

United States Department of Labor  
Office of Inspector General



**Semiannual Report to the Congress**

October 1, 2000–March 31, 2001

Volume 45

It is an honor to transmit to the Secretary and the Congress the 45th Semiannual Report of the U.S. Department of Labor (DOL) Office of Inspector General (OIG). This report, which covers the period from October 1, 2000, through March 31, 2001, details some of the OIG's most significant accomplishments. During this period, the OIG continued to direct its audit, evaluation, and investigation resources to activities that support its goals of effecting positive change and reducing vulnerabilities in departmental programs and operations, producing a positive return on invested resources, and providing quality services to stakeholders.

In my brief tenure at DOL, I have been impressed with the breadth of responsibility and the myriad issues of the Department. I have been equally impressed with the level of commitment of the OIG staff in providing constructive assistance to the Department. Their diligent work and dedication to serving the Department is commendable. Indeed, the work completed during this period demonstrates the OIG's resolve in identifying weaknesses, recommending policies, and promoting integrity to assist the Department in its efforts to:

- improve the economic prospects of the unemployed and underemployed;
- turn around the lives of disadvantaged youth;
- protect the lives, health, and rights of workers;
- provide appropriate benefits to injured or unemployed workers; and
- ensure accountability over taxpayer dollars invested in departmental programs.

Moreover, the work of the OIG during this period resulted in nearly \$63 million in investigative recoveries, restitutions, fines, and penalties; 184 indictments; 116 convictions; \$2.1 million in questioned costs; and \$1.8 million in funds that were put to better use.

As the sixth Inspector General of the U.S. Department of Labor, my priorities will be to provide the Department and the Congress with sound and feasible recommendations to optimize the effectiveness of programs and operations; to vigorously investigate fraud by those who benefit from, service, or administer departmental programs; and to proactively support the Government's efforts to combat labor racketeering, union corruption, and organized crime activity. Moreover, we will continue to work with the Department to resolve any previously identified management issues or areas of concern.

My staff and I look forward to continuing to work constructively with the Secretary and the DOL team to further our common goal of ensuring the effectiveness, efficiency, and integrity of the programs that serve and protect the American workforce.

Gordon S. Heddell  
Inspector General

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**Selected Statistics of the OIG  
for the Period  
October 1, 2000–March 31, 2001**

Cases Opened .....	294
Cases Closed .....	214
Cases Referred for Prosecution .....	184
Cases Referred for Administrative/Civil Action .....	20
Indictments .....	184
Convictions .....	116
Debarments .....	38
Investigative Recoveries, Cost Efficiencies, Restitutions, Fines/ Penalties, Forfeitures, and Civil Monetary Action .....	\$62.7 million
Audit Reports Issued .....	37
Evaluation Reports Issued .....	4
Total Questioned Costs .....	\$2.1 million
Dollars Resolved .....	\$4.8 million
Allowed .....	\$2.6 million
Disallowed .....	\$2.2 million
Recommendations That Funds Be Put to Better Use .....	\$1.8 million

Note: The OIG conducts criminal investigations of individuals that can lead to prosecutions (“convictions”) by criminal complaints, warrants, informations, indictments, or pretrial diversion agreements. Successful prosecutions may carry sentences such as fines, restitutions, forfeitures, or other monetary penalties. The OIG financial accomplishments, which include administrative and civil actions, are further detailed and defined in the appendix of this report.



*Improving  
Program  
Results*

# Significant Concerns

*The OIG works with the Department and Congress to provide information and assistance in achieving efficient and effective management of DOL programs. Our primary goals are to ensure that information provided will be useful in their management or oversight of the Department and to focus agency attention on mission-critical management problems and focus action to resolve them. The OIG has identified the following areas that we consider to be vulnerable to mismanagement, error, fraud, waste, or abuse.*

### **Administration of Employment and Training Programs**

The OIG's recent work continues to demonstrate that the Department faces ongoing challenges in effectively administering employment and training programs. The complexities of managing these numerous programs, which are funded at approximately \$5.4 billion, have been exacerbated by the rapid expansion of some programs and the implementation of a new legislatively mandated training delivery system.

*Workforce Investment Act:* An important feature of the Workforce Investment Act of 1998 is the establishment of One-Stop delivery systems. OIG reviews of the implementation of these systems have determined that, while the Department and the states have made substantial efforts toward establishing the One-Stop structure, several areas remain problematic. Cost sharing presents special problems in a One-Stop environment, as it is increasingly difficult to discern to which program participants belong and who should be paying the cost of services. Therefore, it is of paramount importance that adequate systems are implemented to allocate costs among the One-Stop partner programs and agencies.

*Youth Programs:* Another area of concern is the Department's youth programs, which are annually funded at over \$2.5 billion. The major purpose of these programs is to improve the labor market prospects of primarily out-of-school youth, with the ultimate goal of long-term self-sustainable employment. However, OIG audits of the Youth Opportunity demonstration grant program and the JTPA Title II-C program disclosed that the documentation to demonstrate the extent to which the programs meet this goal needs improvement.

*Dislocated Worker Program:* The OIG remains concerned about the extent to which the Department's Dislocated Worker Program, funded at

nearly \$1.6 billion, is providing retraining and support services to eligible dislocated workers. In an OIG audit report presented in our last Semiannual Report, we found that, in 35 percent of the cases in our sample, program participants were ineligible or documentation was insufficient to establish their eligibility. We are also concerned that the program's allocation process may not distribute funds to areas where they are most needed and that the Department needs to develop and provide further guidance in these areas.

### **Vulnerability of Pension Assets**

The security of pension assets is a priority of the Department and of the OIG. One area of concern involves pension plans that are jointly administered by labor union representatives and management representatives. These funds can be an attractive target for organized crime elements, corrupt pension plan officials, and individuals who influence the investment activity of pension assets. Our investigations have revealed abuses by investment advisors and pension plan administrators who have the opportunity and ability to structure complex financial schemes to conceal their criminal activity. The OIG is concerned that abuses by pension service providers can result in hundreds of millions of dollars in losses because they typically provide investment or financial services to numerous plans. Additional oversight is needed to identify and remove corruption from the pension arena.

### **Protection of Worker Benefits Funds**

The Department administers several programs and statutes designed to provide and protect the benefits of workers. These include the Unemployment Insurance (UI), Black Lung, Longshore and Harbor Workers' Compensation, and Federal Employees' Compensation Act programs. Protection of benefits is critically important because these programs affect the lives of millions of workers and involve billions of taxpayer dollars.

*Fraud Against Worker Benefits Programs:* We remain concerned about the ease with which departmental programs continue to be defrauded by claimants and medical providers. The OIG continues to see a significant amount of fraud in DOL programs resulting in significant dollar losses to the Federal government. In addition to stricter monitoring by the Department, the OIG has developed several legislative proposals that would enable the Department to detect and deter fraud more effectively.

One recommendation would authorize the Department to access unemployment insurance and Social Security wage records for purposes of program evaluation. This proposal is detailed in the Legislative Recommendations section of this report. In addition, we are concerned about healthcare fraud involving union-related health plans, which our investigations indicate have resulted in millions of dollars in losses to union benefit funds and private insurance companies.

*Integrity of Benefits Programs in an Electronic Environment:* The OIG is also concerned about the vulnerability of worker benefits programs to fraud created by the use of automated procedures and Internet communications. Although technological advancements have the potential to broaden the range of services, increase hours of operation, and reduce administrative costs, adequate controls and procedures need to be in place to prevent the misuse of these systems.

An example of our concern in this area involves the State Employment Security Agencies (SESAs) that administer the UI and Job Service programs at the state level and are currently upgrading their systems in order to offer their customers telephone and Internet access to selected services. These services include UI claims filing, employer registration, employer wage and tax reporting, and appeals filing. The use of technology and automation will make the claims process faster and more available to the public. It is currently estimated that over 30 percent of UI claims nationwide are filed using the telephone. It is anticipated that this percentage will rise to more than 70 percent within two years. Currently, Internet claims are filed at a rate of less than 1 percent nationwide, but this percentage is estimated to climb to 25 percent within the next five years.

Individuals who attempt to defraud the system will have access to numerous SESAs across the country through the telephone or computer and will be able to carry out their schemes more quickly without ever having to apply for benefits in person. In the near future, such individuals will have the ability to have benefits issued to a financial institution by direct deposit.

Recent OIG casework has suggested that the use of automated procedures brings with it the potential for unauthorized activity by claimants, providers, and others seeking to defraud departmental programs. To ensure program integrity, the Department must utilize a comprehensive, integrated approach in its oversight and enforcement activities to address the increased potential for fraud that accompanies electronic transactions.



*Black Lung Disability Trust Fund Indebtedness:* The OIG also remains concerned about the indebtedness of the Black Lung Disability Trust Fund. This fund, which provides disability benefits and medical services to eligible workers in the coal mining industry, had a deficit of \$6.7 billion in FY 2000. We are concerned that, without a change in the statutory operating structure of the trust fund to ensure its ability to meet future obligations, the debt will continue to escalate.

### **Stewardship of DOL Information Technology Investments**

The Department relies on 67 mission-critical information systems to carry out a myriad of services. These include monitoring and analyzing the nation's labor market and economic activities, managing workforce services, and protecting and administering disability and unemployment compensation programs for American workers. Past OIG work has noted risks of computer intrusions and other interruptions as a result of deficiencies in general controls and security. Because of the importance of the data generated by DOL systems, the Department needs to ensure that all of its major systems are secure against threats to prevent the loss of information.

Moreover, DOL has begun a multimillion-dollar, Department-wide information technology (IT) system architecture upgrade. This upgrade will enable the Department to keep up with technological advances. It is of paramount importance that this new architecture be implemented using a careful, deliberate, and well-thought-out process. In addition, DOL needs to ensure that agencies will be able to seamlessly exchange data both within the Department and externally with stakeholders. The OIG is committed to assisting the Department's management in its efforts to ensure that its systems are secure, efficient, and effective. To this end, the OIG has created a new office to provide a more focused oversight of the Department's critical systems.

### **Rapid Expansion of Bureau of International Labor Affairs Programs**

The Bureau of International Labor Affairs (ILAB) is responsible for identifying and reporting significant international child labor issues, contributing to the development and implementation of U.S. policy on international child labor, and administering grants to the International

Labor Organization's International Programme on the Elimination of Child Labor. Increasing concern over child labor issues has resulted in rapid growth in ILAB's appropriations during the last several years, with its funding more than doubling from \$70 million in FY 2000 to \$148 million in FY 2001. Although now proposed to be decreased to \$71.6 million in FY 2002, this funding level still represents a substantial increase over the past few years. This funding level continues to present unique challenges as ILAB develops and implements program management systems that can support a much larger program. The OIG's evaluation work has raised concerns over ILAB's implementation of its child labor program. Because the rapid increase in funding has increased vulnerability to waste and mismanagement, the Department needs to ensure that ILAB continues to make progress in building strong management systems for its child labor program.

### **Susceptibility of Foreign Labor Certification Programs to Fraud**

The OIG continues to be concerned about the integrity of DOL's foreign labor certification programs, especially the H-1B Specialty Workers program. Over the years, we have identified numerous problems with this program, including the fact that individuals allowed into the country typically lack the specialized skills necessary for meeting the requirements for H-1B visas. More egregious, however, is the ease with which the program is defrauded. Our investigations continue to identify cases that involve fraudulent petitions that are filed with DOL on behalf of fictitious companies and corporations; individuals who file petitions using the names of legitimate companies and corporations without their knowledge or permission; and an increasing number of cases involving immigration attorneys and labor brokers who collect fees and file fraudulent applications on behalf of aliens. Further, recent OIG investigations have also found that labor brokers and immigration attorneys are paying legitimate business owners to allow the fraudulent use of their company names on H-1B applications.

### **Expansion of Labor Racketeering Violations**

During this reporting period, OIG cases have demonstrated that some corrupt unions and union officials are expanding their criminal activities beyond what historically has been recognized as labor racketeering. Individuals are using unions to carry out traditional vice schemes such as drug dealing and theft. This Semiannual Report includes a case in

Florida in which a former Teamsters official was charged with using the union and his position to facilitate cocaine and marijuana importation. The former Teamsters official used the illegal drug proceeds to invest in a business, which he then used to facilitate the extortion of union members. This case helps to illustrate our concern that unions are being used to perpetuate street-level crimes.

The labor racketeering arena is also expanding into the less traditional area of worker exploitation. These cases involve industries with significant organized crime influence, both traditional and nontraditional, in which illegal aliens are vulnerable to a variety of racketeering schemes. In FY 2000, the OIG began to support the Department of Justice's worker exploitation task force, participating in six investigations. We will continue to participate with the Immigration and Naturalization Service, U.S. Attorney's Offices, and DOL's Wage and Hour Division in investigations involving alien smuggling and organized crime in the workplace as well as worker exploitation. As situations of organized crime-related worker exploitation arise, our efforts in those areas in which we have expertise are expected to grow.

We are also concerned about the increase in cases involving nontraditional Organized Crime groups. Our investigations demonstrate that these groups engage in abuses of DOL programs. For example, companies with suspected ties to a number of Organized Crime groups have fraudulently sponsored individuals to enter the United States under the H-1B visa program.

### **Protecting the Safety and Health of Miners**

The OIG assists the Department in promoting the safety and health of workers by ensuring that worker protections are being properly administered and that violations of the law are investigated. In this reporting period, the OIG identified weaknesses while conducting reviews of the Mine Safety and Health Administration's procedures for mine inspections and sampling and its handling of hazard complaints. In our evaluations, we identified several areas in which the agency should take a more proactive approach to addressing health-related risks for miners and their families. Our recommendations should assist the Department in reducing the risk of similar occurrences in the future, and we plan to continue our oversight in this area.

### **Ensuring Correct Minimum Wages for Workers with Disabilities**

The OIG is concerned that workers with disabilities are not receiving the correct special minimum wage and that the Wage and Hour Division (WHD) is not effectively managing the program. The OIG believes a proactive approach by the Department is needed to ensure employer compliance, especially the payment of the correct special minimum wage. While WHD has taken initial steps to correct the deficiencies identified by the OIG, improvements are still needed to ensure that workers with disabilities are properly compensated for their work.

### **Management of Departmental Resources**

The OIG remains concerned about a number of departmental management, financial, and accountability issues. Our concerns in these areas are detailed in the Departmental Management section of this report. Chief among these concerns is that the Department needs to oversee and administer properly more than \$10 billion in grant funds. In particular, the Employment and Training Administration (ETA) needs to continue to improve its accounting for grant costs. Further, we have concerns about the Department's resource management in such areas as managerial cost accounting at the agency level; reliability of performance data; augmentation of single audits; and assurance of secure, high-quality information systems.

