporting to the Congress, and other support activities to achieve the mission of the OIG.

LEGISLATIVE AND REGULATORY ASSESSMENT AND REVIEW

Section 4(a) of the IG Act requires the Inspector General to review existing and proposed regulations and to make recommendations in the semiannual report on their impact on the economy and efficiency of the administration of the Department's programs and on the prevention of fraud and abuse. In carrying out its responsibilities under Section 4(a) of the IG Act, the OIG reviewed and cleared, or provided comments, on 633 legislative and regulatory items during this reporting period.

The following section discusses those issues on which the OIG urges congressional or departmental action, as well as those measures currently being considered by the 103rd Congress that are of special interest of the OIG.

Issues Requiring Congressional or Departmental Action:

The Targeted Jobs Tax Credit Program

In the fall 1993 semiannual report, the OIG raised its concerns that the Targeted Jobs Tax Credit Program (TJTC) is not an effective means of helping those whom the Congress intended the program to serve.

The OIG's audit of the TJTC Program in Alabama for 1991 concluded that the TJTC program benefits employers more than it benefits program participants. The program's intent is to stimulate the employment of individuals of specific target groups by offering employers a tax subsidy. However, employers interviewed during the Alabama audit acknowledged that they would have hired 95 percent of the same participants -- even without the tax incentive.

In fact, their hiring decision was typically made before TJTC eligibility was determined, apparently negating the need for the tax subsidy.

The IRS estimates that, from 1980 to 1990, the revenue losses from TJTC credits totaled $4.5 billion. Currently, this program is costing almost $300 million a year. The Joint Committee on Taxation estimates that, by 1998, this figure will increase to almost a half a billion per year.

As a result of these findings, the OIG recommended that the Department and the Congress evaluate whether the TJTC program is meeting its objectives and determine whether it should be discontinued or sharply redirected.

The OIG is pleased that Secretary Reich has publicly discussed the program's effectiveness. Currently, a nationwide audit of this program is being completed and the OIG will be making additional recommendations to the Secretary.

Inefficient Occupational Injury and Illness Statistical Reporting

OIG is concerned with DOL's collection and reporting of occupational injury and illness statistics and enforcement of employers' reporting requirements

The OIG believes that the Department needs to review the original intent and mandate of the OSH Act with respect to the collection of occupational safety and health statistics. The OIG remains concerned about the Department's collection and reporting of occupational injury and illness statistics and enforcement of employers' reporting requirements. Section 24(a) of the Occupational Safety and Health Act (OSH Act) mandates that "in order to further the purposes of this Act, the Secretary [of Labor] ... shall compile accurate statistics on work injuries which include all disabling, serious, or significant work injuries and illnesses." The Act also mandates that employers "file such reports with the Secretary as he shall prescribe by regulation, as necessary to carry out his functions under this Act."

Although OSHA is responsible for ensuring that employers comply with its statutory record keeping and reporting requirements, this duty has been delegated to BLS, which is to collect establishment-specific injury and illness data from employers through a periodic survey. The answers to BLS' survey are based on the records that employers are required by the OSH Act to maintain and report. BLS, however, offers a pledge of confidentiality to employers who answer its survey. BLS contends that the prin-

ciples and practices followed by BLS and other statistical agencies require that "a statistical agency must avoid even the appearance that its individually identifiable data might be turned over for administrative, regulatory, or enforcement purposes." BLS, therefore, does not share the data with OSHA. The OIG believes that this is inconsistent with the intent of Section 24(a) of the OSH Act, which requires that injury and illness data be used in furtherance of the purposes of the Act, which includes enforcement.

In addition, as previously reported in an OIG audit, because of the split of responsibilities and because BLS pledges confidentiality to cooperating states and employers, both OSHA and BLS face substantial limitations in ensuring the accuracy or completeness of this data. The audit also concluded that, since BLS does not share with OSHA the worksite specific data it gathers, OSHA is prevented from taking enforcement action against employers who falsify or fail to report information to BLS for input in its annual survey, as required by Federal law. Moreover, OSHA is prevented from targeting planned inspections of specific, high-hazard employers which may be identified by the survey. Consequently, this may adversely affect OSHA's overall enforcement program.

Therefore, based on the audit findings, analysis, and discussions, the OIG is concerned that the aggregate, industry-specific occupational injuries and illness report prepared by BLS is only of minimal value to OSHA in enforcing the OSH Act. As a result, OSHA must now seek additional millions in congressional funding to collect its own worksite-specific data. This funding is in addition to the $16 million already appropriated for this function. Although the Department recently examined OSHA and BLS' respective roles in this function and decided that both agencies would collect worksite-specific data, the OIG believes this issue needs to be re-evaluated from the perspective of the intent and mandate of the OSH Act.

Pension Plan Audit and Enforcement Amendments

Since 1984, through Semiannual Reports and Congressional testimony, the OIG has raised its concern that hundreds of billions of dollars in employee pension funds are not being adequately safeguarded by annual audits. In 1989, the OIG issued an audit report recommending the repeal of the limited scope audit provision of the Employee Retirement Income Security Act (ERISA) of 1974,

which allows funds held in federally regulated entities to escape scrutiny. Currently ERISA does not require audits of plan assets that have been invested in entities such as savings and loans, associations, banks, and insurance companies, which are regulated by Federal or State Governments. While the Congress intended to reduce duplication of auditing effort by limiting the scope of the audits, this exemption has created a dangerous loophole that needlessly risks the assets of pension plan beneficiaries.

Pension funds may be at great risk

Although it has been assumed that these "exempted" institutions have been receiving adequate audit coverage from the other regulatory agencies, in general, these audits are only performed every two years and are not primarily designed to test for ERISA violations. As a result, this limited scope audit exemption may be placing at risk a significant portion of the more than $2 trillion dollars in pension fund assets. Moreover, this exemption may place at risk the Federal Government's assets -- a risk which ultimately must be borne by the American taxpayer -- because the Government guarantees the payment of pension benefits for defined benefit plans through the Pension Benefit Guaranty Corporation.

The OIG is encouraged that the Pension and Welfare Benefits Administration has worked closely with the OIG to draft language for such a legislative remedy. The OIG is also encouraged that the Administration has officially cleared the legislative proposal. However, the OIG is concerned that it has not been forwarded to the Congress for action during this legislative session. After 5 years, the OIG is troubled that no legislative remedy to address this recommendation has been enacted.

FECA Fraud Amendments

In its calendar year 1994 legislative proposals, the OIG recommended that the Department amend the Federal Employees' Compensation Act (FECA) to prohibit individuals from receiving FECA benefits if they have been convicted of FECA fraud. This legislative recommendation is the result of a study conducted by the OIG together with the U.S. Postal Inspection Service. The study found that individuals who were incarcerated for defrauding the FECA program were still receiving their compensation benefits. The OIG recommended that these benefits be terminated. The OIG further recommended that the benefits that are received by FECA recipients when they are incarcerated for any felony should be suspended until they are released from prison. The OIG is of

FECA fraud pays, even in prison

the opinion that such amendments to the statute would greatly enhance the deterrent value of the law and provide the Department with a valuable tool for dealing with those who defraud, or attempt to defraud, the FECA program. Individuals committing FECA fraud would then not only risk going to jail, but would also jeopardize their benefits by engaging in criminal activities.

The National Performance Review (NPR), directed by the Vice President, recognized the importance of this issue in the effort to "reinvent" the Federal Government. The OIG is encouraged by the fact that the Government Reform and Savings Act of 1993, which incorporates the recommendations of the NPR study, was passed in the House of Representatives. The OIG strongly urges the Senate to consider this change to the FECA statute.

In October 1993, the Congress approved the Department's annual appropriations for the 1994 Fiscal Year (PL 103-112). As of October 21, 1993, the Department is no longer authorized to use funds to pay benefits to Federal employees convicted of defrauding the FECA program. While this is a temporary victory, effective only for Fiscal Year 1994, the OIG vigorously supports permanent changes by the Congress to the appropriate sections of Titles 5 and 18 U.S. Code.

Trade Adjustment Assistance Program

During this reporting period, the Department addressed many of the OIG concerns regarding the administration of this program. For further details, please see page 2 in the Office of Audit section.

Increased Monetary Penalties Needed for Fair Labor Standards Record Keeping Violations

Following a 1991 audit of the enforcement efforts of the Department's Wage and Hour Division, the OIG recommended that the Department support legislation that would establish civil monetary penalties for violations of the record keeping provision of the Fair Labor Standards Act (FLSA). These civil monetary penalties would serve to close a loophole that exists in the law. Currently, the FLSA contains provisions that require employers to maintain payroll, employment, and certain other records. However, the law contains no penalties to sanction employers who do not comply with record keeping requirements. This loophole makes it more difficult for Wage and Hour investigators to determine FLSA violations because an investigation conducted by the Department concerning alleged minimum wage or overtime violations normally relies on the payroll

records of the employer. In the absence of accurate records kept by the employer, Wage and Hour investigators have to obtain facts through interviews of current and former employees and any other corroborating information to determine if violations have occurred. The OIG is of the opinion that the civil monetary penalties will serve as an inducement for employers to maintain appropriate records. Adequate record keeping would facilitate investigative activities and lead to greater compliance with the FLSA. Both the OIG and the General Accounting Office have recommended establishing such penalties for record keeping violations.