**Employment and Training**

An OIG audit of a JTPA out-of-school youth program found that neither ETA nor its state or substate grantees consistently made efforts to validate the accuracy of positive outcomes. Forty-six percent of the positive outcomes in our sample either were not correct based on the evidence we reviewed, or had insufficient evidence to make a determination as to the accuracy of the reported outcome. .... 16

Following an OIG investigation, DOL terminated a \$30.6 million annual contract with a Job Corps contractor because the company circumvented the DOL contract approval process. .... 17

An audit of a \$3.7 million competitive Welfare-to-Work grant found poor program performance. For example, the goal of the grant was to place 850 people in employment, but it had, in fact placed only 76. .... 20

A Miami immigration attorney lost his law practice and license following sentencing for his role in falsifying employment-based visa petitions and misrepresenting the work experience and background of alien petitioners on visa applications. .... 24

**Worker Benefits Programs**

The OIG followed up on a prior audit on the use of Unemployment Insurance Blocked Claim audits to determine the results of the revised ETA policy. Since the implementation of changes made as a result of our recommendations, states have recovered more than \$8.5 million of unemployment insurance taxes that would not have been recovered without these changes. .... 29

A Washington, D.C. area man pled guilty to mail fraud for operating a multistate fictitious employer scheme to obtain unemployment insurance benefits fraudulently. It is estimated that he defrauded the states of nearly \$180,000. .... 32

Four defendants, including a hospital administrator, were sentenced for their roles in multiple kickback schemes that led to the bankruptcy of a Virginia hospital. The hospital was largely funded by Federal insurance programs, including DOL’s Black Lung Trust Fund. The former hospital administrator was sentenced to six years in prison and was ordered to pay over \$1.7 million in restitution. .... 33

**Worker Safety, Health, and Workplace Rights**

We conducted two evaluations of the Mine Safety and Health Administration’s inspection process. In one evaluation, we identified five areas in which the agency should take a more proactive approach in addressing health-related risks to miners and their families who are exposed to asbestos. In the second evaluation, we reviewed the agency’s procedures for handling hazard complaints and found that the agency can be more effective in responding to these complaints. .... 39

**Worker Safety, Health, and Workplace Rights, continued**

In an audit of the Special Minimum Wage program for workers with disabilities, we found that DOL placed a low priority on program activities, adopted inefficient policies, and relied on data from an inaccurate management information system. .... 42

**Departmental Management**

The OIG issued an unqualified opinion on the Department’s financial statements. We found that the statements were presented fairly in all material respects and were in conformity with generally accepted accounting principles. Notwithstanding, the OIG identified a number of significant weaknesses that could impact the Department’s ability to account for its resources. .... 47

**Labor Racketeering**

An OIG joint investigation resulted in the indictment of virtually the entire ruling hierarchy of the New Jersey–based DeCavalcante La Cosa Nostra Organized Crime Family for alleged racketeering including the control of labor unions and the extortion of construction company contractors. .... 57

Nine members and associates of the North New Jersey Crew of the Philadelphia La Cosa Nostra Organized Crime Family were charged in an 18-count RICO indictment. They were indicted for alleged racketeering activity that included murder, extortion, loan sharking, gambling, and drug distribution. .... 58

A former Miami Teamsters official was charged with using the union and his position to facilitate cocaine and marijuana importation. The former Teamsters official allegedly used the illegal drug proceeds to invest in a business, which he then used to facilitate the extortion of union members. .... 59

The president of Capital Consultants, Inc., pled guilty to defrauding benefit plans, including various union plans, of millions of dollars. The president misrepresented and concealed facts relating to company investments. The company was subsequently placed into receivership by PWBA and the Securities and Exchange Commission in parallel civil actions. .... 62

An investment advisor pled guilty to mail and wire fraud charges after he defrauded clients in a union pension fund scheme. The advisor embezzled over \$6 million from private investors in order to replace losses suffered by the union pension fund because of risky, unauthorized investments he made with union funds. .... 63



*Enhancing  
Opportunities  
for America's  
Workforce*

# Employment and Training

*The Department of Labor provides assistance to those new to the labor force and those wishing to improve their potential to achieve success in today's job market. The Department provides opportunities for individuals to obtain the skills necessary to succeed in the global economy, close the employment gap for out-of-school youth, and increase long-term jobs for people as they move from welfare to work.*

*The OIG works to optimize the use of funds appropriated for training and employment programs by enhancing program performance and accountability. This includes providing oversight to ensure the overall efficiency and effectiveness of DOL's progress in moving welfare recipients away from public assistance and into training, jobs, and self-sufficiency.*



## Youth Opportunity and Out-of-School Programs

*The Department of Labor administers a number of programs to improve the labor market prospects of youth. The initiatives are intended to focus on getting youth into long-term employment at earnings levels that will prevent future dependency.*

### **Audit of Out-of-School Youth Opportunity Area Grants Indicate Positive Aspects As Well As Room for Improvement**

In April 1999, ETA awarded a final round of five Job Training Partnership Act (JTPA) Title IV Youth Opportunity Area (YOA) Out-of-School Youth pilot demonstration grants. These grants are designed to increase the long-term employment of youth ages 16 through 24 residing in high-poverty areas. The OIG conducted a performance audit of four of the final-round grantees (whose grants totaled \$9 million)—Denver, San Diego, Detroit, and Baltimore—as a follow up to our audit of first-round performance.

We found that more participants were served and more services were provided under these grants than under the first-round grants we reviewed. While case files indicated that fewer than half of the sampled youth received bona fide counseling, which is an integral component of the YOA program, participant interviews suggested that more counseling and mentoring occurred than was indicated by the files.

While in-school youth may be served by the YOA program, they are to be served with non-grant funds and are not to be reported as participating in the program. Our sample of YOA participants indicated that 27 percent were attending school at the time of enrollment. Moreover, we found that results for the in-school youth were being reported by the YOA program. The OIG is also concerned that the level of documented evidence supporting various aspects of participation does not meet program reporting standards. Most important, however, the OIG is concerned that, because the program is intended to serve out-of-school youth, counting in-school youth in participation rates distorts the actual success of the program.

The OIG recommended that ETA take steps to ensure that separate performance reporting is maintained for out-of-school YOA participants, develop case file documentation standards, and provide guidance to

YOA grantees on a number of recommendations designed to improve program performance. ETA concurred and indicated that it would work with YOA grantees to implement the recommendations. (OA Report No. 06-01-002-03-340, issued March 27, 2001)

### **Questionable Outcome Rates Identified for Youth Programs**

The OIG audited the JTPA Title II-C Out-of-School Youth program administered by ETA for the period from July 1997 through June 1998 to determine (1) whether positive outcomes were accurate and (2) what impact occupational skills training (OST) had on participants' post-program earnings. The Title II-C program is a year-round program operated by JTPA Service Delivery Areas. JTPA required that at least 50 percent of each Service Delivery Area's Title II-C participants be out-of-school youth.

For program year 1997, ETA's management information system indicated that 35,323 out-of-school youth received a positive outcome from the program out of 44,423 youth terminated. A positive outcome means that the youth who, upon program termination, entered unsubsidized employment, returned to school full-time, entered certain other training, or attained a major level of education.

We determined that neither ETA nor its state or substate grantees consistently made efforts to validate the accuracy of positive outcomes. Our audit found that the claimed positive outcomes for 228 of the participants (46 percent) in our statistical sample of 499 either were not correct based on the evidence we reviewed or had insufficient evidence to make a determination as to the accuracy of the reported outcome. Therefore, we were unable to confirm the accuracy of the program's success as measured by its positive terminations.

Inasmuch as the Government Performance and Results Act requires that Federal agencies establish a means to validate the performance data they report, we recommended that ETA emphasize to its state and substate grantees the importance of accurate documentation of services provided to participants and of validation of the data used to report their results (outcomes).

To determine the impact of OST on participants' post-program earnings, using the same statistical sample as above, we compared the levels of earnings for those youth who received some OST, those youth who completed OST, and those youth who received no OST. Our comparisons were based on earnings levels two years after termination

from the program. We found that youth who had received at least some OST had earnings twice the level of those who received no OST. Moreover, those who completed the training were earning 69 percent more than those who received some training but did not complete the training. We recommended that ETA emphasize the importance of OST and of retaining youth in the program through completion.

ETA responded that performance results must be credible and that it is committed to developing clear, precise, and feasible standards for documenting program outcomes. ETA indicated that it is attempting to create more precise programming specifications and more precise standards for validating data quality. ETA also stated that it will emphasize to grantees the importance of youth participating in and completing OST. (OA Report No. 06-01-001-03-340, issued March 19, 2001)

## Job Corps

*Job Corps was established in 1964 and is presently authorized under Title I, Subtitle C of the Workforce Investment Act of 1998. The overall purpose of the program is to provide economically disadvantaged youth with the opportunity to become more responsible and employable citizens. With annual funding of over \$1 billion, Job Corps is the largest Federal youth employment and training program and serves approximately 70,000 youth a year. Operations of the program are carried out at 118 residential facilities that provide a comprehensive and intensive array of academic training, vocational training, job placement, and support services to at-risk youths and young adults.*

### **DOL Terminates \$30.6 Million Job Corps Contract**

Following an OIG investigation, DOL terminated a \$30.6 million annual contract with the Texas Educational Foundation (TEF) on October 5, 2000. Since 1965, TEF had administered the Gary Job Corps Center (GJCC) at San Marcos, Texas, the second-largest Job Corps center in the United States. The investigation revealed that the president of TEF had conspired with a subcontractor, Pharmacy, Inc., to circumvent the DOL contract approval process. Upon receiving the subcontract, Pharmacy, Inc., overbilled GJCC up to five times the average cost for medications over a four-year period.

## **Job Corps Student Privacy and Transportation Issues Identified**

During the course of an ongoing Job Corps audit, we brought two matters to the attention of ETA. We found that (1) Job Corps staff and contractors were releasing student Social Security numbers in violation of the Privacy Act and the Social Security Act, and (2) Job Corps and the travel agency that issues bus tickets to students are operating without a bona fide legally binding contract. Job Corps officials agreed with our recommendations to stop releasing Social Security numbers, to find an alternative strategy to provide travel arrangements, and to ensure that future contracts with providers of student travel are bona fide and legally binding. (OA Report No. 09-01-202-03-370, issued March 26, 2001)

## **\$1.5 Million in Cost Overruns at Detroit and Humphrey Job Corps Centers Addressed**

At the request of Job Corps, the OIG audited the Detroit and Humphrey centers operated by the Vinnell Corporation. Both centers have experienced cost overruns recently. Contractors incurring cost overruns run the risk that Job Corps will not be able to reimburse them for the additional costs. The primary objective of each audit was to determine whether costs claimed for center operations were allowable in accordance with Federal cost principles. The secondary objective was to determine the reason for the cost overruns. Overall, we found that the reported expenses were allowable; however, we did find untimely and inaccurate reporting of monthly expenses.

The Detroit center expenses of \$6.6 million claimed by Vinnell for the period from February 1999 through January 2000 were allowable. However, Vinnell did not report expenses of \$1,003,487 on a timely basis and incurred a two-year cost overrun of \$1,460,382 for the period ending January 31, 2000. This occurred because Vinnell operated two Detroit-area sites without a corresponding budget increase for one of the sites, and it accumulated expenses for that site in a separate account until it became aware that the expenses were not reported to the Job Corps.

The Humphrey center expenses of \$5.9 million claimed by Vinnell for the period from June 1999 through May 2000, were allowable. The OIG confirmed that the contractor experienced difficulty in attracting new employees and that the net cost overrun of \$86,683 was caused by increased salary levels offered to attract qualified new employees. The

OIG also detected a significant understatement of reported payroll expenses for the month of January 2000, which was found by Vinnell and corrected in the April 2000 report to Job Corps.

The Vinnell Corporation concurred with our findings for each report and advised that controls have been implemented to ensure that costs will be reported in a timely and accurate manner. We are awaiting ETA's resolution of the findings. (OA Report Nos. 02-01-204-03-370 and 02-01-205-03-370, issued March 22, 2001)

### **Audits of Operations at Penobscot, Woodstock, and Glenmont Job Corps Centers**

The Workforce Investment Act requires the Secretary to ensure that Job Corps operators and service providers are audited at least once every three years. To this end, we conducted a series of audits in addition to the audit work we conducted as part of the departmental financial statement audit. We audited the claimed costs of three Job Corps centers: Penobscot, Woodstock, and Glenmont. In total, we audited \$22.3 million in expenditures claimed for the period reviewed in the three audits. Except for questioned costs totaling \$67,192 at Penobscot and \$6,817 at Woodstock, we concluded that the expenses reported by the contractors running the three centers on their Consolidated Schedule of Center Expenses were reasonable, allowable, and in accordance with applicable laws and regulations. (OA Report Nos. 02-01-201-03-370, issued October 10, 2000; 02-01-206-03-370, issued March 21, 2001; and 02-01-202-03-370, issued March 23, 2001)

### **Job Corps National Office Procurement System Is Operating Effectively**

The OIG audited the Office of Job Corps (OJC) National Office procurement system operations for FY 2000 to determine whether the system resulted in the fair and competitive acquisition of non-travel related goods and services. During FY 2000, OJC obligated \$75 million in contracts. We found that the OJC procurement awards were properly managed and resulted in the impartial and competitive procurement of goods and services. More specifically, the OJC complied with the pertinent advertising, competition, negotiation, sealed bid, contract, evaluation, and/or small business set-aside requirements. Additionally, we found no conflicts of interest in the procurement actions, and the goods and services procured were determined to be necessary for the effective operation of the program. (OA Report No. 09-01-203-03-370, issued March 7, 2001)

## **Welfare-to-Work**

*The Welfare-to-Work (WtW) program provides grants to states and local communities to move hard-to-employ welfare recipients into unsubsidized jobs and economic self-sufficiency. States receive 75 percent of the WtW funds through formula distribution. The remaining 25 percent is provided to communities through a competitive grant process designed to encourage development of innovative, results-oriented ways to help long-term welfare recipients gain a secure foothold in the labor market.*

*Since the WtW program's implementation, the OIG has provided extensive assistance to the Department through grant surveys and technical assistance. Our efforts have focused on identifying problems early in the process and recommending solutions to help the Department ensure the success of the program. In response to prior work, ETA has taken positive actions, such as providing grantees with additional services and technical assistance as well as increasing its monitoring of grants. Following are recent examples of our work in this area.*

### **Postaward Survey of Welfare-to-Work Grant Recipient**

The OIG conducted a postaward survey of the financial and program management systems of Prince George's Workforce Services Corporation (PGWSC) in Maryland. This survey was conducted to assess its capability to administer a recently awarded WtW competitive grant totaling \$4.9 million. We recommended that PGWSC make improvements in documenting WtW eligibility, reporting allocated costs on the WtW financial status report, monitoring subrecipient operations, and implementing the subrecipient tuition cost reimbursement policy. PGWSC agreed to implement the recommendations. (OA Report No. 03-01-001-03-386, issued October 3, 2000)

### **Poor Program Performance of Stillman College WtW Grant**

In January 1999, ETA awarded Stillman College (Tuscaloosa, Alabama) a \$3.7 million competitive WtW grant to place 850 hard-to-serve individuals in jobs over a two-year period at a proposed cost of \$4,380 for

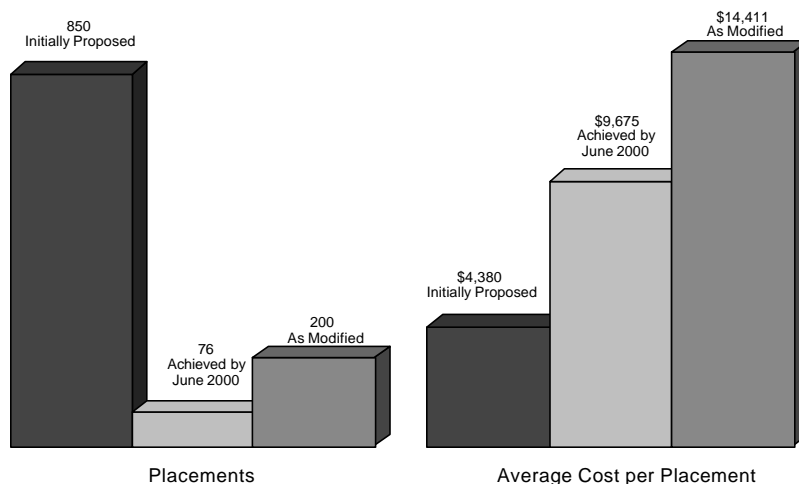
each placement. In response to a complaint that Stillman did not adequately address noncompliance issues initially identified by ETA, we audited financial and program activities for the period from January 4, 1999, through June 30, 2000.