Abusive Practices by Grantees and Contractors

OIG audits of overhead costs incurred by grantees and contractors continue to reveal abusive practices. The OIG is recommending that deterrents, such as imposition of interest and penalties for submission to the Government of unallowable costs, be built into the system. For detailed narrative on OIG work and recommendations in this area, please see page 13 in the Office of Audit section.

Measures Under Consideration by the Congress:

OSHA Enforcement

Currently, under the OSH Act, a willful violation of an OSHA rule causing the death of a worker is considered a misdemeanor and subject to a maximum fine not to exceed $10,000 or six months in prison. Repeat violations are subject to a maximum fine of $20,000 or one year in prison. Because these violations are presently misdemeanors, often there is little incentive for prosecutors to accept these cases. The OIG has also found that the actual fines imposed are usually a small fraction of what can be levied and often go through a lengthy appeal process.

Criminal penalties are needed to put teeth into OSHA enforcement.

The OIG is pleased that Secretary Reich, Assistant Secretary Dear, and the Department of Justice have testified in support of legislation, (S. 575 and HR. 1280, the Occupational Safety and Health Reform Act) to establish criminal sanctions for serious, willful, and repeat violations of OSHA rules that result in death or serious bodily injury. The OIG has long supported strengthening the criminal enforcement provisions of the OSH Act and believes that it will serve as a meaningful deterrent that will go a long way towards ensuring that the American worker is better protected from avoidable occupational hazards.

H.R. 4040 Reemployment Act of 1994

H.R. 4040 consolidates six dislocated worker programs into one integrated service system and mirrors the JTPA Title III Program, with enhancements borrowed from current dislocated worker programs. The proposal: 1) substantially retains the JTPA Title III delivery system (state rapid response units, substate areas and substate grantees); 2) extends eligibility to persons certified under TAA, in addition to other groups currently eligible for EDWAA; 3) makes participation in training an absolute, non-waiveable precondition for income support, thereby addressing a major OIG criticism of the TAA program; and 4) requires the Secretary to establish performance standards which may include post-program (6 months or more) earnings and comparison of pre- and post-program wages. The proper establishment of such measures would address the OIG's concerns regarding the TAA program's lack of performance measures.

The OIG provided initial comments on the discussion draft of this legislation that was circulated in the Department. The OIG noted some pitfalls that we believe can be avoided by responding to the lessons learned from TAA and JTPA, including:

1) the proposed bill may not provide adequate administrative funding to support the comprehensive program plus the additional burden of the retraining income support system;

2) the proposed bill makes eligible, for a certificate of continuing eligibility, a person who has accepted employment at a wage "significantly" less than the previous wage. The OIG has stated its strong belief that the term "significantly" must be defined in the statute. The proposal also qualifies for such a certificate, an individual who accepts employment in an occupation significantly different from the former one. The very purpose of the program should be to find "significantly different" occupations for people with obsolete skills in dying industries;

3) as with JTPA, the Department intends to seek a waiver from the pertinent OMB Circulars for the Title I comprehensive program. The OIG continues to believe that, for maximum accountability, employment and training programs should be subjected to the uniform requirements established in the OMB Circulars.

As in the past, the OIG looks forward to working with the Department and the Congress on the technical aspects of this bill.

H.R. 1272 The Multiple Employer Health Benefits Protection Act of 1993

ERISA reforms are needed to tighten regulation of MEWA abuses.

H.R. 1272 will amend the Employee Retirement Income Security Act (ERISA) to increase the regulation of multiple employer welfare arrangements (MEWAs). While all MEWAs are currently subject to some level of State regulation, the bill would create a procedure by which MEWAs providing health care benefits could submit to complete State regulation of their operations, or they could seek an exemption from state Insurance laws. The MEWAs seeking exemptions must meet a set of uniform standards set forth in the bill. In addition, the bill clarifies the definitions of MEWAs that are the result of collectively bargained agreements, bogus labor unions, or employee leasing arrangements. This bill also empowers the Secretary to shut down any MEWAs that are found to be fraudulent, untrustworthy, dishonest, injurious to participants or employers, or which fail to meet any legal obligations established by the Secretary.

The OIG supports the language in this bill, particularly in light of the health care reform proposal that was recently released by the President. It is highly probable that the health care reform package will have to be implemented slowly, thus leaving time for MEWAs to continue to operate. Legislation such as this could serve well to prevent or deter the proliferation of fraudulent MEWAs or similar health care arrangements, thereby preventing many American workers from being at risk to unscrupulous MEWA operators.

H.R. 3600/S.1757 The Health Security Act

During this reporting period, the Inspector General testified before two Subcommittees of the House Government Operations Committee concerning the impact of the Administration's Health Security Act (H.R. 3600/S. 1757) on the operations of the OIG.

MEWAs' history of fraud and abuses may be harbinger of health care reform problems.

Based upon the extensive experience that the OIG's Office of Labor Racketeering (OLR) has gained over the past several years conducting investigations of multi-state, fraudulent, health insurance schemes, the Inspector General emphasized his support for the bill's attempt to address an issue of such great importance to the Nation. Since 1989, the OLR has conducted investigations of fraudulent multiple employer welfare arrangements, or MEWAs (see page 59 in the OLR section of this report). MEWAs provide health benefits to employees of two or more employers (typically small employers). Although generally self-funded, MEWAs may be fully or partially insured and marketed as a low cost source of health coverage for smaller firms. OLR investigations have revealed that

some fraudulent MEWAs have taken advantage of complicated and confusing regulatory structures to defraud thousands of employees out of millions of dollars of premiums, and leaving them with no health care coverage. The OIG supports the bill's elimination of the need for MEWAs in the health care market structure.

The Inspector General testified that the OIG had some concerns with some points of the Administration's bill, as it is currently written. The OIG is most concerned that, although the bill establishes a fraud and abuse control program coordinating the functions of the Attorney General, the Secretary of Health and Human Services, and "other organizations," the bill does not specifically delineate the OLR's jurisdiction to continue to conduct health care fraud investigations. Moreover, the bill defines both "health care offense" and what civil and criminal sanctions are available to address the issue of health care fraud. Many of the criminal statutes that the OLR presently uses during investigations of MEWAs are included in this list of sanctions for committing a health care offense. The Inspector General testified that the record should clearly state that the Secretary of Labor and the DOL OIG continue to have investigative authority for all ERISA-related violations, both with the existing laws and any new health care crimes.

Other concerns that the OIG had with the Health Security Act follow:

- Many of OLR's recent investigations have shown that much of the fraud surrounding MEWAs involved the purchase of reinsurance or stop-loss insurance from off-shore insurance companies. However, H.R. 3600 does not address the purchase of reinsurance or stop-loss insurance from off-shore companies.

- H.R. 3600 requires the DOL to assume trusteeship of any insolvent self-funded corporate alliance health plans and to establish an insolvency fund to cover all benefits, including supplemental benefits, that the insolvent plan offered. Because the Department and the American taxpayer might ultimately have to pick up part of the tab, such a guaranty fund must be carefully designed to be fiscally sound.

- OLR investigations have shown that a very effective deterrent tool contained in ERISA is the bar against any individual convicted of certain enumerated crimes from holding any employee benefit plan position. Individuals convicted of crimes described in 29 U.S.C. § 1111 are disqualified from employment with employee welfare benefit plans, including employment as a "consultant" who, for compensation, provides assistance to a plan concerning its establishment or operation. The OIG supports the provision of the bill that H.R. 3600 will continue to apply the Section 1111 bar to corporate alliance plans.

There has been much discussion about compromise and that the final health care reform bill may be dramatically changed. The bill, as it is currently written, does not allow employers to unite (with an exception for Taft-Hartley plans) in order to provide benefits, thus effectively eliminating MEWAs. However, if MEWAs or MEWA-like entities (e.g. voluntary alliances) are resurrected in compromise legislation, it is highly probable that the same type of fraud will continue to exist. As a result, if MEWA-like health insurance providers are allowed to continue in any compromise legislation, there need to be established controls and minimum standards to preclude opportunities for fraud.

H.R. 2710 The Wage and Hour Reform Equity Act of 1993

The OIG supports legislation that would revise the statute of limitation provisions of the Portal-to-Portal Act of 1947, which limits an employer's liability to restore back wages to employees for violations of the minimum wage and overtime provisions of the Fair Labor Standards Act of 1938. The statute of limitations restricts an employer's obligation to repay employees back wages to a two-year period for non-willful violations and three years for willful violations of the FLSA. However, parts or all of the statutory period may expire before an employer waives the right to claim the statute of limitation or before the Department of Labor files legal action in District Court. Either action will stop the running of the statute, also referred to as "tolling" the statute. Consequently, considerable time usually passes from the date DOL Wage and Hour Division compliance officers start their investigations, to the date when the Department of Labor files suit against employers, resulting in the loss of back wages due to the running of the statute of limitations. H.R. 2710 amends the FLSA to toll the statute of limitations during the period beginning on the date that a complaint is filed with the Secretary or that the Department

initiates an investigation, and ending on the date that final action is taken on such an investigation. The OIG urges the Congress to enact such an amendment to the Fair Labor Standards Act.

SPECIAL PROJECTS OFFICE

The Office of Special Projects (SPO) of the OIG performs quick response evaluations, analyses, and inspections of programs, activities, organizations, and functions of DOL, including OIG. Evaluations, analyses, and inspections are designed to improve program cost efficiency and effectiveness, management, and the overall quality of services. The SPO focuses on requests from management that require the OIG to provide fast, objective and reliable evaluations.

Review of Internal Controls over the FECA Rehabilitation Program, New York Regional Office, Office of Workers' Compensations Programs

At the request of the Office of Workers' Compensation Programs (OWCP), the Special Projects Office (SPO) performed a review of the adequacy of the internal controls over the rehabilitation program for Federal Employees' Compensation Act (FECA) claimants in the New York Region. Specifically, the OWCP requested that the OIG:

- evaluate the adequacy of the internal controls over the FECA rehabilitation program in the New York Regional Office; and
- determine whether OWCP's automated systems can be used more effectively to facilitate management of the rehabilitation program.

Although the New York Region was generally in compliance with applicable OWCP policies and procedures, the OIG concluded that internal controls over the rehabilitation program required improvement both in the region and nationwide. In particular, more effective controls were needed in the areas of: separation of duties within the administration of the program; referrals of cases to contract rehabilitation counselors; selection of contract rehabilitation counselors; payment of rehabilitation counselors' bills; overall rehabilitation program oversight; and record-keeping.

The report provided recommendations to the Director, OWCP, to improve the effectiveness of the internal controls over the program with emphasis on revisions to nationwide policies and procedures and modifications to OWCP's automated systems. In coordination with SPO, OWCP officials initiated actions to address some findings while the review was in progress. Corrective actions planned by OWCP in response to the remaining recommendations are expected by both agencies to significantly enhance the controls over the rehabilitation program.

Resolution Actions: Review of Law Enforcement Officer Benefits for the Office of Labor-Management Standards

In order to resolve the recommendations provided in the OIG report concerning law enforcement officer (LEO) benefits for the Office of Labor-Management Standards (OLMS), issued on September 28, 1993, the Office of the Assistant Secretary for Administration and Management in coordination with SPO has requested an advisory opinion from the Office of Personnel Management (OPM) on several of the issues the OIG raised. The issues which remain in question include the eligibility for LEO coverage of OLMS' compliance audit program, the calculation of LEO credit for OLMS' investigators whose duties fluctuate significantly over time periods and the propriety of waiving retroactive benefit recoveries.

LEO special retirement and locality pay benefits had been approved for positions occupied at the time of the OIG review by 134 investigators and managers of OLMS. The total cost of these benefits was estimated at $756,011 from the effective date of approval by OPM through Fiscal Year 1993. The review concluded that, although some OLMS employees may qualify for LEO benefits on an individual basis, the OLMS positions approved by DOL's OASAM and the OPM do not meet the regulatory requirements for position-based coverage. The OIG also questioned that the time expended performing certain responsibilities classified as OLMS criminal law enforcement duties, particularly compliance audits, qualified under the regulatory definition of the primary duties of a law enforcement officer.

Reporting Requirements Under The Inspector General Act of 1978

Requirement

Senate Report No. 96-829

Note: This table cross references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, to the specific pages where they are addressed. The information requested by the Congress in Senate Report No. 96-829 relative to the 1980 Supplemental Appropriations and Rescissions Bill, is also cross-referenced to the appropriate pages of the report.

AUDIT SCHEDULES

This schedule depicts the amount of money that is owed to the Department of Labor. In order to demonstrate the extent of change in the balances owed to the Department, data are provided on the amounts owed at both the beginning and end of the 6-month reporting period. The schedule also reports on those amounts which were appealed, collected, and written-off, as well as the amounts adjusted as a result of any appeals and revised management decisions.

This schedule summarizes, by DOL agency, the number of audit reports issued during the 6-month reporting period, the amount of dollars audited, and the amount of dollars questioned by auditors as having been improperly expended.

This schedule details, for the Employment and Training Administration (ETA), the number of audit reports issued during the 6-month reporting period, the amount of dollars audited, and the costs questioned by auditors as having been improperly expended. (This additional detail is provided since most of DOL funds are in ETA.)

This schedule summarizes the audit reports, issued during the 6-month reporting period, which were prepared in accordance with the Single Audit Act. This schedule also details the amount of dollars audited, as well as the costs questioned by auditors as having been improperly expended.

This schedule depicts the number of single audit reports, issued during the 6-month reporting period, that covered more than one Department of Labor program agency. This schedule also details the amount of dollars that were audited, as well as the costs questioned by auditors as having been improperly expended.

This schedule is a report to the Office of Management and Budget (OMB) on the quality and results of single audits performed by non-Federal auditors during the 6-month reporting period.

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

This schedule shows the extent to which DOL management has taken steps, during the 6-month reporting period, to resolve the costs questioned by the auditor because they were not supported by appropriate records or documentation. Audit resolution occurs when management either agrees with the auditor's finding and disallows those unsupported costs that were questioned, or management decides that the expenditure should be allowed. (This schedule is required by Section 5(a)(8) of the Inspector General Act, as amended.)

This schedule depicts the extent to which DOL management has taken steps, during the 6-month reporting period, to resolve funds that the auditor recommended be put to better use. Audit resolution occurs when management either agrees with the auditor's finding, or management disagrees that the funds can or should be put to better use. (This schedule is required by Section 5(a)(9) of the Inspector General Act, as amended.)

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

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

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

This schedule presents the significant audit recommendations which have been resolved for over one year and on which corrective action has not been completed.

This schedule lists all audit reports that were issued during the 6-month reporting period, as required by Section 5(a)(6) of the Inspector General Act, as amended.

Money Owed the Department of Labor
For the Period October 1, 1993 - March 31, 1994

Program Name	Beginning Balance		Debt Established During Period	New Appeals	Collections During the Period			Write-Offs		Adjustments Due to:			Ending Balance		
	In Collection	Under Appeal			Cash	Offset	Other	Compromise	Termination	Appeals Overturned	Appeals Affirmed	Revised Management Decision	Delinquent	Current	Under Appeal
ESA															
FECA	21,314,331	7,477,051	12,799,731	1,514,888	7,634,767	0	0	103,000	1,748,422	759,519	0	861,504	9,676,113	11,815,849	8,991,939
Black Lung -Disability Trust Fund	5,290,244	92,637,514	8,097,328	(2,167,702)	6,840,313	0	0	0	4,086,031	(789,391)	0	0	5,418,321	0	90,469,812
ETA															
CETA	19,768,992	16,052,504	20,759	0	1,465,954	0	0	173,071	0	141,232	1,276,147	(114,305)	13,804,409	5,368,637	15,003,257
JTPA	8,364,131	36,083,351	11,469,364	10,841,712	1,017,603	0	214,386	0	5,962	245,966	461,121	198,999	6,655,350	1,395,888	46,182,692
UI/SESA	0	8,424,609	0	0	0	0	0	0	0	0	0	0	0	0	8,424,609
MSHA															
Assessments/Mine Operator Civil Penalties	14,994,253	15,005,129	15,602,228	0	9,502,546	0	0	0	1,654,611	0	0	0	14,059,602	4,015,856	16,368,995
OSHA															
Civil Penalties															
-From Business	39,088,498	79,508,368	40,298,248	0	31,139,790	0	0	3,675,746	0	0	0	(6,885,821)	24,009,049	25,036,974	81,919,376
-From State Grantees	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BLS	100,023	0	437,059	0	449,606	0	0	0	0	0	0	0	70,204	17,272	0
PWBA	1,566,021	0	4,496,521	13,738	776,425	0	0	39,529	0	0	0	232,000	3,852,900	1,147,950	13,738
OASAM	43,714	0	24,461	0	33,730	0	0	0	0	0	0	0	31,440	3,005	0
Total	110,530,207	255,188,526	93,245,699	10,202,636	58,860,734	0	214,386	3,991,346	7,495,026	357,326	1,737,268	(5,707,623)	77,577,388	48,801,431	267,374,418

Explanations:

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

Definitions:

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

Summary of Audit Activity of DOL Programs
October 1, 1993 - March 31, 1994

Agency	Reports Issued	Grant/Contract Amount Audited[1]	Questioned Costs Unsupported[2]	Other
OSEC	2	$ 10,300	$ 0	$ 0
VETS	1	65,615	0	0
ETA	122	434,822,839	17,626,433	748,764
ESA	4	116,529,000	0	0
MSHA	3	1,230,010	46,000	0
OASAM	4	8,272,913	296,836	0
OSHA	7	299,264,994	5,718,238	0
BLS	1	122,778	0	0
Multi-Agency	34	4,043,978,161	1,916,653	0
OT AGY	1	0	0	0
Totals	179	$4,904,296,610	$25,604,160	$748,764

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

[2]Unsupported Costs include $5,712,667 in Funds Recommended for Better Use as reported in Audit Report 05-93-007-10-001.