Our audit of the grant found poor program performance. As of June 30, 2000, only 76 participants had been placed in unsubsidized employment, although only six months remained in the original grant period. The average cost per placement was \$9,675, almost double the expected amount. Additionally, we found no evidence to support 27 percent of the job placements that Stillman reported to ETA. While the grant emphasized providing assistance to “hard-to-serve” welfare recipients, Stillman did not have a system for tracking grant funds used to assist these WtW program participants. Accordingly, there was no assurance that this group was being served in accordance with the stipulations of the grant.

The OIG also found inadequate financial accountability over the grant. Program expenditures reported to ETA were inaccurate and could not be reconciled with those recorded in the college’s general ledger. We identified \$194,936 of questionable costs recorded in the general ledger, which included salary and fringe benefit overcharges, improper equipment purchases, and inappropriate reimbursements to a subcontractor.

ETA recently extended the grant to January 2, 2002, with a reduced job placement goal of 200 and a reduced budget of \$2.9 million. As the following chart indicates, this action will more than triple the average cost of each placement. This reduction in performance expectations causes the OIG to question the prudence of this grant program.

Placement Success and Average Costs



It is our opinion that if ETA is willing to accept the placement of significantly fewer participants than initially expected in the original grant, the competitive grant process becomes questionable. Consequently, we recommended that ETA reconsider the decision to extend the grant and ensure that \$194,936 in questioned general ledger expenditures are not charged to the DOL grant.

Stillman's response to our draft report did not provide any additional information that altered our findings, conclusions, or recommendations. The response indicated that a variety of improvements in the college's accounting and reporting procedures have recently been put into place. Stillman also indicated that an additional 71 participants had been placed in unsubsidized employment. We are awaiting ETA's resolution of the findings. (OA Report No. 04-01-002-03-386, issued March 20, 2001)



*The Department of Labor's foreign labor certification (FLC) programs are designed to provide employers access to foreign workers in specialty occupations or in areas in which there is a shortage of American workers. The program is supposed to ensure that the admission of aliens to work in the United States on a permanent or temporary basis does not adversely affect the job opportunities, wages, and working conditions of American workers or legal resident aliens. The H-1B Visa Specialty Workers program is intended to allow U.S. businesses to compete in a global market in order to respond to rapid advances in technology. It requires employers who intend to employ foreign specialty-occupation workers temporarily to file labor condition applications with the Department stating that appropriate wage rates will be paid and workplace guidelines followed. Proper worker documentation must accompany these applications before a visa is issued. Under current law, the Department is required to certify applications unless it determines the applications to be "incomplete or obviously inaccurate." OIG audits and investigations have shown that the individuals allowed into the United States under this program often lack the specialized skills necessary for meeting the requirements for H-1B visas.*

*The OIG continues to identify fraud in the FLC programs, with the majority of cases involving the H-1B temporary work visa program. These cases involve fraudulent petitions that are filed with DOL on behalf of fictitious companies and corporations, individuals who file petitions using the names of legitimate companies and corporations without their knowledge or permission, and immigration attorneys and labor brokers who collect fees and file fraudulent applications on behalf of aliens.*

### **California Resident Pleads Guilty in Immigration Scam**

On March 7, 2001, Lakireddy Bali Reddy, a prominent Berkeley, California, restaurant owner and landlord, pled guilty to conspiracy to bring aliens into the United States illegally, transportation of a minor in foreign commerce for illegal sexual activity, and making a false statement on a tax return. The investigation revealed that Reddy, with the help of his son, devised a scheme to import young females from India

for sexual services and cheap labor illegally. On March 5, 2001, Jayaprakash and Annapurna Lakireddy, Reddy's brother and sister-in-law, each pled guilty to conspiracy to bring aliens into the United States illegally. Jayaprakash Lakireddy employed six people who he knew were illegal immigrants at his construction company, while Annapurna Lakireddy filed fraudulent visa petitions for the aliens, who she falsely claimed were her relatives. This is a joint investigation with the Immigration and Naturalization Service (INS), the FBI, the IRS-Criminal Investigations Division, and the City of Berkeley Police Department. *U.S. v. Reddy, et al.* (N.D. California)

### **Florida Attorney Loses Law Practice and License for Engaging in Visa Fraud**

A Miami immigration attorney, Avi Carmel, disposed of his law practice and resigned from the Florida Bar Association following his January 17, 2001, sentencing to one year in prison and three years' probation. Carmel pled guilty in September 2000 to conspiracy to commit fraud by falsifying employment-based visa petitions and directing attorneys and paralegals to misrepresent the work experience and background of alien petitioners on visa applications to DOL and the INS. The investigation found that Carmel falsified the ownership and corporate structure of sponsoring businesses through fabricated stock certificates. This investigation was conducted with the INS. *U.S. v. Carmel* (S.D. Florida)

### **Texas CEO Charged with H-1B Visa Fraud**

On March 20, 2001, Heyn Naude, CEO of Brexicom, Inc., in Austin, Texas, was charged with making false statements and visa fraud. From July 2000 to March 2001, Naude allegedly filed 42 H-1B visa petitions with the INS and DOL on behalf of South African information technology professionals, claiming that Brexicom would hire the visa applicants as systems analysts earning \$42,000 per year. The investigation revealed that Brexicom had no jobs available for applicants and that most were not paid any money while in the United States. It is alleged that once they arrived in the country, the applicants were instructed by Naude to find their own jobs through Internet web sites. Naude charged each applicant between \$850 and \$2,300 to process the H-1B visa application. This was a joint investigation with the INS. *U.S. v. Naude* (W.D. Texas)

*DOL provides retraining and support services to dislocated workers through a number of programs. These services are provided to eligible dislocated workers, including those who have been terminated or laid off, who have received a notice of termination or layoff, who are long-term unemployed or self-employed, or who are displaced homemakers.*

### **Continuing Progress Noted on ETA's Implementation of Government Performance and Results Act**

We audited the ETA-administered dislocated worker programs (the Dislocated Worker, Trade Adjustment Assistance, and North American Free Trade Agreement Transitional Adjustment Assistance programs) in five states for the period from October 1, 1998, through July 30, 2000. In FY 1999, these programs provided nearly \$1.8 billion in funding and served almost 800,000 individuals. Our audit encompassed an assessment of (1) Federal, state, and contractor monitoring as well as general controls over state performance information systems, (2) compliance with GPRA, (3) program direction provided by ETA, and (4) the degree to which ETA fostered effective cooperation with the entities on which it relies to achieve program results.

Our audit identified no deficiencies in general controls over state performance systems or state and contractor monitoring of performance information. We found that ETA generally provided clear and consistent program direction and maintained effective cooperation with its program partners. However, ETA's monitoring of performance information could be significantly improved. ETA's overall program goals, strategies, and performance measures for dislocated worker programs were in compliance with GPRA requirements. However, we found that there were no formal performance measures at the office or division level (informal measures were in place, but they had not been officially adopted by ETA).

ETA indicated general agreement with our recommendations to strengthen its monitoring of performance information, revise its mission statements to make them outcome oriented, put formal office and division-level performance measures in place, and integrate program performance plans with the budget. (OA Report No. 23-01-001-03-330, issued March 21, 2001)





*Promoting the  
Economic  
Security of  
Workers and  
Families*

# **Worker Benefits Programs**

*The Department of Labor is responsible for protecting workers' hours, wages, and other conditions when they are on the job, providing unemployment and compensation benefits when workers are unable to work, and expanding, enhancing, and protecting workers' pensions, healthcare, and other benefits. The Department carries out programs to ensure compliance with minimum-wage and overtime requirements; to enable working Americans to be economically secure when they retire; to provide more pensions for women and employees of small businesses; to provide better access to healthcare; and to facilitate community readjustment in those areas suffering from economic change by shortening periods of unemployment and increasing full-time jobs and wage replacement.*

*Under this goal, the OIG assists the Department in effectively administering and safeguarding Federal employee benefits programs (e.g., unemployment insurance and disability compensation benefits programs), and in overseeing the nation's pension system. Moreover, through our investigative efforts, we protect the integrity of programs by identifying and causing the termination of fraudulent claims and billings by ineligible recipients and medical providers.*

*Enacted over 60 years ago as a Federal-state partnership, the Unemployment Insurance (UI) program is the Department's largest income maintenance program. This multibillion-dollar program assists individuals who have lost their jobs through no fault of their own and parents who voluntarily take time off from work as a result of the birth or adoption of a child. While the framework of the program is determined by Federal law, the benefits for individuals are dependent on state law and are administered by State Employment Security Agencies (SESAs) in 53 jurisdictions covering the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands under the oversight of ETA. During this reporting period, we completed a number of audits and investigations that called attention to systemic weaknesses and unallowable costs claimed in the UI system.*

### **OIG Recommendation Results in Recovery of \$8.5 Million**

Employers who seek to avoid payment of UI taxes, Social Security taxes, workers' compensation, and other costs associated with an employer-employee relationship may misclassify the employment status of an employee. If such an employee subsequently files a claim for UI benefits and is denied due to insufficient wages, a SESA claim representative initiates a "blocked claim audit." Such an audit entails contacting the employee's former employer to determine the reason wages were not reported for the employee applying for UI. If this does not resolve the employment status or wage information needed to process the claim, the SESA may refer the matter to its field audit staff for further audit or investigation.

A prior OIG audit report ("Improvements Are Needed in the Evaluation of Audit Quality and the Reporting of Blocked Claim Audits," No. 03-98-008-03-315) found that many SESAs were discouraged from conducting blocked claim audits, primarily because ETA did not consider conducting this type of audit as a workload measure. As a result of our audit, ETA modified this policy in February 1999. Subsequently, the OIG followed up with certain SESAs to determine the results of the revised ETA policy. For calendar year (CY) 2000, SESAs reported that they identified more than 20,000 misclassified employees and recovered more than \$6 million of UI taxes from audits that would not have been conducted

without the ETA policy revision. As the following table indicates, these results represent a substantial increase over the additional recoveries for CY 1999, the first year of the policy change.

Number of States Reporting		Misclassified Employees Identified		Additional Taxes Recovered Due to Policy Change	
CY 1999	CY 2000	CY 1999	CY 2000	CY 1999	CY 2000
23	27	13,250	20,220	\$2,543,549	\$6,002,970

(OA Report No. 03-01-004-03-315, issued March 9, 2001)

**Over \$1.2 Million in Costs Questioned**

The OIG audited \$3.9 million of automatic data processing and information technology central service costs charged to DOL grants by the Maryland Department of Labor, Licensing, and Regulation (MDLLR) for the period October 1996 through April 2000.

We questioned \$1,222,020 in rebates not credited to DOL grants and \$117,675 in unallowable interest costs charged to the grants because these actions violated the applicable Federal cost principles. We recommended that ETA recover the questioned costs either as cost reductions or as cash refunds and direct MDLLR to implement internal controls to ensure compliance with applicable Federal requirements. ETA agreed with these recommendations. (OA Report No. 03-01-002-03-315, issued February 23, 2001)

**Nearly \$1.7 Million in Grant Expenditures Questioned**

ETA awarded grants to the New Mexico Department of Labor (NMDOL) totaling \$6.5 million and to the Nevada Department of Employment, Training, and Rehabilitation (DETR) totaling \$8.1 million for activities related to year 2000 (Y2K) preparedness. The OIG audited \$5.5 million expended by NMDOL from the inception of the grants through June 30, 2000, and \$7.4 million expended by DETR from the inception of the grants through September 30, 2000.

At NMDOL, we questioned expenditures of \$914,221, and we recommended that ETA recover these funds and deobligate unspent



grant funds. The majority of the questioned costs were staff salary and fringe benefit costs that did not satisfy the criteria for reimbursement as Y2K expenditures as well as overhead and other costs, which were improperly allocated to the Y2K grants. NMDOL disagreed with most of the findings and questioned costs. It stated that the grant requirements were unclear and contradictory and that ETA was aware of its grant-related activities. While the OIG recognizes the difficulty states encountered in preparing for Y2K, in our opinion, the guidance provided to NMDOL was clear, and the principal cause of its difficulty was its failure to understand the grants' spending restrictions.