Summary of Audit Activity of ETA Programs
October 1, 1993 - March 31, 1994

Program	Reports Issued	Grant/Contract Amount Audited	Questioned Costs Unsupported	Other
UIS	3	$ 0	$ 0	$ 0
USES	2	1,687,239	0	0
JTPA	13	253,255,683	7,686,169	748,764
OSTP	1	460,517	0	0
DINAP	66	34,933,521	821,427	0
DOWP	4	68,691,457	8,441,369	0
DSFP	25	37,827,324	11,718	0
OJC	5	31,914,185	622,575	0
OSPPD	3	6,052,913	43,175	0
Totals	122	$434,822,839	$17,626,433	$748,764

Summary of Audits Performed Under the Single Audit Act
October 1, 1993 - March 31, 1994

Agency	Entities Audited	Reports Issued	Grant/Contract Amount Audited	Questioned Costs Unsupported	Other
VETS	0	1	$ 65,615	$ 0	$ 0
ETA	48	105	383,000,033	8,545,306	8,827
OSEC	0	1	10,300	0	0
MSHA	0	2	521,010	0	0
OSHA	2	5	5,694,262	5,561	0
BLS	0	1	122,778	0	0
Multi-Agency	8	34	4,043,978,161	1,916,653	0
OT AGY	1	1	0	0	0
Totals	59	150	$4,433,392,159	$10,467,520	$8,827

Note: DOL has cognizant responsibility for specific entities under the Single Audit Act. More than one audit report may have been transmitted or issued for an entity during this time period. Reports are transmitted or issued based on the type of funding and the agency/program responsible for resolution. During this period, DOL issued reports on 59 entities for which DOL was cognizant; in addition, DOL issued 150 reports which included direct DOL funds for which DOL was not cognizant.

Summary of Audit Performed Under the Single Audit Act
Multi-Agency Program Reports
October 1, 1993 - March 31, 1994

Agency	Number of Recommendations	Questioned Costs Unsupported	Other
VETS:			
CONTR	1	$ 548	$0
ETA:			
ADMIN	2	116,541	0
UIS	6	66,449	0
USES	1	8,498	0
SESA	14	771,888	0
JTPA	11	934,462	0
DOWP	2	17,988	0
OSHA:			
OSHAG	1	279	0
Totals	38	$1,916,653	$0

Note: Multi-Agency Program Reports relate to Single Audit reports. The report may be on a statewide audit where DOL has accepted "lead" cognizance or it may be on a single entity under the direct responsibility of DOL. If multiple DOL programs were audited, the multi-agency designation was used. Individual recommendations within the report designate which agency/program is responsible for resolution. Thirty-eight recommendations are contained within the 34 multi-agency reports issued this period.

Audits by Non-Federal Auditors
PCIE Semiannual Reporting - Summary Results of IG Reviews
Six Months Ended March 31, 1994

STATISTICAL TABLE	A-128/102-P Audits			A-133/110 Audits			
	Independent Public Accountant	State & Local Auditor	Total	Independent Public Accountant	State & Local Auditor	Total	Grand Total
1. Reports Issued Without Change or With Minor Changes							
A. Based on Desk Review	77	22	99	48	1	49	148
B. Based on QCR	0	1	1	0	0	0	1
Total Without Change or With Minor Changes	77	23	100	48	1	49	149
2. Reports Issued With Major Changes							
A. Based on Desk Review	0	0	0	0	0	0	0
B. Based on QCR	0	0	0	0	0	0	0
Total With Major Changes	0	0	0	0	0	0	0
3. Reports With Significant Inadequacies							
A. Based on Desk Review	0	0	0	1	0	1	1
B. Based on QCR	0	0	0	0	0	0	0
Total Reports with Significant Inadequacies	0	0	0	1	0	1	1
4. Number of Auditors Referred to State Boards/AICPA	0	0	0	0	0	0	0
5. Number of Auditors Which Other Sanctions Were Taken	0	0	0	0	0	0	0
6. Unsupported Costs in Reports With Direct Funded Findings	$142,281	$1,875,840	$2,018,121	$8,449,399	$0	$8,449,399	$10,467,520
7. Sustained Unsupported Costs	$56,424	$111,031	$167,455	$14,923	$0	$14,923	$182,378
8. Recovered Unsupported Costs	$162,307	$25,732	$188,039	$64,682	$0	$64,682	$252,721
9. Other Costs Questioned in Reports With Direct Funded Findings	$8,827	$0	$8,827	$0	$0	$0	$8,827
10. Sustained Other Questioned Costs	$67,916	$130,849	$198,765	$5,683	$0	$5,683	$204,448
11. Recovered Other Questioned Costs	$30,423	$530,849	$561,272	$5,435	$0	$5,435	$566,707

Summary of Audit Resolution Activity
Questioned Costs
October 1, 1993 - March 31, 1994

Agency/ Program	October 1, 1993 Balance Unresolved Reports	Dollars	Issued (Increases) Reports	Dollars	Resolved (Decreases) Reports	Allowed	Disallowed	March 31, 1994 Balance Unresolved Reports	Dollars
OSEC	1	$0	2	$0	2	$0	$0	1	$0
VETS	0	0	1	0	1	0	0	0	0
ETA:									
ADMIN	3	0	0	0	0	0	0	3	0
OFCMS	1	0	0	0	1	0	0	0	0
UIS	2	0	3	0	3	0	0	2	0
USES	1	0	2	0	2	0	0	1	0
FLC	0	0	0	0	0	0	0	0	0
SESA	0	0	0	0	0	0	0	0	0
OTAA	2	394,825	0	0	1	0	0	1	394,825
JTPA	17	17,845,762	13	8,434,933	17	210,185	2,636,240	13	23,434,270
CETA	0	0	0	0	0	0	0	0	0
OSTP	0	0	1	0	1	0	0	0	0
DINAP	22	240,028	66	821,427	70	27,344	113,154	18	988,871
DOWP	4	227,365	4	8,441,369	5	211,995	15,370	3	8,441,369
DSFP	3	15,036	25	11,718	22	0	15,036	6	11,718
OJC	9	534,231	5	622,575	4	61,500	187,455	10	907,851
BAT	0	0	0	0	0	0	0	0	0
OSPPD	1	254	3	43,175	3	0	254	1	43,175
ESA	4	36,108	4	0	7	0	36,108	1	0
MSHA	2	610	3	46,000	5	0	46,610	0	0
OASAM	22	3,136,734	4	296,836	11	402,398	785,104	15	2,246,068
SOL	0	0	0	0	0	0	0	0	0
OIG	0	0	0	0	0	0	0	0	0
OSHA	2	0	7	5,561	7	0	0	2	5,561
BLS	2	0	1	0	2	0	0	1	0
PWBA	1	0	0	0	1	0	0	0	0
Multi-Agency	24	833,955	34	1,916,653	31	404,270	299,007	27	2,047,331
Other Agencies	0	0	1	0	1	0	0	0	0
TOTAL	123	$23,264,908	179	$20,640,247	197	$1,317,692	$4,134,338	105	$38,521,039

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

DISALLOWED COSTS includes $67,916 of additional claim amounts. Additional claim amounts occur when the grant/contract officer disallows an amount in addition to the finding amount.

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

The beginning balance total of this schedule reflects a net increase of two reports and $428,693 (less than 2 percent) over the ending balance of the previous *Semiannual Report* as a result of adjustments made during the period.

Summary of Audit Resolution Activity
Unsupported Questioned Costs
October 1, 1993 - March 31, 1994

Agency/ Program	October 1, 1993 Balance Unresolved Reports	Dollars	Issued (Increases) Reports	Dollars	Resolved (Decreases) Reports	Allowed	Disallowed	March 31, 1994 Balance Unresolved Reports	Dollars
OSEC	0	$0	0	$0	0	$0	$0	0	$0
VETS	0	0	0	0	0	0	0	0	0
ETA:									
ADMIN	0	0	0	0	0	0	0	0	0
OFCMS	0	0	0	0	0	0	0	0	0
UIS	0	0	0	0	0	0	0	0	0
SESA	0	0	0	0	0	0	0	0	0
OTAA	1	93,572	0	0	0	0	0	1	93,572
JTPA	10	7,784,239	2	7,686,169	6	49,493	928,019	6	14,492,896
CETA	0	0	0	0	0	0	0	0	0
DINAP	12	234,343	11	821,427	12	27,344	39,555	11	988,871
DOWP	2	227,365	1	8,441,369	2	211,995	15,370	1	8,441,369
DSFP	0	0	3	11,718	0	0	0	3	11,718
OJC	5	534,231	3	622,575	2	61,500	187,455	6	907,851
OSPPD	1	254	1	43,175	1	0	254	1	43,175
ESA	1	36,108	0	0	1	0	36,108	0	0
MSHA	1	610	1	46,000	2	0	46,610	0	0
OASAM	13	3,077,881	2	296,836	6	402,398	726,251	9	2,246,068
OIG	0	0	0	0	0	0	0	0	0
OSHA	0	0	1	5,561	0	0	0	1	5,561
Multi-Agency	12	699,017	16	1,916,653	12	400,181	168,158	16	2,047,331
Other Agency	0	0	0	0	0	0	0	0	0
TOTAL	58	$12,687,620	41	$19,891,483	44	$1,152,911	$2,147,780	55	$29,278,412

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.

The beginning balance total of this schedule reflects a net increase of four reports and $245,077 (less than 2 percent) over the ending balance of the previous *Semiannual Report* as a result of adjustments made during the period.