At DETR, we questioned grant expenditures of \$758,427. We also recommended that ETA require that DETR improve the accounting procedures it applies to future special awards so it can better identify allowable grant expenditures. Questioned costs of \$568,298 resulted from expenditures made prior to the effective date of the grant, and \$190,129 was questioned because the charges were for multiple tasks, only some of which related to Y2K readiness. DETR acknowledged that \$262,509 of grant charges occurred prior to the effective date of the grant. However, DETR believes that \$305,789 in charges were allowable, because DETR's contracts with its vendors contained deliverables that were accepted by DETR after the grant's effective date. We disagree, because work on the deliverables was performed prior to the effective date of the grant. DETR also suggested that one-half of the \$190,129 we questioned that involved multiple tasks should be allowed because it was spent on legitimate Y2K concerns. However, DETR's accounting records did not support this position. (OA Report Nos. 04-01-001-03-315, issued February 26, 2001, and 04-01-004-03-315, issued March 19, 2001)

*The OIG continues to expand its investigative efforts to detect and investigate fictitious or fraudulent employer schemes used to defraud the UI program. In recent years, the program has suffered losses in the millions of dollars as a result of these types of schemes. In addition, the OIG continues to conduct investigations involving cases of UI individual and group claimant fraud, specifically those in which federal benefits, interstate claims, or SESA employee corruption are involved.*

### **Washington, D.C. Area Fictitious Employer Scheme Uncovered**

Joseph Manzo of Alexandria, Virginia, pled guilty on March 16, 2001, to one count of mail fraud for operating a fictitious employer scheme in which he created two phony companies to fraudulently obtain unemployment insurance benefits. The Maryland Department of Labor, Licensing, and Regulation (MDLLR) identified Mechanical Engineering Consultants as a possible fictitious employer and asked the OIG to participate in the investigation of the bogus company created by Manzo. The company was used by Manzo to file fraudulent claims on behalf of eight fictitious employees. It is estimated that Manzo defrauded the State of Maryland of more than \$63,000 and the District of Columbia Department of Employment Services (DC/DES) of more than \$114,400. The investigation also revealed that Manzo has an outstanding felony warrant in the State of California based on his creation of four fictitious employers in that state. This case is being conducted jointly with the U.S. Postal Inspection Service, MDLLR, and DC/DES. *U.S. v. Manzo* (D. Maryland)

### **Former Pennsylvania UI Employee Sentenced for Role in Scheme**

On December 14, 2000, Enrique Rosario, a former claims interviewer for the Pennsylvania Department of Labor and Industry's Allentown Job Center, was sentenced to one and a half years' incarceration and three years' probation and was ordered to pay over \$146,500 in restitution for using his position to generate funds for his own use. Rosario and three codefendants were charged with conspiracy and mail fraud for scheming to defraud the UI program through a fictitious employer scheme. Over a three-year period, Rosario used his position to input information into the State's UI system to process bogus UI claims of ineligible claimants, mainly illegal aliens from Mexico, for a fee. Also sentenced during this reporting period was codefendant Ivan Leon, who received one year in prison for establishing the fictitious companies that enabled ineligible migrant workers to qualify for UI benefits. *U.S. v. Rosario, U.S. v. Leon* (E.D. Pennsylvania)

*The OIG continues to identify and prosecute claimants and medical service providers who unfairly take advantage of the healthcare programs administered by DOL's Office of Workers' Compensation programs (OWCP). OWCP oversees three workers' compensation and health programs that provide wage replacement benefits, medical treatment, vocational rehabilitation, and other benefits to certain workers or their dependents who experience work-related injury or occupational disease. These programs, the Federal Employees' Compensation Act (FECA) program, the Longshore and Harbor Workers' Compensation Act program, and the Black Lung Benefits program, help to mitigate the financial burden resulting from workplace injury.*

## Medical Provider Fraud

*The OIG continues to be vigilant in its investigative efforts to identify and seek prosecution of medical and service providers who take advantage of DOL's healthcare programs. Providers do this by submitting claims for services or goods not provided or delivered, billing for treatment not related to the approved medical condition or disability, double-billing, up-coding (billing under a more expensive treatment service code than that for the treatment actually provided), or unbundling (breaking one service into several services with separate charge codes) to fraudulently obtain personal financial gain. Highlighted below are updates on two investigations involving Black Lung-funded rural hospitals that were bankrupted by the actions of corrupt hospital administrators.*

### Virginia Hospital Administrator Ordered to Repay \$1.7 Million

On November 17, 2000, four defendants were sentenced for their roles in multiple kickback schemes that led to the bankruptcy of Lee County Hospital (LCH). This hospital was funded largely by the Federal Black Lung Trust Fund, Medicare, and Medicaid. James Davis, the former LCH administrator, was sentenced to six years' imprisonment and three years' probation and was ordered to pay over \$1.7 million in restitution. Dr. Richard Norton, an LCH emergency room physician, was sentenced to five years in Federal prison and three years' probation and was

ordered to pay over \$800,000 in restitution and a \$25,000 fine. The investigation revealed that Dr. Norton paid almost \$900,000 in kickbacks to Davis between 1993 and 1998 in return for \$3.7 million in contracts to provide emergency room care. Two additional defendants were collectively sentenced to a total of nearly two years' imprisonment and were ordered to pay \$170,000 in restitution. The defendants were found guilty in August 2000 of racketeering, racketeering conspiracy, mail fraud, kickback fraud, healthcare program fraud, and money laundering. The case was worked jointly with the IRS-Criminal Investigations Division and the FBI. *U.S. v. Davis, et al.* (W.D. Virginia)

### **West Virginia Hospital Administrator Convicted of \$636,000 Embezzlement**

David Morrison, the former 30-year administrator of Logan General Hospital in West Virginia, was convicted on December 15, 2000, on all 23 counts of money laundering, tax evasion, and embezzlement of over \$636,000 from the hospital as well as the diversion of over \$4.5 million from employee payroll taxes to finance private business ventures. As a result of Morrison's actions, Logan Hospital was forced to file for bankruptcy in October 1998. This rural Appalachian hospital was largely funded with Federal funds from the Black Lung Trust Fund, Medicare, and Medicaid programs. On November 17, 2000, Morrison's partner, Donald Cabell, pled guilty to embezzling \$347,000, as did the American Development Corporation, a for-profit entity run by Cabell and Morrison. This investigation was a joint effort with the IRS-Criminal Investigations Division, the FBI, the Medicaid Fraud Control Unit, and the West Virginia State Police. *U.S. v. Morrison, et al.* (S.D. West Virginia)

## **OWCP Claimant Fraud**

*Fraud against the workers' compensation programs also committed by claimants and beneficiaries. In the case of the FECA program, over \$2 billion in medical and death benefits and wage loss compensation were paid from July 1, 1999, to June 30, 2000, with more than 53 percent of these benefits paid to injured employees of the U.S. Postal Service, the Department of the Navy, and the Department of the Army.*

*FECA claimant fraud involves the concealment or false reporting of employment and income by an individual who continues to receive program benefits or services. In just three ongoing FECA cases*

*involving former postal employees, the administrative cost efficiencies resulting from joint Postal Service and OIG investigations total nearly \$800,000.*

*The OIG also continues to work joint cases with other Federal investigative agencies and instruct them on how to conduct FECA investigations more efficiently and effectively. This has been especially true, most recently, with Department of Defense criminal investigative units from the U.S. Army and Navy. It is important to note that the removal of a single fraudulent claimant from Federal benefit rolls creates, on average, a \$300,000 to \$500,000 savings for the government.*

### **Former Carpenter Guilty in North Carolina of \$366,000 in FECA Fraud**

On February 5, 2001, Dorman Poythress, a former civilian carpenter at the Marine Corps Air Station in Cherry Point, North Carolina, entered a guilty plea to charges of making false statements to obtain FECA benefits. Poythress reportedly injured his back while at work in 1972 and subsequently received over \$336,000 in compensation benefits. The investigation revealed that Poythress had filed false reporting forms with OWCP stating that he did not work during the covered periods, when in fact he worked with his son as a contractor in a home repair business. The investigation was conducted jointly with the Marine Corps Criminal Investigations Division and the Naval Criminal Investigative Service. *U.S. v. Poythress* (E.D. North Carolina)

### **Arkansas Man Indicted for Nearly \$120,000 in FECA Fraud**

On January 9, 2001, John Rankin, a former employee of the U.S. Army Corps of Engineers, was indicted on four counts of FECA fraud, and his wife, Laura, was indicted on three counts of Social Security fraud. In 1990, John Rankin reported a back injury, and in 1994 he began receiving full workers' compensation benefits, totaling approximately \$120,000. During this period, Laura Rankin filed for and began receiving Social Security Disability benefits. The joint investigation revealed that, from approximately 1996 to 1999, John and Laura Rankin claimed to be

unemployed when, in fact, it is alleged that they owned and operated a home building business in Ozark, Arkansas. This is a joint investigation with the SSA OIG and the U.S. Army Corps of Engineers. *U.S. v. Rankin* (W.D. Arkansas)

## **Black Lung Benefits Program**

### **Decision on Transferring Remainder of SSA-Administered Black Lung Activities to DOL Awaits New SSA Leadership**

In September 1997, the Social Security Administration (SSA) and DOL signed a Memorandum of Understanding to have DOL's Employment Standards Administration (ESA) provide enhanced programmatic, administrative, and general support functions to SSA in the administration of the Black Lung Part B program. Prior to ESA's assumption of the responsibility for administering the majority of the Part B program, the entire program was administered by SSA.

At the request of Congress, the OIGs of DOL and SSA prepared two reports assessing the quality of customer service provided by ESA. The 1999 and 2000 audits found that ESA provided high-quality customer service and that the service was cost-effective. In the reports, we recommended that DOL and SSA study the feasibility of permanently transferring the entire Part B program to DOL to eliminate duplication of functions. ESA recently informed the OIG that no action has been taken by either agency because SSA is waiting for its leadership to be appointed before proceeding.



*Fostering Quality  
Workplaces That  
Are Safe, Healthy,  
and Fair*

# **Worker Safety, Health, and Workplace Rights**

*The responsibilities of the Department under this goal are to foster safe and healthy workplaces; interface with international bodies addressing core labor standards and international child labor issues; increase the representation, advancement, and promotion of women, minorities, veterans, and the disabled in jobs; and promote compliance with Family and Medical Leave Act.*

*The OIG assists the Department in promoting the safety, health, and workplace rights of workers by assessing the effectiveness of programs designed to protect workers and, within our jurisdiction, investigating violations of such laws.*



## **MSHA Can Do More to Protect Workers and Their Families from the Hazards of Asbestos Exposure**

We examined the Mine Safety and Health Administration's (MSHA's) inspections of a vermiculite mine operated by W.R. Grace & Company in Libby, Montana. MSHA inspected the Libby mine from 1978, when MSHA was established, until 1992, when the mine closed. There were allegations that at least 192 people have died and at least another 375 have been diagnosed with asbestos-related illnesses owing to exposure to asbestos in the vermiculite ore mined at the Libby site.

We concluded that MSHA inspected the mine and conducted sampling on a regular basis. We do not believe that more inspections or sampling would have prevented the current situation in Libby. However, we identified five areas in which MSHA should take a more proactive approach in addressing health-related risks to miners and their families who are exposed to asbestos.

We recommended that MSHA:

- lower the permissible exposure limit for asbestos to a more protective level;
- use Transmission Electron Microscopy (a method that is capable of greater magnification than methods currently used by MSHA) to test fiber samples that may contain asbestos;
- address take-home contamination from asbestos by implementing special safety requirements for asbestos and vermiculite mining and milling similar to those that were contained in a 1989 proposed rule;
- issue an annual policy directive reminding enforcement personnel of the prohibition against giving advance notice of inspections; and
- provide inspectors with additional training on the dangers of asbestos.

MSHA stated in its response that the first three recommendations will require formal rulemaking. Upon confirmation of a new assistant secretary, MSHA will present options for improving the asbestos standard. The agency agreed with and will implement the last two recommendations. This evaluation was conducted in coordination with the Environmental Protection Agency OIG. (OACE Report No. 2E-06-620-0002, issued March 22, 2001)

## **Hazard Complaint Handling in MSHA's Office of Metal and Nonmetal Mine Safety and Health Can Be Improved**

Subsequent to a fatal accident at the ASARCO Mission Mine in Arizona, the Secretary of Labor asked the OIG to review MSHA's procedures for handling hazard complaints. From January through September 1999, six written and verbal hazard complaints were lodged with MSHA's Mesa, Arizona, field office alleging unsafe conditions at the ASARCO Mission Mine. Five of the complaints were lodged by a miner's daughter and a family friend; subsequently, an accident occurred at the mine, leaving the aforementioned miner dead and two other miners permanently disabled.

We found that MSHA can be more effective in responding to hazard complaints by improving the intake, management, tracking, and analysis of complaints. Specifically, we found that the MSHA inspector and his supervisor did not follow hazard complaint policies and procedures and that inspection actions were not carried out in a thorough and prompt manner. Further, we found that MSHA's procedures for handling hazard complaints were not uniform.

We recommended that MSHA:

- standardize and mandate the use of hazardous complaint intake, inspection, and reporting forms;
- adopt "best practices" regarding complaint intake currently used in certain districts;
- develop and update classroom training for mine inspectors and for all other MSHA personnel who receive hazard complaints;
- update and implement hazard complaint procedures to require the review of mine files;
- develop a complaint analysis system to capture, track, and follow up on complaints;
- reconcile inconsistent language on complaint handling found among the various MSHA guidelines in accordance with existing directives;
- develop guidelines for the approval or declination of proposed actions by district management regarding hazard complaints outside of MSHA's jurisdiction and hazard complaints deemed frivolous; and
- establish a policy on whether and when to incorporate hazard complaints into regular inspections.

MSHA generally agreed with our recommendations and is currently proceeding to implement corrective actions. (OACE Report No. 2E-06-620-0001, issued March 29, 2001)

## OSHA Is Not Completing ERA and EPA Whistleblower Investigations Within the Statutory Time Frame

We found that the Occupational Safety and Health Administration (OSHA) is not completing whistleblower investigations under the Energy Reorganization Act (ERA) and six Environmental Protection Agency (EPA) acts within the statutory 30-day time frame.

OSHA's mission is to save lives, prevent injuries, and protect the health of America's workers through the enforcement of the Occupational Safety and Health Act. Part of carrying out this mission involves investigating allegations of discrimination against whistleblowers—employees who report safety and health violations. In 1997, OSHA was given responsibility for investigating all whistleblower complaints related to laws administered by a number of Federal agencies, including the EPA and ERA acts.

On average, investigators took 81 days to complete an ERA investigation and 101 days to complete EPA investigations. Investigators cited several reasons that they were unable to meet the 30-day deadline, such as ERA and EPA investigations not being prioritized, delays caused by attorneys, difficulty collecting evidence, and the complex nature of the cases.

OSHA agreed to our recommendations to:

- instruct investigators to prioritize whistleblower investigations, as required by the regulation;
- provide investigators with training that addresses both the legal and highly technical issues unique to ERA and EPA investigations, and incorporate such training enhancements into its formal investigator training program;
- eliminate confusion surrounding informal extension practices by investigators;
- clarify specific start and end dates so that investigators can consistently calculate the 30-day time frame for each case;
- develop monitoring and oversight guidelines and goals for supervisors responsible for ERA and EPA whistleblower cases, and include such goals in individual performance standards and agency performance measures; and
- issue a revised and updated investigator's manual incorporating, as appropriate, OIG recommendations contained in this report.

OSHA's implementation of our recommendations should result in reducing the average amount of time for conducting ERA and EPA whistleblower investigations. (OACE Report No. 2E-10-105-0001, issued March 16, 2001)

## **Incorrect Minimum Wages Are Being Paid to Workers with Disabilities**

The Fair Labor Standards Act includes a provision for a special minimum wage (SMW) for workers with disabilities, whom the act defines as those whose earnings or productive capacity for the work to be performed is impaired by a physical or mental disability. Section 14(c) of the act authorizes the Wage and Hour Division (WHD) to certify employers to pay workers with disabilities the SMW. For FY 1999, WHD reported that about 8,600 certified employers and 425,000 workers participated in the program. The OIG conducted a performance audit of the 14(c) program to determine program outcomes and to assess how effectively the program was managed.

Based on its audit findings, the OIG is concerned that workers with disabilities are not receiving the correct special minimum wage. We identified several factors that diminish the effectiveness of WHD's administration of its 14(c) program and contribute to this condition. Most important, we found that WHD placed a low priority on program activities, adopted inefficient policies, including one that resulted in the assessment of back wages as low as one cent, and relied on data from an inaccurate management information system.