Summary of Audit Resolution Activity
Funds Put to Better Use
October 1, 1993 - March 31, 1994

Agency/ Program	October 1, 1993 Balance Unresolved Reports	Dollars	Issued (Increases) Reports	Dollars	Resolved (Decreases) Reports	Management Disagreed	Agreed	March 31, 1994 Balance Unresolved Reports	Dollars
OSEC	0	$0	0	$0	0	$0	$0	0	$0
ETA:									
DSFP	0	0	0	0	0	0	0	0	0
OJC	0	0	0	0	0	0	0	0	0
ESA	0	0	0	0	0	0	0	0	0
MSHA	0	0	0	0	0	0	0	0	0
OASAM	0	0	0	0	0	0	0	0	0
OSHA	1	80,000	1	5,712,677	1	0	80,000	1	5,712,677
TOTAL	1	$80,000	1	$5,712,677	1	$0	$80,000	1	$5,712,677

Unresolved Audits Over 6 Months
October 1, 1993 - March 31, 1994

Agency	Program	Date Issued	Audit Report Number	Name of Audit/Auditee	No of Rec	Questioned Costs
Under Litigation:						
ETA	JTPA	31-MAR-92	04-92-014-03-340	DENNIS AND ASSOCIATES - SC	4	$ 2,774,604
ETA	JTPA	01-SEP-92	04-92-030-03-340	DENNIS AND ASSOCIATES, INC	4	120,491
ETA	JTPA	23-SEP-93	04-93-046-03-340	QUALITY PLUS, INC	15	296,892
ETA	JTPA	17-APR-91	05-91-012-03-340	SEATTLE KING COUNTY OJT BROKER	2	15,751
ETA	JTPA	25-SEP-92	06-92-010-03-340	EAST TEXAS CNCL OF GOVERN	13	5,780,925
MULTI	ALLDOL	25-AUG-89	03-89-083-50-598	COMMONWEALTH OF PA	1	78,270
MULTI	ALLDOL	07-FEB-91	03-91-012-50-598	COMMONWEALTH OF PA	1	29,539
Awaiting Resolution:						
OSEC	ASP	19-MAY-93	17-93-009-01-010	OFFICE OF ADMINISTRATIVE APPEALS[1]	4	0
ETA	ADMIN	25-AUG-92	12-92-021-03-001	UNEMPLOY TRUST FUND FY 91[2]	3	0
ETA	ADMIN	25-AUG-92	12-92-022-03-001	ETA FY 91 FIN STMTS[2]	4	0
ETA	ADMIN	30-SEP-93	12-93-001-03-001	ETA FY 92 FIN STMTS[2]	12	0
ETA	UIS	29-SEP-93	03-93-034-03-315	UI PERFORMANCE MEASURES[2]	12	0
ETA	USES	20-AUG-93	04-93-027-03-320	TJTC PROGRAM - ALABAMA[3]	9	0
ETA	JTPA	29-MAR-91	05-91-054-03-330	SEL ELEM OF TAA ADMIN BY MESC[4]	12	394,825
ETA	JTPA	25-JAN-93	03-93-005-03-340	MCTEP AT&T NAT'L RESERVE GRANT[5]	2	9,595
ETA	JTPA	26-MAR-92	04-92-021-03-340	FL UNRESTRICTED FUND BAL/COMP[6]	4	4,742,947
ETA	JTPA	23-AUG-91	05-91-046-03-340	LOS ANGELES OJT PLACEMENTS[5]	4	815,333
ETA	JTPA	13-APR-93	06-93-231-03-355	SANTO DOMINGO TRIBE[6]	18	65,681
ETA	DOWP	09-SEP-93	18-93-021-03-360	NATL INDIAN COUNCIL ON AGING[7]	3	0
ETA	OJC	30-SEP-93	03-93-033-03-370	JOB CORPS PERFORMANCE MEASURES[2]	2	0
ETA	OJC	25-JAN-93	12-93-004-03-370	JC TRANSPORTATION SYSTEM INTER[8]	8	44,492
ETA	OJC	01-MAR-93	18-93-007-03-370	UAW-LABOR EMPLOY & TRNG CO[9]	1	0
ETA	OJC	01-MAR-93	18-93-008-03-370	UAW-LABOR EMPLOY & TRNG CO[9]	4	0
ETA	OJC	09-SEP-93	18-93-012-03-370	INTERNTNAL MASONRY INSTITUTE[10]	4	0
OASAM	ADMIN	28-JUN-91	12-91-009-07-001	FY 90 CONSOLIDATED FIN STMTS[2]	9	0
OASAM	ADMIN	28-AUG-92	12-92-002-07-001	FY 91 CONSOLIDATED FIN STMTS[2]	12	0
OASAM	ADMIN	30-SEP-93	12-93-008-07-001	FY 92 CONSOLIDATED FIN STMTS[2]	19	0
OASAM	ADMIN	26-MAR-93	12-93-016-07-001	COMBINING SCHED NET ADVANCES[2]	5	0
OASAM	OPGM	30-SEP-93	12-93-011-07-710	FY 92 WORKING CAPITAL FUND[2]	18	0
BLS	ADMIN	30-SEP-93	12-93-009-11-001	BLS FY 92 FINANCIAL STATEMENTS[2]	4	0
MULTI	ALLDOL	08-JUN-93	02-93-253-50-598	CONNECTICUT DEPT OF LABOR[10]	6	0
Pending Indirect Cost Negotiations:						
ETA	OJC	10-SEP-92	18-92-027-03-370	LEO A. DALY[11]	2	210,695
OASAM	OPGM	21-MAR-91	18-91-024-07-735	NATL GOVERNORS ASSOCIATION[12]	3	646,002
OASAM	OPGM	30-SEP-91	18-91-035-07-735	OIC OF AMERICA[11]	13	481,785
OASAM	OPGM	22-JUN-92	18-92-024-07-735	NTL CONF OF BLACK MAYORS[11]	8	135,996
OASAM	OPGM	18-MAR-93	18-93-009-07-735	NATL COUNCIL ON AGING[11]	4	462,701
OASAM	OPGM	17-SEP-93	18-93-011-07-735	INTERNTNAL MASONRY INSTITUTE[11]	3	104,184
OASAM	OPGM	28-JUL-93	18-93-016-07-735	NATL GOVERNORS ASSOCIATION[12]	3	42,194
OASAM	OPGM	28-JUL-93	18-93-017-07-735	NATL GOVERNORS ASSOCIATION[12]	1	17,516
TOTAL AUDIT EXCEPTIONS:					256	$17,270,418

Notes are located on the following page.

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

[1]The formal response provided by OAA was insufficient to resolve the recommendations.

[2]Recommendations were reviewed under their respective current FY 93 audits and remain unresolved.

[3]Unresolved pending a response to the final audit report.

[4]ETA issued a formal notice to the Michigan Employment Security Commission on March 20, 1992, in accordance with the TAA regulations at 20 CFR 617.52(c). ETA completed a desk review of MESC's response and a field review. They recommended that a new or revised notice be issued to MESC.

[5]The States have 180 days to issue a Final Management Decision. Program Agencies and OIG have an additional 180 days to accept the State-level decision (05-91-046-03-340 released for resolution on September 29, 1993 and 03-93-005-03-340 reissued for resolution on July 13, 1993).

[6]The audit is currently under the Alternative Dispute Resolution process.

[7]Awaiting letter from ETA program office which will resolve this finding.

[8]Report deals with recommendations revolving around recovery of unused airline tickets from the private travel agency and revisions to the Job Corps travel policies and procedures. We are waiting for Job Corps' response to the final report.

[9]Audit resolution on recommendations will be delayed pending issuance of a related audit report.

[10]The final determination issued by the Agency did not address all of the findings in the audit report.

[11]OMB Circular A-50 does not require resolution within 180 days.

[12]Subsequently resolved in April 1994.

Summary of Final Action Activity
Disallowed Costs
October 1, 1993 - March 31, 1994

Agency/ Program	October 1, 1993 Balance No Final Action Reports	Disallowed	Resolved (Increases) Reports	Disallowed	Final Action (Decreases) Reports	Write-Offs	Recovered	March 31, 1994 Balance No Final Action Reports	Dollars
OSEC	6	$ 36,148	2	$ 0	3	$ 0	$ 36,148	5	$ 0
VETS	3	538,190	1	0	1	0	0	3	538,190
ETA:									
ADMIN	7	507,696	0	0	0	0	0	7	507,696
OFAM	2	1,485,911	1	0	0	0	0	3	1,485,911
UIS	14	58,518.331	3	0	1	0	0	16	58,518,331
USES	0	0	2	0	2	0	0	0	0
SESA	9	5,897,321	0	0	2	1,385	2,746,671	7	3,149,265
OTAA	2	2,052,389	1	0	0	0	0	3	2,052,389
JTPA	45	29,290,919	17	2,636,240	13	0	82,626	49	31,844,533
CETA	22	25,452,685	0	0	5	2,003,015	1,428,484	17	22,021,186
OSTP	3	995,472	1	0	2	500,522	0	2	494,950
DINAP	91	6,925,187	70	113,154	55	41,437	110,216	106	6,886,688
DOWP	8	197,484	5	15,370	2	0	0	11	212,854
DSFP	25	2,211,749	22	15,036	21	0	30,423	26	2,196,362
OJC	52	2,667,042	4	187,455	5	115,151	12,780	51	2,726,566
OSPPD	8	531,124	3	254	4	17,299	1,664	7	512,415
ESA	10	16,891	7	36,108	5	0	0	12	52,999
MSHA	0	0	5	46,610	4	100	46,510	1	0
OASAM	26	14,223,567	11	785,104	8	3,116	519,289	29	14,486,266
SOL	1	0	0	0	0	0	0	1	0
OIG	0	0	0	0	0	0	0	0	0
OSHA	10	90,781	7	0	5	0	0	12	90,781
BLS	0	0	2	0	1	0	0	1	0
PWBA	3	0	1	0	0	0	0	4	0
Multi-Agency	66	10,332,998	31	299,007	18	0	180,759	79	10,451,246
Other Agency	0	0	1	0	1	0	0	0	0
TOTAL	413	$161,971,885	197	$4,134,338	158	$2,682,025	$5,195,570	452	$158,228,628

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

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

Recovered costs contain authorized repayment agreements totalling $1,352,687.