We found that the majority of 14(c) program resources are devoted to conducting desk reviews of employer applications for certificates. The stated purpose of the desk review is to ensure that employers comply with program requirements and to assess back wages when workers are underpaid. We found, however, that the review process offers little assurance that employers are complying with program requirements, particularly regarding the payment of the correct SMW.

Our audit identified employers who either did not understand or were not following program requirements in determining the SMW. Accordingly, many workers were not receiving the correct SMW. Employers generally assumed that they were in compliance with program requirements simply because they had been issued a certificate to participate in the program.

The SMW is based on the prevailing wage rate, which is adjusted according to the productivity of the worker with a disability as compared with the productivity of an experienced worker without a disability. For example, we identified an employer who reported paying an average wage rate of \$5.65 per hour, when, in fact, the actual wages paid to the full-time employees totaled \$60 per month in cash, plus meals, lodging,

and other services. In determining the value of the noncash compensation, the employer also factored in nonallowable costs, such as building supplies for the construction of a retirement home. Moreover, all workers received the same compensation, regardless of each worker's productivity.

The OIG believes that a proactive approach by WHD is needed to ensure employer compliance, especially the payment of the correct SMW. While WHD has taken initial steps to correct the deficiencies identified by the OIG, improvements are still needed in the areas of strategic planning, program management, monitoring, and the provision of technical assistance. Accordingly, we recommended to WHD that it:

- include a plan for on-site monitoring of employers and increased enforcement reviews of 14(c) program activities in ESA's strategic planning process;
- develop an "action plan" to improve its 14(c) management information system and operational performance;
- increase its technical assistance activities with employers;
- consider methods to solicit recommendations from government officials, employers, employees, and advocates on needed program guidance and legislative reforms; and
- establish partnerships with DOL's Office of Disability Employment Policy and other Government agencies involved in the employment and training of people with disabilities.

WHD agreed with the recommendations. In its response, WHD indicated that it would be taking steps to address our concerns, including developing an action plan to improve program management operations. (OA Report No. 05-01-002-04-420, issued March 19, 2001)





*Maintaining a  
Departmental  
Strategic  
Management  
Focus*

# Departmental Management

*The OIG assists DOL in maintaining an effective management process. This includes conducting activities and providing appropriate technical assistance to DOL management to ensure effectiveness and efficiency in the management of DOL, the integrity of financial management systems, and the effective management of information technology. The OIG has a number of concerns in the areas of financial management and the quality of program and cost data.*

***Financial Management:*** *The Department has made great strides in financial management and has received clean opinions on its financial statements since fiscal year (FY) 1997. However, our audit of DOL's FY 2000 consolidated financial statements disclosed that Wage and Hour Division's Back Wage and Civil Monetary Penalties systems still did not meet the requirements of the Federal Financial Management Improvement Act (FFMIA). Of major concern is the fact that the Department's chief financial officer (CFO) has the authority to provide guidance and oversight but does not have the authority over the direct financial management operations of agencies. The authority of the CFO to deal with long-standing, intractable financial management problems needs to be reexamined in order to ensure that program agencies meet their financial management responsibilities.*

***Quality of Program and Cost Data:*** *Important initiatives, such as the Government Performance and Results Act and the Federal Accounting Standards Advisory Board's "Statement of Federal Financial Accounting Standard Number 4," are under way to improve the quality of program and cost data that serve as the basis for determining the results achieved by Federal programs and operations. It is vitally important that DOL ensure that performance and cost information is accurate, accessible, and auditable in order for DOL's performance and accountability reporting to be credible. Our past audits have disclosed that the Department is limited in its ability to access, or control the quality of, program results data used to determine the attainment of its strategic plan goals. This includes difficulties associated with ensuring the quality of the data provided by states and other sources below the Federal level, where 90 percent of the Department's budget is actually spent. A number of agencies have undertaken initiatives to address the issues of accuracy, timeliness, reliability, and validation of data collected below the Federal level. The Department is currently developing a system that will accumulate the specific costs for each program and link these costs to the program's results. However, some of the Department's agencies—including the two largest (ETA and the Employment Standards Administration)—have not agreed to participate fully in the development of the cost accounting system. The Department must involve all of its agencies to achieve the full benefits of managerial cost accounting.*



*The Chief Financial Officers Act of 1990 (CFO Act) requires Federal agencies to report annually to Congress on their financial status. To meet this requirement, the Department prepares annual financial statements, which the OIG audits. The Federal Managers' Financial Integrity Act and FFMA place additional financial management reporting requirements on the Department. The OIG considers compliance with these acts as part of our audit of the Department's financial statements.*

### **OIG Opinion on the Department's Financial Statements**

The OIG issued an opinion that the Department's financial statements were presented fairly in all material respects and were in conformity with generally accepted accounting principles.

### **Report on the Department's Internal Control over Financial Reporting**

Our report on internal control over financial reporting noted no material weaknesses. It did, however, report conditions that could adversely affect the Department's ability to accurately account for its financial resources. The following serious weaknesses were identified during this audit:

- **\$403 Million in Understated Payments for State Unemployment Benefit Payments:** Because of ETA's lack of routine reconciliation of UI benefit payment drawdowns reported by the states with corresponding drawdowns reported by the Treasury, state advances were overstated and benefit expenses were understated in the Department's FY 1999 financial statements. Once DOL identified the problem in FY 2000, year-end advances and benefit expense balances were adjusted by \$288 million for FY 1999 and \$403 million for FY 2000. ETA will issue instructions to the states on the proper reporting of benefit payments and will implement other corrective measures.

- **\$31 Million in Unreconciled Cash Differences with Treasury:** The Department has unreconciled cash differences between its accounting system and the corresponding records of the Treasury Department. The OIG made recommendations to the CFO to address this condition, and the CFO has agreed to implement corrective measures. This \$31 million was part of a \$44 million adjustment to the Department's general ledger because of the unreconciled difference.
  
- **\$13 Million in ETA Grant Transactions Not Reconciled to Department of Labor Accounting and Reporting System (DOLAR\$):** ETA uses the Health and Human Services (HHS) Payment Management System (PMS) to process payments for the majority of its grants. In FY 2000, these payments amounted to nearly \$7.8 billion. The audit determined that ETA did not reconcile the Department's accounting system with the HHS PMS. Significant differences exist in obligation and payment amounts recorded in the two systems. The CFO and ETA agreed that they need to reconcile PMS and DOLAR\$. Further, the CFO stated that it will work with the grant agencies and HHS to refine existing grant reports as well as develop new reports to facilitate reconciling the Department's records with HHS's records. The OIG will be reviewing existing business practices to determine how they can be changed to ensure that PMS and DOLAR\$ are periodically reconciled.

In addition to these weaknesses, the OIG also found that weaknesses reported in prior periods had not yet been corrected. These conditions include:

- deficiencies in accounting for old grant advances (FYs 1995-97) totaling \$40 million;
- deficiencies in the WHD Back Wage system, which reflects accounts receivable totaling \$7.4 million and cash balances totaling \$42 million;
- ineffective implementation of the WHD Civil Monetary Penalties system, which shows accounts receivable totaling \$1.5 million and cash balances totaling \$1.2 million; and
- the need to strengthen departmental controls over electronic data processing to protect the Department's information, fully implement a systems development life cycle methodology, and complete test plans for maintaining continuity of operations.

## Report on the Department's Compliance with Laws and Regulations

To obtain reasonable assurance that the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations. We also performed tests of other laws and regulations specified in OMB Bulletin 01-02 and OMB Implementation Guidance for FFMIA.

Our report on compliance with laws and regulations reflects two systems that are not in substantial compliance with the requirements of the FFMIA and three other instances of noncompliance.

- **Federal Financial Management Improvement Act:** FFMIA requires that the OIG report whether DOL's financial management systems substantially comply with the Federal financial management systems requirements, applicable accounting standards, and the United States Standard General Ledger at the transaction level.

We determined that the Wage and Hour Division's Back Wage system and its Civil Monetary Penalties system are not in substantial compliance with the above requirements. We first reported that these systems were not in compliance in our FY 1997 report. Both of these systems have failed to meet deadlines established in their remediation plans, which called for completion of redesigned systems within the statutorily required three years. Management now anticipates compliance during FY 2001.

- **Adjustment to Grant Obligations:** We determined that ETA reduced its FY 1993 grant obligations totaling \$4.5 million and moved these funds into FY 1994, which was not in accordance with appropriation law.
- **Debt Management:** ESA is not in substantial compliance with the Debt Collection Improvement Act of 1996. Delinquent receivables totaling \$3.1 million for Back Wages, Civil Monetary Penalties, and the Black Lung Disability Trust Fund were submitted late or not at all to the Treasury.
- **Grant Closeout Process:** The JTPA closeout process remains untimely. (OA Report No. 22-01-013-13-001, issued February 23, 2001)

## OIG Working to Increase Reliance on Single Audits

The annual OIG audit of the Department's financial statements has historically included a statement disclosing that the OIG conducted the audit only at the Federal level and that accountability below the Federal level is accomplished by "single audits" of DOL grant funds. The OIG has begun a project to identify areas of the single audit process that, if operating adequately, would provide the level of reliance required by the annual audit of the Department's financial statements and permit us to remove the disclosure from our audit report.

- **Reliability of the Single Audit Clearinghouse Database:** To establish a baseline universe of single audit reports, the OIG reconciled the Department's record of its grants to the clearinghouse database. This database is an automated system, established by the Department of Commerce, to record the results of single audits. Our initial findings are that the stewardship of the grants program is adequate and that single audits recorded in the clearinghouse database covered 80 percent of DOL grant funds.

We found that 20 percent of grant funds were not covered in the database, primarily as a result of the under-reporting of UI funds. This under-reporting resulted from several factors, the most important being errors in employer identification numbers, UI funds that were passed through to subrecipients (along with the reporting requirement), and some states not including UI funds in their single audits because they consider these funds to be state funds and not Federal funds.

- **Reliability of State Single Audits for the UI Program:** For FY 2000, the UI program represented about 72 percent of all funds reflected in DOL's financial statements that were expended below the Federal level. The OIG visited the Virginia Auditor of Public Accounts (VAPA) to determine whether in performing its single audit (of DOL funds), it (1) covered the UI Compliance Supplement requirements, and (2) performed the additional UI audit steps contained in the OIG's newly developed Single Audit Review Guide. It is our opinion that the additional steps, if performed in addition to meeting the Compliance Supplement's requirements, it would provide the necessary reliance needed for the audit of the Department's financial statements.

We were pleased with the quality of the VAPA single audit work for the State's unemployment insurance funds. It adequately addressed not only the requirements of the Compliance Supplement, but also the additional steps in our Single Audit Review Guide. The OIG believes that the VAPA audit work provides the level of reliance required by the OIG for the annual audit of the DOL financial statements. The results of this project will be used to promote equally high-quality coverage of UI funds by other states.

### **Implementation of Managerial Cost Accounting**

The Chief Financial Officer (CFO) is charged with implementing a departmental managerial cost accounting (MCA) process in which an agency's costs of operation will be linked to the results of its performance. While implementation of MCA is an evolving agency-by-agency project, it is anticipated that, once operational, it will become an integral component of management's decision making and performance-reporting processes.

The OIG conducted a review to evaluate CFO compliance with applicable laws and regulations regarding its implementation of MCA. To date, CFO efforts have been largely related to marketing and promoting awareness of the benefits of MCA. While some DOL agencies have completed pilot projects, others, most notably ETA and ESA, have not made any real progress toward implementation. Notwithstanding, in our opinion, the CFO has made progress in this area.

The OIG recommended that the CFO update its MCA implementation plan, develop detailed documentation for the pilot cost accounting models, and develop a definitive implementation timetable for each agency. The CFO concurred with our recommendations. (OA Report No. 22-01-012-13-001, issued March 27, 2001)

*A high-quality information technology (IT) environment is key in obtaining the programmatic and financial information that is needed to manage for results. As the Department continues to expand its use of IT (e.g., in procurement, payroll, benefit payments, labor market information, enforcement, and training), it becomes increasingly important to audit the development and implementation of IT systems. It is critical to ensure that these systems meet their intended objectives at reasonable costs. Moreover, it is crucial to protect these IT assets and the information contained within them (e.g., for privacy rights). The OIG is involved in auditing these IT systems, as well as providing consultative assistance, in order to improve the management of departmental IT assets. Following are highlights of our work in the IT area.*

### **DOL Complying with Federal Policy Regarding the Collection of Personal Data on DOL Web Sites**

In response to a congressional request, the OIG reviewed the extent of the Department's compliance with Federal policy designed to protect the privacy of individuals who access departmental Internet web sites. More specifically, the OIG was asked to determine whether DOL, or a departmental contractor, was collecting or reviewing personal identifiable information in violation of this policy. To evaluate compliance, we tested 143 DOL Internet web pages and interviewed departmental and agency webmasters and other responsible officials.

We determined that (1) the DOL Office of the Assistant Secretary for Policy (OASP) has been assigned responsibility for implementing management policy for operations of departmental and agency web sites, and (2) OASP has promulgated web site management policy that meets Federal policy.

While DOL does collect and review personal information about individuals who access and complete information collection vehicles on a DOL Internet web site, the OIG has concluded that these collections are maintained solely to respond to visitor requests for public interest material offered by the agencies. In addition, one third-party agreement was found to exist in which employment information was collected from Federal contractor establishments, but the OIG determined that the data collection vehicle did not result in maintaining any personal information that could be used to track any individual's Internet access or viewing habits.

However, the OIG concluded that DOL agencies have not consistently implemented OASP policy, and the OIG has recommended that OASP clarify and strengthen its policy to improve consistent implementation across departmental and agency Internet web sites. While OASP stated that its policy was finalized only six weeks prior to the OIG assessment and that it believes the Department and its agencies are complying with current Federal guidance, it agreed with the OIG's conclusion and is taking action to correct the inconsistent interpretation of its policy. (OA Report No. 17-01-002-01-010, issued February 26, 2001)

### **Black Lung Implements New IT System Prior to Correcting High-Risk Security Control Issues**

The Federal Black Lung program is implementing the New Automated Support Package (NASP) Black Lung System, a server-based IT system that tracks the history, location, and status of claims for benefits. The purpose of NASP is to allow the more efficient processing of inquiries, claims, and benefits.

The OIG conducted a security testing and evaluation audit of the NASP Black Lung System to determine whether the system's management and technical security controls were sufficient to protect program data. While we identified a number of positive security control issues, we also had one high-risk management security control finding (with six issues) and one medium-risk management security control finding (with numerous issues). The high-risk issues included the facts that various security and contingency plans have not yet been completed and that procedures to monitor system activities have not yet been established.

In response to the draft report, program officials indicated they planned to take a number of actions to correct the identified weaknesses. To minimize the risk of loss, misuse, or corruption of program data, the OIG recommended that program officials take corrective action on the high-risk and medium-risk management security control issues, with an emphasis on the correction of high-risk issues, prior to system implementation. Program officials strongly disagreed with OIG conclusions regarding the timing of correcting the high-risk issues. Insofar as some high-risk issues will not be corrected until after full implementation of the NASP system, the OIG believes that the program is taking unnecessary risks in beginning NASP system operations prior to ensuring that all outstanding security issues have been corrected. (OA Report No. 17-01-003-04-433, issued March 29, 2001)

## **Electronic Filing Acceptance System's General Controls Need Strengthening**

The Employee Retirement Income Security Act of 1974 (ERISA) and provisions of the Internal Revenue Code assign oversight responsibility for employee benefit plans to DOL's Pension and Welfare Benefits Administration (PWBA). These laws require the plans to submit specific information that certain Federal agencies utilize to meet their specific oversight and enforcement responsibilities. The benefit plans meet this reporting requirement by annually submitting the Form 5500 series (a form that pension, welfare, and fringe benefit plans use to report annually on their financial condition and operations). ERISA plan filers cover 150 million participants and employee benefit plan assets of \$4.3 trillion.

In August 2000, PWBA implemented the Electronic Filing Acceptance System (EFAST), a \$74 million system designed to accept Form 5500 submissions electronically. This system puts the Form 5500 into computer-readable format for the purpose of providing accurate and timely data.

The OIG conducted an audit to determine whether EFAST has general controls to provide physical protection of filings, prevent unauthorized modification or disclosure of data, and prevent disruption or denial of critical services. Overall, we concluded that PWBA management had devoted substantial resources and made significant progress in developing the necessary security plans, performing risk assessments and security reviews, and coordinating complex security requirements. However, EFAST does have security weaknesses that require action by PWBA.

We found that improvements are needed in both the implementation and testing of the EFAST risk assessment procedures. We also found that the EFAST continuity of operations plan was not fully developed and implemented. Accordingly, EFAST lacks an emergency processing site and does not provide adequate protection for unprocessed Form 5500 series filings. Also of concern are the facts that the EFAST information security officer has not received formal training and that there are no written security procedures. As a result, the EFAST system was vulnerable because of these security weaknesses.

PWBA generally concurred with the findings and recommendations. PWBA has requested and received an engineering change proposal that addressed the implementation and testing of the EFAST security controls. PWBA also advised that it was on track to strengthen the information security officer position and to overhaul and test the continuity of operations plan. (OA Report No. 09-01-001-12-001, issued March 27, 2001)





*Ensuring That a  
Union or Benefit  
Plan Is Operated  
for the Benefit of  
Its Members*

# Labor Racketeering

*The OIG at the Department of Labor has a unique “external” program function to conduct criminal investigations to combat the influence of labor racketeering and organized crime in the nation’s labor unions. Labor racketeering is the infiltration, domination, and/or use of a union or employee benefit plan for personal benefit by illegal, violent, or fraudulent means. Although labor racketeering can be conducted by anyone, the history of the labor movement shows that the most substantial corruption of unions is conducted by organized crime families and syndicates.*

*Since its inception, through its Labor Racketeering program, the OIG has conducted criminal investigations that have uncovered millions of dollars of workers’ dues and benefit monies that have been siphoned off by organized crime through embezzlement or more sophisticated devices, such as loans or excessive fees paid to corrupt union and benefit plan service providers. However, union members are not the only group that is affected by organized crime. Because organized crime’s exercise of market power is usually concealed from public view, millions of consumers unknowingly pay what amounts to a tax or surcharge on a wide range of goods and services. By controlling a key union local, organized crime can control the pricing in an entire industry. The public also suffers when organized crime orchestrates illicit strikes and work slowdowns or resorts to violence to maintain its operation of labor rackets.*

*OIG investigations continue to demonstrate the presence of traditional La Cosa Nostra crime groups in the labor union area as well as in union-related employee benefit plans. The OIG is increasing its scrutiny of newly emerging, nontraditional organized crime groups and their potential influence on the nation’s labor unions. Several of the significant racketeering cases that are highlighted below demonstrate the continued influence of organized crime members and their associates in the labor arena.*

*Labor-management relations cases involve improper relationships between management and union officials. Typical labor-management cases range from collusion between representatives of management and corrupt union officials to the use of the threat of “labor problems” to extort money or benefits from employers.*

*Known organized crime members have moved to positions with companies that use criminal contacts to gain favorable advantage through “contractor clubs” using bid-rigging arrangements. In these instances, contractors conspire to monopolize an industry, and each company takes a turn to win a contract. The union is used as a means to enforce bid rigging through extortion or bribery. Organized crime members act as middlemen or as representatives of employers to influence both labor and management. Exposing such relationships can lead to the elimination of illegal practices industry wide, benefiting workers, honest businesses, and the public at large.*

### **DeCavalcante Organized Crime Family Leadership Indicted In New York**

One of our most significant cases in this area involves the indictment of the leadership of the DeCavalcante Organized Crime Family on racketeering charges. For years, the DeCavalcante Crime Family has improperly influenced the construction industry in New York City using labor unions and other means. On October 19, 2000, numerous members of the family were indicted on 63 counts for allegedly engaging in a widespread pattern of racketeering. As a result, Giovanni “John” Riggi, boss of the DeCavalcante Crime Family, along with two acting bosses, the consigliere, two capos, two soldiers, and three associates of the New Jersey-based La Cosa Nostra Family leadership were indicted. The alleged criminal activities included extortion from construction contractors through labor unions, five murders, conspiracies to commit eight murders, loansharking, the operation of an illegal bookmaking network, and conspiracy to commit securities fraud. This indictment is the culmination of a three-year joint investigation with the FBI and the New York Police Department and represents the first time that the DeCavalcante Crime Family’s top leadership has been charged with such broad racketeering activity. *U.S. v. Riggi, et al.* (S.D. New York)

### **RICO Indictment of Organized Crime Members in New Jersey**

Nine members and associates of the North New Jersey Crew of the Philadelphia La Cosa Nostra Family, also known as the Bruno Crime Family, were charged in an 18-count RICO indictment. The indictment was unsealed on March 27, 2001, following the arrest of seven individuals, including a member of the Gambino Crime Family, an associate of the Genovese Crime Family, and an associate of the Luchese Crime Family. It is alleged that Vincent “Beeps” Centorino, former acting captain of the North Jersey faction, conspired with others and assisted in a December 1996 murder that was ordered to maintain power and control of the criminal activities of the Philadelphia La Cosa Nostra Family. At the time, the Philadelphia La Cosa Nostra Family was under the direction of Ralph Natale, now a cooperating witness for the Government. The indictment charged that the racketeering activity took place from 1994 to 2000 and included acts such as murder, extortion, loansharking, gambling, and drug distribution. This is a joint investigation with the FBI, the Postal Inspection Service, and the Newark Police Department. *U.S. v. Centorino, et al.* (D. New Jersey)

*Our typical internal union cases involve instances of corruption, such as union officers' abuse of their positions of authority to embezzle money from union accounts for their own benefit. Investigations in this area also focus on situations in which organized crime groups control or influence a labor organization, frequently in order to exercise influence in an industry for corrupt purposes or to operate traditional vice schemes such as drug dealing and theft. Following are examples illustrative of our work in this area.*

### **Former Teamsters Local President Indicted on RICO Violations in Florida**

Clarence Lark, former 17-year president of Teamsters Local 390 in Miami, Florida, and eight other defendants, including six members of the Local and two members of a Longshoremen's local union, were indicted on November 5, 2000, on 43 counts of Federal violations including RICO, money laundering, importation and possession of narcotics, and conspiracy. The investigation found that since 1985, Lark and his brother-in-law, Local 390 member Larry Crenshaw, allegedly used Teamster-supplied stevedores at a maritime shipping company in Port Everglades, Florida, to facilitate the smuggling of cocaine and marijuana worth millions of dollars. The laundering of narcotics proceeds was used to finance a business controlled by Lark and Crenshaw that rented trucks to movie and television production companies operating in south Florida. To work for these companies, rank-and-file members of Local 390 were allegedly required to make extortion payments to Lark and Crenshaw. This joint investigation began in 1996 with a routine narcotics seizure and led to this precedent-setting RICO indictment. The OIG continues to participate in this joint investigation with the U.S. Customs Service, the IRS, the DEA, and the FBI. *U.S. v. Lark, et al.* (S.D. Florida)

### **Former Illinois Union President Charged in RICO Indictment**

Frank Zeuberis, former president and business manager of Laborers' International Union of North America (LIUNA) Local 5 of Chicago Heights, Illinois, was charged in a 32-count RICO indictment on November 9, 2000. It is alleged that Zeuberis engaged in embezzlement and the creation of false records to conceal unauthorized salary

increases, bonuses, and paid vacation increases for himself, his wife, and two union officials amounting to nearly \$600,000. The investigation found that, from March 1994 to October 1998, Zeuberis allegedly operated Laborers Local 5 as a racketeering enterprise. An internal audit conducted by the Laborers' private inspector general as part of ongoing reform efforts uncovered the alleged improprieties in Zeuberis's submissions for reimbursement and falsified minutes of executive board meetings. This investigation was a joint effort with the FBI. *U.S. v. Zeuberis* (N.D. Illinois)

### **New Jersey Organized Crime Member and Union Employees Indicted for \$750,000 Embezzlement**

On December 19, 2000, reputed Genovese Organized Crime Family member Joseph LoRe and three former officials of International Longshoremens's Association (ILA) Local 1588 of Bayonne, New Jersey, were indicted on charges of embezzling \$750,000 in salaries and unauthorized credit card purchases. The joint investigation found that, between January 1992 and December 1999, the former Local vice president, shop steward, and environmental representative allegedly turned over half of their weekly paychecks to LoRe, a former officer of Local 1588 and the hiring agent for International Terminal Operating Company. It is also alleged that LoRe and a former Local office manager received nearly \$24,000 in kickbacks from service providers in exchange for improperly inflating costs. This investigation is being run jointly with the New Jersey State Police. *U.S. v. LoRe, et al.* (D. New Jersey)

### **Massachusetts Irish Organized Crime Member Pleads Guilty to Racketeering**

On October 13, 2000, Kevin O'Neil, a key member of the Winter Hill Irish Organized Crime Gang in Boston, pled guilty to 26 felonies, including racketeering, extortion, and money laundering. The joint investigation revealed that O'Neil handled the Winter Hill Gang's financial affairs, converting the cash, which included "rent" payments made to the gang by other criminals, into clean money for its boss, James "Whitey" Bulger. O'Neil has agreed to cooperate with the government's ongoing investigation of the gang's criminal enterprises, including labor racketeering, drug trafficking, gambling, and murder. As part of his plea

agreement, O'Neil forfeited his share of a South Boston liquor store and tavern he purchased from Bulger in 1986. Bulger, currently a fugitive to escape a Federal racketeering indictment, obtained the store through extortion and used it as a location at which to extort some of his victims. O'Neil's plea is an important step in the continuing effort to dismantle the Bulger crime organization. The investigation is being conducted jointly with the DEA, IRS, FBI, and the Special Services Unit of the Massachusetts State Police. *U.S. v. O'Neil* (D. Massachusetts)

### **Union Members Removed or Barred from Holding Union Office Because of Organized Crime Ties**

The OIG continued to provide investigative support in internal reform efforts in two international unions. During this reporting period, two administrative actions occurred within LIUNA and the Hotel Employees and Restaurant Employees International Union (HEREIU). These two unions are presently instituting reforms under varying degrees of government oversight. In one case, because of his Organized Crime ties, a HEREIU New Jersey Local 54 member was prohibited from participating in the management of the union and agreed never to be a candidate for any position of trust in any HEREIU entity. In another case, an official of LIUNA Local 1001 and two officials of Local 1006 (Chicago-area Locals) were removed for associating with members of Organized Crime.

*In addition to investigating corruption involving general union funds, the OIG is responsible for combating corruption involving the monies in union-sponsored benefit plans. These pension and benefit plans control hundreds of billions of dollars in assets. Our investigations have shown that these vast sums of money remain vulnerable to corrupt union officials and organized criminal elements. Service providers to union benefit plans continue to be a strong focus of the OIG's investigations, particularly those servicing pension plans.*

*The OIG remains concerned that, with such large amounts of money and limited oversight, union-affiliated benefit plans remain vulnerable to fraud and corruption. The cases summarized in this section include examples of both health plan and pension plan corruption. Also highlighted below are examples of cases that involve employers who evaded collective bargaining obligations to make contributions to union retirement plans or who stole single-employer plan assets entrusted to them.*

### **Company President in Oregon Pleads Guilty to \$4.9 Million Benefit Plan Fraud**

On March 19, 2001, Barclay Grayson, president of Capital Consultants, Inc. (CCI), an investment services firm in Portland, Oregon, pled guilty to one count of mail fraud for his participation in a scheme to defraud CCI clients, including various union plans. Grayson misrepresented and concealed facts relating to CCI's investment in a restructured \$160 million loan to Wilshire Credit Corporation (WCC). In 1998, CCI continued to charge and collect its annual fee on the loan to WCC when in fact the actual value of the loan was substantially less, resulting in a loss to CCI clients of nearly \$5 million. In September 2000, CCI was placed into receivership by PWBA and the Securities and Exchange Commission in parallel civil actions.