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

The beginning balance total of this schedule reflects a negligible net decrease of $70,255 from the ending balance of the previous *Semiannual Report* as a result of adjustments made during the period.

Summary of Final Action Activity
Funds to Be Put to Better Use
October 1, 1993 - March 31, 1994

Agency/ Program	October 1, 1993 Balance No Final Action Reports	Disallowed	Resolved (Increases) Reports	Disallowed	Final Action (Decreases) Reports	Write-Offs	Recovered	March 31, 1994 Balance No Final Action Reports	Dollars
OSEC	0	$ 0	0	$ 0	0	$0	$ 0	0	$ 0
ETA:									
UIS	0	0	0	0	0	0	0	0	0
SESA	1	296,000,000	0	0	1	0	296,000,000	0	0
CETA	0	0	0	0	0	0	0	0	0
DSFP	0	0	0	0	0	0	0	0	0
OJC	0	0	0	0	0	0	0	0	0
ESA	0	0	0	0	0	0	0	0	0
OASAM	4	41,840,179	0	0	0	0	0	4	41,840,179
OSHA	0	0	1	80,000	0	0	0	1	80,000
Multi-Agency	1	54,000	0	0	0	0	0	1	54,000
TOTAL	6	$337,894,179	1	$80,000	1	$0	$296,000,000	6	$41,974,179

Significant Recommendations Resolved for Over One Year on which Corrective Action Has Not Been Completed as of March 31, 1994

Section 5.(a)(3) of the Inspector General Act requires Inspectors General to identify "each significant recommendation described in previous semiannual reports on which corrective action has not been completed."

The following table can be used to identify significant recommendations discussed in previous semiannual reports which have been resolved (or the decision of appeal has been rendered) in excess of one year and for which corrective action has not been completed as of March 31, 1994. The table does not contain resolved recommendations which are under appeal.

Report No. Report Name	Prior Semiannual Mo./Yr.&Pg	# Open Rec.	Resolution Mo./Yr.	Dollars Disallowed 000's
VETS				
18-91-041-02-201 Urban Revitalization - USA	09/91 Pg41	6	03/92	134
ESA				
03-91-056-04-001 FY 1990 Financial Statements	09/91 Pg36	7	08/91	N/A
03-92-052-04-001 FY 1991 Financial Statements	09/92 Pg46	5	06/92	N/A
17-91-002-04-001 Procurement of TQM Training	09/91 Pg37	2	09/91	N/A
17-91-001-04-420 Wage and Hour Enforcement	09/91 Pg36	12	09/92	N/A
02-86-037-04-435 Private vs. Federal Workers' Comp	03/88 Pg12	1	12/88	N/A

Significant Recommendations Resolved for Over One Year on which Corrective Action Has Not Been Completed as of March 31, 1994

Report No. Report Name	Prior Semiannual Mo./Yr.&Pg	# Open Rec.	Resolution Mo./Yr.	Dollars Disallowed 000's
OASAM				
12-91-011-07-001 Internal Cntls do not Reasonably Assure Reliable General Ledger Balances	03/91 Pg37	3	03/92	N/A
17-92-004-07-001 FY 91 Mgmt Cntls over Consultants	03/92 Pg33	2	04/92	N/A
19-92-010-07-710 Recertification Payment Process	09/92 Pg66	3	08/92	N/A
19-92-005-07-720 DOL Computer Security	03/92 Pg33	5	03/92	N/A
SOL				
17-92-005-08-001 Managing Effectiveness of SOL	03/92 Pg14	5	04/92	N/A
OSHA				
05-89-067-10-001 FYs 88 & 87 Financial Statements	09/89 Pg13	5	09/89	N/A
05-90-035-10-001 OSHA Annual Report Can Be Improved	03/90 Pg25	3	06/90	N/A

Significant Recommendations Resolved for Over One Year on which Corrective Action Has Not Been Completed as of March 31, 1994

Report No. Report Name	Prior Semiannual Mo./Yr.&Pg	# Open Rec.	Resolution Mo./Yr.	Dollars Disallowed 000's
OSHA				
05-90-056-10-001 FY 1989 Financial Statement	09/90 Pg23	2	12/90	N/A
05-92-008-10-001 OSHA Egregious Cases	03/92 Pg12	4	09/92	N/A
02-87-012-10-105 Targeting of Employer w/ History of Workplace Fatalities	03/87 Pg 4	4	05/87	N/A
05-88-083-10-105 OSHA 11(c) Complaint Program	03/89 Pg52	4	08/89	N/A
05-89-029-10-105 Monitoring of State Programs	03/89 Pg51	7	09/89	N/A
18-91-022-07-735 Special Review: John Gray Inst	03/91 Pg36	8	10/91	N/A
PWBA				
09-90-001-12-001 Changes Needed in ERISA Audit Process	09/90 Pg21	8	02/91	N/A
19-92-002-12-001 Pblms Delay FOIS Implementation	03/92 Pg22	2	06/92	N/A

Significant Recommendations Resolved for Over One Year on which Corrective Action Has Not Been Completed as of March 31, 1994

Report No. Report Name	Prior Semiannual Mo./Yr.&Pg	# Open Rec.	Resolution Mo./Yr.	Dollars Disallowed 000's
ETA				
12-88-013-03-001 FYs 1987 and 1986 Financial Stmts	03/89 Pg57	3	09/89	N/A
12-88-017-03-001 FY 1987 Management Advisory Comments	03/89 Pg58	2	09/89	N/A
17-92-003-03-001 Effectiveness of Discretionary Awards	03/92 Pg30	1	04/92	N/A
19-89-001-03-001 IRM Program Needs Improvement	09/89 Pg16	18	05/90	N/A
19-90-005-03-001 Mgmt of LAN Needs Improvement	03/90 Pg18	23	08/90	N/A
19-91-007-03-310 ETA's Grant and Contract MIS	09/91 Pg27	6	03/92	N/A
03-83-203-03-315 UI Experience Rating	09/89 Pg23	1	09/90	N/A
03-90-086-03-315 Internal Control Improvements Needed for UI Trust Fund	03/90 Pg19	5	09/90	N/A

Significant Recommendations Resolved for Over One Year on which Corrective Action Has Not Been Completed as of March 31, 1994

Report No. Report Name	Prior Semiannual Mo./Yr.&Pg	# Open Rec.	Resolution Mo./Yr.	Dollars Disallowed 000's
05-90-058-03-340 Greater Flint Opp. Center & Jobs Central	09/90 Pg12	7	05/91	541
05-91-056-03-340 OJT Performance Based Broker Contracts (National Summary)	03/91 Pg20	4	04/91	N/A
18-90-022-07-735 Tech Assistance Group:Indirect Costs FYs 1986, 1987, 1988	09/90 Pg18	6	03/92	188

FINAL AUDIT REPORTS ISSUED
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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
02-94-214-03-340*	ETA	JTPA	23-NOV-93	Right to Employment Administration - SA
02-94-215-03-340*	ETA	JTPA	23-NOV-93	Right to Employment Administration - SA
02-94-237-03-350*	ETA	OSTP	14-DEC-93	Center for Practical Solutions, Inc. - SA
02-94-201-03-355*	ETA	DINAP	06-OCT-93	Rhode Island Indian Council, Inc. - SA
02-94-202-03-355*	ETA	DINAP	29-OCT-93	Mashpee Wampanoag Indian Tribal Council, Inc. - SA
02-94-208-03-355	ETA	DINAP	18-OCT-93	Saint Regis Mohawk Tribe - SA
02-94-212-03-355	ETA	DINAP	23-NOV-93	Seneca Nation of Indians - SA
02-94-213-03-380	ETA	SPPD	02-NOV-93	City of Syracuse - SA
02-94-211-10-101*	OSHA	OSHAG	13-OCT-93	Engineers Research & Education Coop. Trust - SA
02-94-206-11-111	BLS	BLSG	17-FEB-94	Wellesley College, Mass. - SA
02-94-203-50-598	MULTI	AL/DOL	17-FEB-94	Education Development Center, Inc. - SA
02-94-204-50-598	MULTI	AL/DOL	17-FEB-94	Education Development Center, Inc. - SA
02-94-207-50-598	MULTI	AL/DOL	10-DEC-93	National Bureau of Economic Research, Inc. - SA
02-94-210-50-598*	MULTI	AL/DOL	14-OCT-93	National Urban League, Inc. - SA
02-94-235-50-598*	MULTI	AL/DOL	30-NOV-93	Training and Development Corp. - SA
03-93-062-03-340	ETA	JTPA	01-OCT-93	Cities in Schools, Inc. - SA
03-94-006-03-340*	ETA	JTPA	15-DEC-93	The National Federation of the Blind - SA
03-94-005-03-360*	ETA	DOWP	10-DEC-93	National Council of Senior Citizens - SA
03-94-012-04-001	ESA	ADMIN	08-MAR-94	Panama Canal Commission Financial Schedules - Sept. 30, 1993
03-94-007-04-420	ESA	WHD	18-FEB-94	AUP-Regional Wage Hour Program Offices
03-94-010-04-431	ESA	FECA	28-FEB-94	Special Benefits Fund Financial Statements and Related Rpts
03-94-011-04-433	ESA	CMWC	18-FEB-94	Black Lung Disability Trust Fund
03-94-009-05-540	LMSA	STAD	15-DEC-93	George Washington University - SA
03-94-001-50-598	MULTI	AL/DOL	18-NOV-93	State of Delaware - SA
03-94-002-50-598	MULTI	AL/DOL	18-NOV-93	Commonwealth of Virginia - SA
04-94-001-03-340*	ETA	JTPA	18-OCT-93	National Conference of Black Mayors - SA
04-94-013-03-340*	ETA	JTPA	10-MAR-94	Kentucky Domestic Violence Association - SA
04-94-003-03-355*	ETA	DINAP	23-NOV-93	Florida Governor's Council on Indian Affairs - SA
04-94-007-03-355*	ETA	DINAP	31-JAN-94	Cumberland County Association for Indian People - SA

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

FINAL AUDIT REPORTS ISSUED
01-OCT-93 TO 31-MAR-94

Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
04-94-009-03-365	ETA	DSFP	15-FEB-94	Kentucky Farmworker Programs - SA
04-94-010-03-365*	ETA	DSFP	22-FEB-94	Florida Non-Profit Housing, Inc. - SA
04-94-012-03-365*	ETA	DSFP	04-MAR-94	Telamon Corporation - SA
04-94-002-06-601	MSHA	GRTEES	25-OCT-93	Walker State Technical College - SA
04-94-004-50-598	MULTI	AL/DOL	04-JAN-94	State Of Florida - SA
04-94-011-50-598	MULTI	AL/DOL	22-FEB-94	State Of Kentucky - SA
04-94-006-98-599*	OTAGY	NO/DOL	21-JAN-94	Broward Employment and Training Administration - SA
05-94-214-02-201	VETS	CONTR	03-MAR-94	Milwaukee County Wisconsin - SA
05-94-002-03-340	ETA	JTPA	17-DEC-93	New York City Department Of Employment, OJT Broker
05-94-210-03-340	ETA	JTPA	01-MAR-94	Marquette County Michigan - SA
05-94-104-03-355*	ETA	DINAP	05-JAN-94	Minneapolis American Indian Center, Inc - SA
05-94-105-03-355*	ETA	DINAP	11-JAN-94	Milwaukee Area American Indian Manpower Council - SA
05-94-108-03-355*	ETA	DINAP	23-FEB-94	American Indian OIC, Inc. - SA
05-94-109-03-355*	ETA	DINAP	25-FEB-94	Wisconsin Indian Consortium - SA
05-94-110-03-355*	ETA	DINAP	17-MAR-94	Indian Center, Inc. - SA
05-94-204-03-355	ETA	DINAP	17-DEC-93	Lac Du Flambeau Band Of Lake Superior Chippewa Indians - SA
05-94-206-03-355	ETA	DINAP	03-FEB-94	Bois Forte Reservation Tribal Council - SA
05-94-209-03-355	ETA	DINAP	16-FEB-94	Wisconsin Winnebago Nation - SA
05-94-211-03-355	ETA	DINAP	02-MAR-94	Lac Courte Oreilles Band Of Lake Superior Chippewa Indians - SA
05-94-215-03-355	ETA	DINAP	17-MAR-94	Fond Du Lac Reservation - SA
05-94-216-03-360	ETA	DOWP	22-MAR-94	Indiana Department Of Human Services - SA
05-94-102-03-365*	ETA	DSFP	17-NOV-93	Illinois Migrant Council - SA
05-94-106-03-365*	ETA	DSFP	26-JAN-94	Midwest Farmworker Employment & Training, LTD - SA
05-94-107-03-365*	ETA	DSFP	31-JAN-94	Rural Missouri, Inc. - SA
05-94-001-03-370	ETA	OJC	22-FEB-94	Excelsior Springs Job Corps Center
05-94-212-06-601	MSHA	GRTEES	11-MAR-94	Illinois Department of Mines and Minerals - SA
05-93-007-10-001	OSHA	ADMIN	19-OCT-93	FY 92 OSHA Schedules
05-94-201-10-001	OSHA	ADMIN	01-DEC-93	Ozark Foothills Regional Planning Commission - SA
05-94-202-10-001	OSHA	ADMIN	08-DEC-93	Ozark Foothills Regional Planning Commission - SA
05-94-207-10-101	OSHA	OSHAG	09-FEB-94	Michigan Department of Public Health - SA
05-94-101-50-598*	MULTI	AL/DOL	01-NOV-93	Indiana Department of Employment and Training Services - SA
05-94-103-50-598*	MULTI	AL/DOL	29-NOV-93	Indiana Department of Employment and Training Services - SA
05-94-203-50-598	MULTI	AL/DOL	15-DEC-93	State of Ohio - SA
05-94-205-50-598	MULTI	AL/DOL	01-FEB-94	State of Minnesota - SA
05-94-208-50-598	MULTI	AL/DOL	15-FEB-94	State of Iowa - SA

FINAL AUDIT REPORTS ISSUED
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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
05-94-213-50-598	MULTI	AL/DOL	15-MAR-94	State of Kansas - SA
05-94-217-50-598	MULTI	AL/DOL	25-MAR-94	State of Wisconsin - SA
06-94-001-03-340	ETA	JTPA	29-MAR-94	Navajo Nation JTPA Program
06-94-002-03-340	ETA	JTPA	31-MAR-94	Alamo Consortium SDA JTPA Program
06-94-103-03-340*	ETA	JTPA	16-NOV-93	ARC of the U.S. - SA
06-94-104-03-340*	ETA	JTPA	16-NOV-93	ARC of the U.S. - SA
06-94-100-03-355*	ETA	DINAP	25-OCT-93	Oklahoma Tribal Assistance Program, Inc. - SA
06-94-101-03-355*	ETA	DINAP	26-OCT-93	Dallas Inter-Tribal Center - SA
06-94-106-03-355*	ETA	DINAP	29-NOV-93	Denver Indian Center, Inc. - SA
06-94-107-03-355*	ETA	DINAP	02-DEC-93	National Indian Council on Aging, Inc. - SA
06-94-111-03-355*	ETA	DINAP	11-JAN-94	Denver Indian Center, Inc. - SA
06-94-200-03-355	ETA	DINAP	28-OCT-93	Pueblo of Acoma - SA
06-94-201-03-355	ETA	DINAP	28-OCT-93	Cheyenne-Arapaho Tribes of Oklahoma - SA
06-94-203-03-355	ETA	DINAP	16-NOV-93	Lower Brule Sioux Tribe - SA
06-94-204-03-355	ETA	DINAP	16-NOV-93	Shoshone & Arapahoe Tribes - SA
06-94-205-03-355	ETA	DINAP	20-DEC-93	Cherokee Nation - SA
06-94-206-03-355	ETA	DINAP	06-JAN-94	Citizen Band of Potawatomi Indians - SA
06-94-209-03-355	ETA	DINAP	12-JAN-94	Inter-Tribal Council, Inc. - SA
06-94-211-03-355	ETA	DINAP	08-FEB-94	Ute Indian Tribe - SA
06-94-212-03-355	ETA	DINAP	09-FEB-94	Turtle Mountain Band of Chippewa Indians - SA
06-94-213-03-355	ETA	DINAP	11-FEB-94	Alabama-Coushatta Indian Reservation - SA
06-94-214-03-355	ETA	DINAP	24-FEB-94	Tonkawa Tribe of Oklahoma - SA
06-94-215-03-355	ETA	DINAP	07-MAR-94	Alabama-Coushatta Indian Reservation - SA
06-94-216-03-355	ETA	DINAP	07-MAR-94	Choctaw Nation of Oklahoma - SA
06-94-217-03-355	ETA	DINAP	08-MAR-94	Jicarilla Apache Tribe - SA
06-94-218-03-355	ETA	DINAP	08-MAR-94	Jicarilla Apache Tribe - SA
06-94-219-03-355	ETA	DINAP	08-MAR-94	Pawnee Tribe of Oklahoma - SA
06-94-220-03-355	ETA	DINAP	10-MAR-94	Central Tribes of the Shawnee Area, Inc. - SA
06-94-221-03-355	ETA	DINAP	10-MAR-94	Three Affiliated Tribes - SA
06-94-222-03-355	ETA	DINAP	10-MAR-94	Three Affiliated Tribes - SA
06-94-223-03-355	ETA	DINAP	31-MAR-94	Five Sandoval Indian Pueblos, Inc. - SA
06-94-105-03-365*	ETA	DSFP	18-NOV-93	Tierra Del Sol Housing Corporation - SA
06-94-108-03-365*	ETA	DSFP	03-DEC-93	Colorado Rural Housing Development Corp. - SA
06-94-109-03-365*	ETA	DSFP	17-DEC-93	Rural Employment Opportunities, Inc. - SA
06-94-110-03-365*	ETA	DSFP	20-DEC-93	NW Community Action Programs of Wyoming, Inc. - SA
06-94-115-03-365*	ETA	DSFP	11-FEB-94	Arkansas Human Development Corp - SA
06-94-116-03-365*	ETA	DSFP	24-FEB-94	Oro Development Corporation - SA
06-94-114-10-101*	OSHA	OSHAG	31-JAN-94	North Dakota Building & Construction Trades - SA
06-94-112-50-598*	MULTI	AL/DOL	19-JAN-94	New Mexico Department of Labor - SA
06-94-113-50-598*	MULTI	AL/DOL	24-JAN-94	Arkansas Employment Security Department - SA
06-94-117-50-598*	MULTI	AL/DOL	04-MAR-94	Arkansas Department of Labor - SA
06-94-202-50-598	MULTI	AL/DOL	29-OCT-93	State of South Dakota - SA
06-94-207-50-598	MULTI	AL/DOL	07-JAN-94	State of North Dakota - SA
06-94-208-50-598	MULTI	AL/DOL	12-JAN-94	State of Utah - SA