Additionally, on February 26, 2001, John Abbott, former business manager and benefit plan trustee for the Oregon, Southern Idaho, and Wyoming District Council of Laborers, pled guilty to charges of accepting gratuities from investment advisor Jeffrey Grayson, former CEO and founder of CCI. The investigation uncovered a complex scheme in which



Abbott retained CCI to make investments for the union's pension, health, and vacation plans. In return, he received secret cash payments of \$150,000 as well as a \$45,000 down payment for a Palm Springs, California, house. Abbott also pled guilty to tax violations for failing to report the payments, which resulted in a tax avoidance of \$76,000 to the IRS. This investigation is being worked jointly with the IRS-Criminal Investigations Division, the FBI, PWBA, and DOL's Office of Labor-Management Standards. *U.S. v. Grayson, U.S. v. Abbott* (D. Oregon)

### **Rhode Island Investment Advisor Pleads Guilty to Defrauding Union Pension Fund**

On February 26, 2001, Todd LaScola, an investment manager and president of CPI Financial Services, pled guilty to mail fraud and wire fraud charges for embezzling over \$6 million from clients to replace losses suffered by the pension fund of the International Brotherhood of Electrical Workers (IBEW) Local 99 in Cranston, Rhode Island. Following IBEW's hiring of CPI to manage the pension fund in 1996, LaScola placed over \$6 million of the fund into risky, unauthorized investments for which he received \$242,000 in illegal commissions and that he did not report to the union. In November 1998, when IBEW learned of the prohibited investment, LaScola illegally transferred \$6 million from several individual investors' accounts to the IBEW fund. This two-year investigation was conducted jointly with the FBI, the U.S. Postal Inspection Service, the Rhode Island State Police, PWBA, the Rhode Island Division of Business Regulation, and the U.S. Securities and Exchange Commission. *U.S. v. LaScola* (D. Rhode Island)

### **Former Vice President of HMO in Cleveland Indicted for Role in Kickback Scheme**

On March 6, 2001, Wellington "Kip" Stretton, former vice president of sales and marketing for Emerald Health Network in Cleveland, Ohio, was indicted on charges of approving commission payments totaling \$54,000 to Harley Gheen, a consultant with Buck Consultants, Inc. Gheen was hired by the Teamsters Local 293 health and welfare fund in Cleveland to assist it in the selection of healthcare coverage for its members. He pled guilty on February 6, 2001, to charges that he accepted illegal commissions to influence Local 293 to utilize the HMO services of Emerald. Emerald received approximately \$4 million in premiums over a four-year period. The investigation revealed that a

long-term objective of certain Emerald officers was allegedly to secure additional Teamsters benefit plan business valued at approximately \$20 million per year in premium payments. The OIG was assisted by the FBI and PWBA in this investigation. *U.S. v. Stretton, U.S. v. Gheen* (N.D. Ohio)

### **Market Research Company and Top Officials Sentenced in Connecticut for Embezzlement**

In February and March 2001, respectively, MRCA Information Services, Inc., of Essex, Connecticut, and its top officials, president David Learner and vice president Michael Hay, were sentenced to a total of nearly three years' imprisonment and six and a half years' probation, ordered to pay \$1.5 million in restitution to 34 former company employees, and debarred from engaging in any activities involving employee benefit plans for 13 years. The investigation revealed that, from 1991 to 1998, Learner and Hay failed to make employee contributions to MRCA's 401(k) plan of over \$760,000. This investigation was conducted jointly with PWBA. *U.S. v. Learner, et al.* (D. Connecticut)

### **Michigan Brokerage Firm Owners Plead Guilty to RICO Conspiracy**

Christopher Roach and Richard Tringale, owners of East West Institutional Services (EWIS), a brokerage firm in Harper Woods, Michigan, pled guilty on December 18, 2000, to charges of RICO conspiracy and paying kickbacks to two union pension fund trustees through a money-laundering operation in the Cayman Islands, Great Britain, and the Isle of Man. In return, the trustees used their positions to select investment advisors who would direct pension fund stock trades for the benefit of EWIS. The investigation revealed that the defendants made payoffs totaling approximately \$1 million to William Close and a now-deceased associate, who served as trustees for Chicago Teamsters Locals 710 and 701 pension funds. Close pled guilty to money laundering and receiving kickbacks in June 2000. This investigation is being conducted with the FBI and PWBA. *U.S. v. Roach, U.S. v. Tringale* (N.D. Illinois)

### **Union Director and Daughter Indicted in Hawaii for Benefit Plan Fraud**

On March 7, 2001, Gary Rodrigues, state director of the United Public Workers (UPW) union (an affiliate of the American Federation of State, County, and Municipal Employees), and his daughter, Robin Sabatini, were indicted on 43 counts of money laundering, mail fraud, embezzlement, and a scheme to defraud the union's dental and healthcare benefit programs of at least \$200,000. In Hawaii, UPW represents 12,000 employees in state government, private hospitals, and nursing homes, and it is the second-largest union in Hawaii. From 1996 to 1998, it is alleged Rodrigues caused UPW members to pay inflated premiums for dental benefits, which included a consulting fee he used to pay off a personal loan and put money into his daughter's company. Rodrigues also allegedly failed to disclose to the union's executive board and general membership that he negotiated a consulting fee to be paid to Sabatini's business in connection with a UPW contract for medical benefits. This investigation was conducted with the IRS-Criminal Investigations Division, the FBI, and the Honolulu Police Department. *U.S. v. Rodrigues, U.S. v. Sabatini* (D. Hawaii)

### **Massachusetts Company Owners Guilty of Fraud Against Carpenters' Union**

On February 16, 2001, Paul and Robert Buonopane, owners of B&B Acoustical Contractors, Inc., of Woburn, Massachusetts, were found guilty on 11 counts of mail and wire fraud directed at the Massachusetts Carpenters' Union and private workers' compensation insurance carriers, and on 19 counts of aiding and assisting in the presentation of false payroll tax returns to the IRS. The investigation determined that, between 1992 and 1997, the Buonopanes conducted an "under-the-table" cash payroll scheme to conceal nearly \$460,000 in wages. This deception allowed B&B to evade approximately \$250,000 in contributions due to five union benefit funds per a collective bargaining agreement as well as substantial amounts of employment taxes and insurance premiums. This was a joint investigative effort with the IRS-Criminal Investigations Division and the Insurance Fraud Bureau of Massachusetts. *U.S. v. Paul Buonopane, U.S. v. Robert Buonopane* (D. Massachusetts)

### **Illinois Doctor Indicted for Defrauding Union Health and Welfare Funds**

Dr. Felix Vasquez-Ruiz of Chicago, Illinois, was indicted on seven counts of mail fraud and 20 counts of healthcare fraud on December 21, 2000. He allegedly devised a scheme to defraud 11 prominent Chicago-based union health and welfare funds, including those of the Teamsters, Laborers, United Food and Commercial Workers, Sheet Metal Workers, and others, by billing for \$400,000 in unnecessary and expensive services. The investigation uncovered that, from October 1996 to January 2000, Dr. Vasquez-Ruiz allegedly targeted Hispanic union members by enticing them with free exams and subjected them to painful, unnecessary tests while failing to provide the proper treatment for actual complaints. The investigation was conducted jointly with the FBI. *U.S. v. Vasquez-Ruiz* (N.D. Illinois)

### **Nevada Clinic Owner Pleads Guilty to \$350,000 in Healthcare Fraud**

On March 19, 2001, Liliana Mirchou, owner of Santa Ana Medical Clinic in Las Vegas, Nevada, pled guilty to healthcare fraud directed at the health and welfare fund of HEREIU Local 150. Under her plea agreement, she must repay the full \$350,000 to Local 150's health fund and to Medicare and forfeit an additional \$350,000. Mirchou admitted that, from January 1996 to November 1998, she authorized the submission of fraudulent medical claims for payment to Local 150 by misrepresenting that the patients were rendered medical services by licensed physicians. In fact, Mirchou employed three illegal aliens at the clinic who were not licensed to provide medical treatment in the United States. The investigation also revealed that some of the patients became seriously ill after being misdiagnosed by the nonlicensed physicians. Prior to the investigation, the State of Nevada Medical Board sanctioned the clinic for medical malpractice after a patient died due to a misdiagnosis by a nonlicensed physician. This was a joint investigation with the FBI and PWBA. *U.S. v. Mirchou* (D. Nevada)

### **New York Construction Company Denied \$3 Million in Contracts Because of Fraudulent Activity**

On February 6, 2001, Serrot Construction of Brooklyn, New York, was notified by the New York City Housing Authority (NYCHA) that it would not be awarded future contracts valued at nearly \$3 million. The investigation revealed improprieties in wages and benefits paid to workers employed on Serrot's Federally-funded projects. Serrot had previously received lucrative contracts for the installation of doors in public housing projects managed and maintained by NYCHA. In addition to Davis-Bacon violations, there were allegations of UI fraud. At the request of the NYCHA OIG, we participated in this investigation along with DOL's Wage and Hour Division and the IRS Asset Forfeiture Task Force.

### **Alaska Business Owner Pleads Guilty to Harboring Illegal Immigrants and Counterfeiting Documents**

Eduardo Delgado, owner of Alaska Finest Painting, pled guilty on February 9, 2001, to all 15 counts of harboring illegal aliens and accepting counterfeit immigration documents in his scheme to utilize undocumented alien employees for his painting business. Per his plea agreement, Delgado has agreed to pay restitution of over \$224,000 for back wages owed. The investigation uncovered that Delgado failed to pay minimum wages and overtime over a three-year period. In addition, he threatened the illegal alien workers if they reported this information to the proper authorities. This was a joint investigation with the INS and the Wage and Hour Division. *U.S. v. Delgado* (D. Alaska)

### **Restaurant Owner in California Guilty of Exploiting Bangladeshi Woman for Cheap Labor**

As detailed in the Significant Concerns section of this Semiannual Report, we have been working with the Department of Justice's Worker Exploitation Task Force. On January 19, 2001, Nur Alamin, owner of the Great Star of India Restaurant in Los Angeles, California, was convicted of Federal civil rights and immigration charges for holding a Bangladeshi national against her will and forcing her to work in his home and business

for a five-year period. Alamin's wife, Rabiya Akhter, had previously pled guilty to harboring an illegal alien. The investigation revealed that Alamin and his wife brought the victim, a 28-year-old woman, from a remote village in Bangladesh to the United States in July 1995. The victim was forced to work as a live-in housekeeper and to take care of Alamin's sons, receiving little or no pay for her labor. Alamin used force against the victim—including beating her with a broom, choking her, kicking her, and sexually assaulting her—and threatened to kill the woman and her family in Bangladesh if she attempted to stop working for him. The victim escaped in June 2000 after suffering a beating. The OIG participated in this case with the INS and the FBI. *U.S. v. Alamin, U.S. v. Akhter* (C.D. California)



*Strengthening  
Departmental  
Programs*

# Legislative Recommendations

*Section 4(a) of the Inspector General Act of 1978 requires the Inspectors General to review existing or proposed legislation and regulations and to make recommendations in the Semiannual Report concerning their impact on the economy and efficiency of the Department's programs and on the prevention of fraud and abuse. The most important legislative items of concern to the OIG are:*

- *authorizing the Department to access unemployment insurance and Social Security wage records for purposes of program evaluation;*
- *ensuring the integrity of the Federal Employees' Compensation Act; and*
- *granting the Inspectors General statutory law enforcement authority.*

### **Access to Unemployment Insurance and Social Security Wage Records for Purposes of Program Evaluation**

The Department of Labor needs the authority to access wage records for various purposes. These include measuring the long-term impact of employment and training services on job retention and earnings and identifying individuals who are receiving workers' compensation disability benefits from the Department but who are, in fact, working. With respect to measuring the long-term impact of DOL employment and training programs, our experience has been that outcome information is very difficult to obtain, especially if agencies cannot access Unemployment Insurance and Social Security Administration wage records. The OIG has the authority to issue subpoenas to obtain UI wage records but not to obtain Social Security wage records. However, this subpoena authority does not always enable the OIG to obtain UI wage records in a timely and useful manner, as states may invoke Federal UI confidentiality policies and/or state nondisclosure statutes to hinder our access. We are hopeful that some legislative clarification will be considered by the Congress to help us gain unimpeded access to UI and Social Security wage records.



## **Integrity of the Federal Employees' Compensation Act**

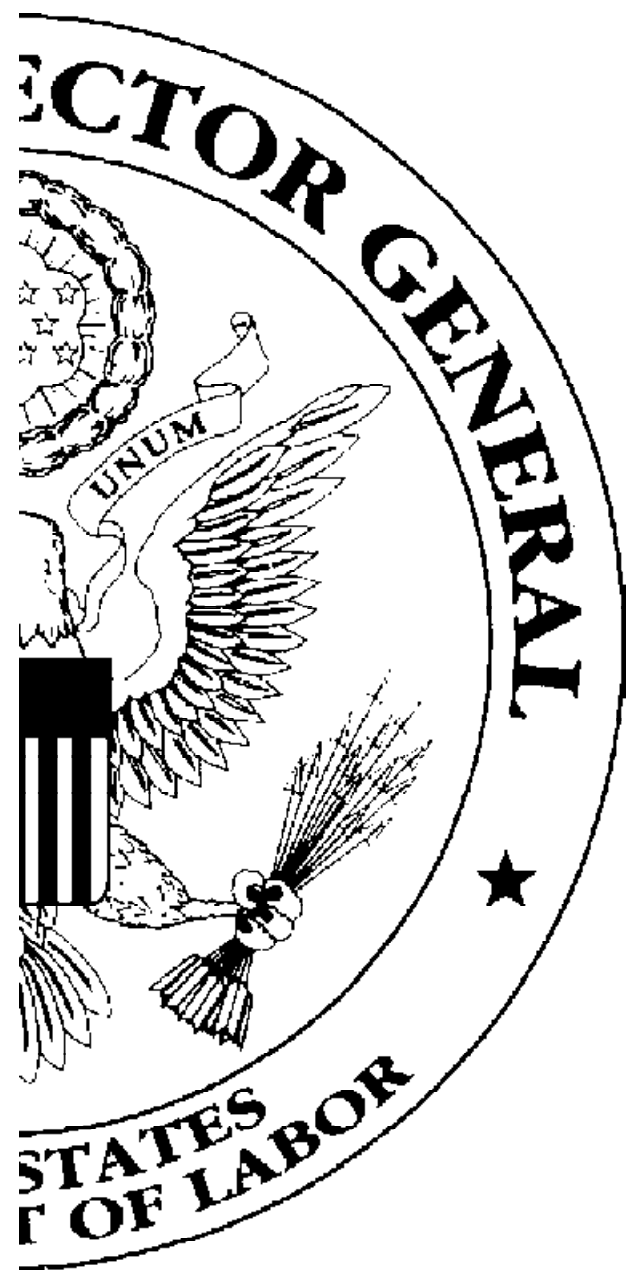
There are three areas in the Federal Employees' Compensation Act in which legislative changes would result in significant savings for the Federal government. These areas are:

- moving people into a form of retirement (FECA annuity or Office of Personnel Management retirement) after a certain age if they are still injured. There is an unintended incentive in the FECA program for claimants to remain on the disability rolls because their tax-free benefits may be greater than their taxed benefits in a Federal retirement program;
- returning a three-day waiting period to the beginning of the 45-day continuation of pay process to require employees to use accrued sick leave or leave without pay before their FECA benefits begin. Currently this waiting period is at the end of the claims process; and
- granting authority to the Department to access Social Security wage records in order to identify claimants defrauding the program (as discussed previously).

## **Statutory Law Enforcement Authority for Inspectors General**

For many years, the OIG has operated with temporary law enforcement authority, first with case-by-case deputation and currently with an organizational blanket deputation through a memorandum of understanding (MOU) with the Department of Justice (DOJ). We would support legislation that would provide permanent statutory law enforcement authority to inspectors general. The law could mirror the framework under which our agents are currently deputized under the MOU with the DOJ and could require the OIG to continue to follow DOJ operational guidelines, conform to DOJ's training and qualification requirements, and coordinate extensively through the cognizant U.S. Attorney's Office.





*Reports  
and  
Statistics*

# Appendix

## Appendix

### Requirements Under the Inspector General Act of 1978

Section 4(a)(2) - Review of Legislation and Regulation .....	69
Section 5(a)(1) - Significant Problems, Abuses, and Deficiencies .....	All
Section 5(a)(2) - Recommendations with Respect to Significant Problems, Abuses, and Deficiencies .....	All
Section 5(a)(3) - Prior Significant Recommendations on Which Corrective Action Has Not Been Completed .....	86-88
Section 5(a)(4) - Matters Referred to Prosecutive Authorities .....	2
Section 5(a)(5) and Section 6(b)(2) - Summary of Instances Where Information Was Refused .....	None
Section 5(a)(6) - List of Audit Reports .....	89-92
Section 5(a)(7) - Summary of Significant Reports .....	All
Section 5(a)(8) - Statistical Tables on Management Decisions on Questioned Costs .....	77
Section 5(a)(9) - Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use .....	75
Section 5(a)(10) - Summary of Each Audit Report over Six Months Old for Which No Management Decision Has Been Made .....	86-88
Section 5(a)(11) - Description and Explanation for Any Significant Revised Management Decision .....	None
Section 5(a)(12) - Information on Any Significant Management Decisions with Which the Inspector General Disagrees .....	None

### Senate Report No. 96-829

Resolution of Audits .....	89-92
Money Owed to the Department .....	79

### House Report No. 106-370

Summary of Monetary Audit Finding Resolution .....	80
Questioned Costs .....	81-83
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Note: This page cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, Senate Report No. 96-829 (Supplemental 1980 Appropriations and Rescissions Bill), and House Report No. 106-370 (FY 2000 Labor, HHS, Education, and Related Agencies Appropriation Bill) to the specific pages where they are addressed. The amount of "delinquent debts" owed to the Department can be found in the annual Consolidated Financial Statement Audit.