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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
06-94-210-50-598	MULTI	AL/DOL	03-FEB-94	State of Oklahoma - SA
09-94-002-03-315	ETA	UIS	31-MAR-94	UCFE/UCX Payment and Verification Process
09-94-524-03-320*	ETA	USES	08-NOV-93	Cooperative Personnel Services - SA
09-94-532-03-320*	ETA	USES	30-NOV-93	Cooperative Personnel Services - SA
09-94-544-03-340	ETA	JTPA	07-MAR-94	Federated States of Micronesia - SA
09-94-501-03-355	ETA	DINAP	05-OCT-93	Confederated Tribes of The Umatilla Reservation - SA
09-94-502-03-355	ETA	DINAP	05-OCT-93	Nez Perce Tribe - SA
09-94-503-03-355	ETA	DINAP	05-OCT-93	Confederated Tribes - Colville Reservation - SA
09-94-505-03-355	ETA	DINAP	14-OCT-93	Central Council of Tlingit & Haida - SA
09-94-506-03-355*	ETA	DINAP	14-OCT-93	Central Council of Tlingit & Haida - SA
09-94-507-03-355	ETA	DINAP	14-OCT-93	Confederated Tribes of Siletz Indians - SA
09-94-510-03-355*	ETA	DINAP	28-OCT-93	Native Americans for Community Action - SA
09-94-512-03-355	ETA	DINAP	28-OCT-93	Hopi Tribe - SA
09-94-513-03-355	ETA	DINAP	28-OCT-93	San Carlos Apache Tribe - SA
09-94-515-03-355	ETA	DINAP	01-NOV-93	Ya-Ka-Ama Indian Education & Development - SA
09-94-516-03-355	ETA	DINAP	01-NOV-93	Kenaitze Indian Tribe - SA
09-94-518-03-355	ETA	DINAP	02-NOV-93	Tanana Chiefs Conference - SA
09-94-519-03-355	ETA	DINAP	08-NOV-93	White Mountain Apache Tribe - SA
09-94-525-03-355	ETA	DINAP	08-NOV-93	Tanana Chiefs Conference - SA
09-94-527-03-355*	ETA	DINAP	18-NOV-93	Seattle Indian Center - SA
09-94-533-03-355	ETA	DINAP	03-DEC-93	Tule River Tribal Council - SA
09-94-535-03-355	ETA	DINAP	28-DEC-93	Tohono O'Odham Nation - SA
09-94-545-03-355*	ETA	DINAP	07-MAR-94	Organization of the Forgotten American - SA
09-94-547-03-355*	ETA	DINAP	07-MAR-94	Southern California Indian Center - SA
09-94-548-03-355*	ETA	DINAP	08-MAR-94	American Indian Community Center Association - SA
09-94-549-03-355*	ETA	DINAP	08-MAR-94	American Indian Center of Santa Clara Valley - SA
09-94-550-03-355*	ETA	DINAP	09-MAR-94	American Indian Center of Santa Clara Valley - SA
09-94-500-03-365*	ETA	DSFP	05-OCT-93	California Human Development Corporation - SA
09-94-511-03-365	ETA	DSFP	28-OCT-93	Maui Economic Opportunity, Inc. - SA
09-94-514-03-365	ETA	DSFP	28-OCT-93	Marion County Housing Authority - SA
09-94-517-03-365	ETA	DSFP	01-NOV-93	Rural Community Assistance Corporation - SA
09-94-520-03-365	ETA	DSFP	08-NOV-93	Community Housing Improvement Sys. & Plan. - SA
09-94-521-03-365	ETA	DSFP	08-NOV-93	Chispa - SA
09-94-522-03-365	ETA	DSFP	08-NOV-93	Chispa - SA
09-94-523-03-365	ETA	DSFP	08-NOV-93	Chispa - SA
09-94-531-03-365*	ETA	DSFP	30-NOV-93	Office of Rural and Farmworker Housing - SA
09-94-537-03-365	ETA	DSFP	20-JAN-94	Self-Help Enterprises - SA
09-94-538-03-365	ETA	DSFP	21-JAN-94	Maui Economic Opportunity, Inc. - SA
09-94-541-03-365*	ETA	DSFP	24-JAN-94	Proteus - SA
09-94-542-03-365	ETA	DSFP	08-MAR-94	Center for Employment Training - SA
09-94-540-03-370*	ETA	OJC	03-FEB-94	YWCA of Los Angeles - SA
09-94-504-50-598	MULTI	AL/DOL	14-OCT-93	Republic of Palau - SA

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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
09-94-508-50-598	MULTI	AL/DOL	28-OCT-93	State of Nevada - SA
09-94-509-50-598	MULTI	AL/DOL	02-NOV-93	State of Washington - SA
09-94-526-50-598	MULTI	AL/DOL	10-NOV-93	Commonwealth of the Northern Mariana Islands - SA
09-94-528-50-598*	MULTI	AL/DOL	23-NOV-93	Idaho Department of Employment - SA
09-94-529-50-598	MULTI	AL/DOL	19-NOV-93	State of California - SA
09-94-530-50-598	MULTI	AL/DOL	30-NOV-93	State of Arizona - SA
09-94-534-50-598	MULTI	AL/DOL	10-DEC-93	The Navajo Nation - SA
09-94-536-50-598	MULTI	AL/DOL	06-JAN-94	State of Oregon - SA
09-94-539-50-598	MULTI	AL/DOL	20-JAN-94	Commonwealth of the Northern Mariana Islands - SA
09-94-543-50-598	MULTI	AL/DOL	07-MAR-94	Republic of the Marshall Islands - SA
12-94-024-03-315	ETA	UIS	08-MAR-94	UTF FY 1992 Management Advisory Comments
12-93-023-03-380	ETA	SPPD	17-MAR-94	Metrica, Inc.
12-94-022-03-380	ETA	SPPD	11-MAR-94	SRI International
12-94-016-06-001	MSHA	ADMIN	01-NOV-93	MSHA - Contract - S2805001
12-94-020-07-710	OASAM	COMP	27-JAN-94	Electronic Invoice Payment System for Express Mail
17-94-005-07-770	OASAM	DCR	31-MAR-94	Directorate of Civil Rights Followup Audit
17-94-001-10-001	OSHA	ADMIN	31-MAR-94	OSHA Needs to Better Budget for and Track I.T. Costs
18-94-005-01-001	OSEC	ADMIN	30-NOV-93	Selected PCEPD Financial Transactions
18-94-002-03-355	ETA	DINAP	29-OCT-93	North American Indian Association of Detroit
18-94-006-03-355	ETA	DINAP	28-FEB-94	Denver Indian Center
18-94-007-03-355	ETA	DINAP	03-FEB-94	Nebraska Indian Inter-Tribal Development Corporation
18-94-003-03-360	ETA	DOWP	29-NOV-93	California Department of Aging
18-94-004-03-360	ETA	DOWP	29-NOV-93	California Department of Aging
18-94-009-03-370	ETA	OJC	04-MAR-94	Leo A. Daly Company
18-94-010-03-370	ETA	OJC	04-MAR-94	Leo A. Daly Company
18-94-011-03-370	ETA	OJC	04-MAR-94	Leo A. Daly Company
18-94-001-07-735	OASAM	OPGM	29-OCT-93	Falmouth Institute Inc.
18-94-012-07-735	OASAM	OPGM	31-MAR-94	Transportation-Communications International Union
19-94-001-03-315	ETA	UIS	29-NOV-93	Benefit Quality Control System

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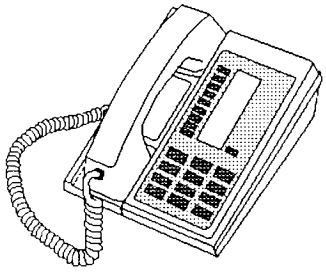
Office of Inspector General



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Washington, D.C. 20210

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