This schedule depicts the activity during the six-month reporting period for those funds that were recommended by the auditor to be put to better use.

	Number of Reports	Dollar Value (\$ millions)
A. For which no management decision had been made as of the commencement of the reporting period	4	8.0
B. Which were issued during the reporting period	<u>3</u>	<u>1.8</u>
<b>Subtotals (A + B)</b>	<b>7</b>	<b>9.8</b>
C. For which a management decision was made during the reporting period	2	
• Dollar value of recommendations that were agreed to by management		1.7
• Dollar value of recommendations that were not agreed to by management		0.0
D. For which no management decision had been made as of the end of the reporting period	<u>5</u>	<u>8.1</u>
E. For which no management decision has been made within six months of issuance	<u>2</u>	<u>6.3</u>

This schedule depicts the activity during the six-month reporting period for those funds that were recommended by the auditor to be put to better use.

	Number of Reports	Funds Recommended for Better Use (\$ millions)
A. For which final action had not been taken as of the commencement of the reporting period*	6	13.1
B. For which management decisions were made during the reporting period	<u>3</u>	<u>5.7</u>
<b>Subtotals (A+B)</b>	<b>9</b>	<b>18.8</b>
C. For which final action was taken during the reporting period	4	
• Dollar value of recommendations that were actually completed		2.4
• Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		<u>0.03</u>
D. For which no final action had been taken by the end of the period*	<u>5</u>	<u>16.4</u>

\* Does not include two audits with recommendations that funds be put to better use in the amount of \$2.9 million that are currently under appeal.

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

	Number of Reports	Questioned Costs (\$ millions)
A. For which no management decision had been made as of the commencement of the reporting period (as adjusted)	56	53.6
B. Which were issued during the reporting period	<u>7</u>	<u>2.1</u>
<b>Subtotals (A + B)</b>	<b>63</b>	<b>55.7</b>
C. For which a management decision was made during the reporting period	13	
• Dollar value of disallowed costs		2.2
• Dollar value of costs not disallowed		2.6
D. For which no management decision had been made as of the end of the reporting period	<u>50</u>	<u>50.9</u>
E. For which no management decision has been made within six months of issuance	<u>43</u>	<u>48.8</u>

This schedule presents the activity for costs that have been disallowed during the six-month period.

	Number of Reports	Disallowed Costs (\$ millions)
A. For which final action had not been taken as of the commencement of the reporting period (as adjusted)	61	16.3
B. For which management or appeal decisions were made during the reporting period	<u>14</u>	<u>2.3</u>
<b>Subtotals (A+B)</b>	<b>75</b>	<b>18.6</b>
C. For which final action was taken during the reporting period*		
• Dollar value of disallowed costs that were recovered		1.6
• Dollar value of disallowed costs that were written off by management		0.1
D. For which no final action had been taken by the end of the reporting period	<u>58</u>	<u>16.9**</u>

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

\*\*Does not include \$28 million of disallowed costs that are under appeal.



**Delinquent Debts Owed to DOL  
(as of March 31, 2001)**

**Appendix**

Agency/ Program	Accounts Receivable Current (\$ millions)	Accounts Receivable Delinquent (\$ millions)	Accounts Receivable Total (\$ millions)
BLS	0.0	0.0	0.0
ESA:			
Black Lung	30.5	2.7	33.2
FECA	22.3	18.2	40.5
Longshore	1.0	2.1	3.1
Back Wage	2.4	2.6	5.0
Civil Monetary Penalties	1.1	6.0	7.1
ETA	3.9	9.1	13.0
MSHA	2.0	12.5	14.5
OSHA	10.0	41.9	51.9
PWBA	<u>0.8</u>	<u>11.6</u>	<u>12.4</u>
Total	<u>74.0</u>	<u>106.7</u>	<u>180.7</u>

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

## Appendix

### Summary Monetary Audit Finding Resolution (as of March 31, 2001)

Fiscal Year of Issuance	Number of Reports with Questioned/Unsupported Costs or FPBU <sup>1</sup> Recommendations	Total Questioned/Unsupported Costs or FPBU Recommendations (\$)	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Management Concurrence (\$)
1992	135	128,854,297	76,153,492	53,470,599	18,831,025	3,851,868
1993	107	30,750,412	11,497,060	4,383,610	5,499,007	1,614,443
1994	84	36,750,685	14,558,875	4,753,271	5,267,804	4,537,800
1995	74	11,075,810	4,025,013	1,441,427	1,853,854	729,732
1996	80	77,774,604	70,997,209	18,725,648	51,164,236	1,107,325
1997	81	51,617,420	37,289,393	18,945,119	5,318,577	13,025,697
1998	25	27,903,776	24,849,382	10,427,885	262,596	14,158,901
1999	38	77,002,711	92,966,327 <sup>2</sup>	84,336,590	150,154	8,479,583
2000	54	62,869,790	15,505,229	317,954	257,967	14,929,308
2001	10	3,965,492	0	0	0	0

<sup>1</sup> Funds Put to Better Use

<sup>2</sup> Includes concurrence with \$69,731,931 of audit questioned/unsupported costs or FPBU recommendations, plus \$23,234,396 of additional costs disallowed by the DOL Contracting Officers as a result of audit resolution.

# Appendix

## Monetary Audit Finding Resolution: Questioned or Unsupported Costs

Fiscal Year of Issuance	Number of Reports with Questioned/Unsupported Costs	Questioned/Unsupported Costs (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
<b>1992</b>	129	86,650,803	1992	17,593,752	1,052,295	2,051,481	14,489,976
			1993	5,356,209	4,507,998	824,770	14,513,417
			1994	3,563,743	1,425,039	2,739,341	13,912,780
			1995	1,716,599	359,057	5,651,533	9,618,789
			1996	0	121,685	1,379,310	8,117,794
			1997	0	1,353,640	1,302,337	5,461,817
			1998	0	5,000	852,803	4,604,014
			1999	0	4,682	0	4,599,332
			2000	5,660,319	2,376,233	4,029,450	3,853,968
			2001	0	2,100	0	3,851,868
<b>YTD Totals</b>	<b>129</b>	<b>86,650,803</b>		<b>33,890,622</b>	<b>11,207,729</b>	<b>18,831,025</b>	<b>3,851,868</b>
<b>1993</b>	102	30,486,668	1993	7,157,258	141,040	965,848	6,050,370
			1994	3,862,476	522,238	93,549	9,297,059
			1995	53,229	292,241	1,450,938	7,607,109
			1996	33,904	1,310,561	41,051	6,289,401
			1997	280,493	492,803	99,593	5,977,498
			1998	0	1,128,721	2,063,315	2,785,462
			1999	0	384,891	0	2,400,571
			2000	0	1,415	784,713	1,614,443
			2001	0	0	0	1,614,443
			<b>YTD Totals</b>	<b>102</b>	<b>30,486,668</b>		<b>11,387,360</b>
<b>1994</b>	83	34,850,685	1994	2,234,529	281,554	38,534	1,914,441
			1995	8,182,628	635,826	1,153,093	8,308,150
			1996	507,762	518,590	1,241,750	7,055,572
			1997	467,029	57,052	1,038,501	6,427,048
			1998	1,266,927	1,211,207	732,756	5,750,012
			1999	0	107,472	201,789	5,440,751
			2000	0	41,570	861,381	4,537,800
			2001	0	0	0	4,537,800
<b>YTD Totals</b>	<b>83</b>	<b>34,850,685</b>		<b>12,658,875</b>	<b>2,853,271</b>	<b>5,267,804</b>	<b>4,537,800</b>

# Appendix

## Monetary Audit Finding Resolution: Questioned or Unsupported Costs

Fiscal Year of Issuance	Number of Reports with Questioned/Unsupported Costs	Questioned/Unsupported Costs (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
1995	74	11,075,810	1995	1,423,617	31,522	2,384	1,389,711
			1996	663,335	216,896	331,436	1,504,714
			1997	1,394,126	136,805	3,235	2,758,800
			1998	433,559	626,905	1,381,297	1,184,157
			1999	52,750	39,280	30,769	1,166,858
			2000	57,626	390,019	104,733	729,732
			2001	0	0	0	729,732
<b>YTD Totals</b>	<b>74</b>	<b>11,075,810</b>		<b>4,025,013</b>	<b>1,441,427</b>	<b>1,853,854</b>	<b>729,732</b>
1996	77	11,490,160	1996	966,308	350,404	602	615,302
			1997	1,403,519	799,321	6,771	1,212,729
			1998	1,030,269	175,833	84,578	1,982,587
			1999	346,508	470,309	230,855	1,627,931
			2000	1,318,789	994,040	576,821	1,375,859
			2001	0	35,741	232,793	1,107,325
<b>YTD Totals</b>	<b>77</b>	<b>11,490,160</b>		<b>5,065,393</b>	<b>2,825,648</b>	<b>1,132,420</b>	<b>1,107,325</b>
1997	72	28,028,226	1997	3,890,134	1,544,155	814,113	1,531,866
			1998	2,219,981	2,156,581	90,098	1,505,168
			1999	2,998,677	1,130,676	968,701	2,404,468
			2000	4,357,335	649,467	45,665	6,066,671
			2001	737,004	919,451	0	5,884,224
<b>YTD Totals</b>	<b>72</b>	<b>28,028,226</b>		<b>14,203,131</b>	<b>6,400,330</b>	<b>1,918,577</b>	<b>5,884,224</b>
1998	21	23,611,939	1998	6,114,199	5,182,808	0	931,391
			1999	14,348,256	1,120,018	28,699	14,130,930
			2000	270,090	1,409,084	233,897	12,758,039
			2001	0	283,226	0	12,474,813
<b>YTD Totals</b>	<b>21</b>	<b>23,611,939</b>		<b>20,732,545</b>	<b>7,995,136</b>	<b>262,596</b>	<b>12,474,813</b>

# Appendix

## Monetary Audit Finding Resolution: Questioned or Unsupported Costs

Fiscal Year of Issuance	Number of Reports with Questioned/Unsupported Costs	Questioned/Unsupported Costs (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
<b>1999</b>	30	65,154,720	1999	2,454,668	1,446,468	131,992	876,208
			2000	77,812,234 <sup>1</sup>	71,398,179	18,162	7,272,101
			2001	1,207,482	0	0	8,479,583
<b>YTD Totals</b>	<b>30</b>	<b>65,154,720</b>		<b>81,474,384</b>	<b>72,844,647</b>	<b>150,154</b>	<b>8,479,583</b>
<b>2000</b>	48	45,442,557	2000	4,583,703	13,625	0	4,570,078
			2001	266,648	304,329	53,574	4,478,823
<b>YTD Totals</b>	<b>48</b>	<b>45,442,557</b>		<b>4,850,351</b>	<b>317,954</b>	<b>53,574</b>	<b>4,478,823</b>
<b>2001</b>	7	2,121,242	2001	0	0	0	0
<b>YTD Totals</b>	<b>7</b>	<b>2,121,242</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<sup>1</sup> Includes concurrence with \$54,577,838 of audit questioned costs, plus \$23,234,396 of additional costs disallowed by DOL contracting officers as a result of audit resolution.

# Appendix

## Monetary Audit Finding Resolution: Funds Put to Better Use

Fiscal Year of Issuance	Number of Reports with FPBU Recommendations	Funds Recommended for Better Use (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
1992	6	42,203,494	1992	42,262,870	452,391	0	41,810,479
			1993	0	41,810,479	0	0
<b>YTD Totals</b>	<b>6</b>	<b>42,203,494</b>		<b>42,262,870</b>	<b>42,262,870</b>	<b>0</b>	<b>0</b>
1993	5	263,744	1993	29,700	29,700	0	0
			1994	80,000	0	0	80,000
			1995	0	80,000	0	0
<b>YTD Totals</b>	<b>5</b>	<b>263,744</b>		<b>109,700</b>	<b>109,700</b>	<b>0</b>	<b>0</b>
1994	1	1,900,000	1994	1,900,000	0	0	1,900,000
			1995	0	1,900,000	0	0
<b>YTD Totals</b>	<b>1</b>	<b>1,900,000</b>		<b>1,900,000</b>	<b>1,900,000</b>	<b>0</b>	<b>0</b>
1995	0	0	1995	0	0	0	0
<b>YTD Totals</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1996	3	66,284,444	1996	15,900,000	0	0	15,900,000
			1997	0	8,000,000	0	7,900,000
			1998	50,031,816	0	50,000,000	7,931,816
			1999	0	7,900,000	0	31,816
			2000	0	0	0	31,816
2001	0	0	0	31,816	0		
<b>YTD Totals</b>	<b>3</b>	<b>66,284,444</b>		<b>65,931,816</b>	<b>15,900,000</b>	<b>50,031,816</b>	<b>0</b>

# Appendix

## Monetary Audit Finding Resolution: Funds Put to Better Use

Fiscal Year of Issuance	Number of Reports with FPBU Recommendations	Funds Recommended for Better Use (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
<b>1997</b>	9	23,589,194	1997	769,831	769,831	0	0
			1998	18,779,304	3,206,513	0	15,572,791
			1999	3,537,127	8,568,445	3,400,000	7,141,473
			2000	0	0	0	7,141,473
			2001	0	0	0	7,141,473
<b>YTD Totals</b>	<b>9</b>	<b>23,589,194</b>		<b>23,086,262</b>	<b>12,544,789</b>	<b>3,400,000</b>	<b>7,141,473</b>
<b>1998</b>	4	4,291,837	1998	582,608	582,608	0	0
			1999	3,534,229	1,850,141	0	1,684,088
			2000	0	0	0	1,684,088
			2001	0	0	0	1,684,088
<b>YTD Totals</b>	<b>4</b>	<b>4,291,837</b>		<b>4,116,837</b>	<b>2,432,749</b>	<b>0</b>	<b>1,684,088</b>
<b>1999</b>	8	11,847,991	1999	5,043,293	4,356,466	0	686,827
			2000	4,748,650	4,748,650	0	686,827
			2001	1,700,000	2,386,827	0	0
<b>YTD Totals</b>	<b>8</b>	<b>11,847,991</b>		<b>11,491,943</b>	<b>11,491,943</b>	<b>0</b>	<b>0</b>
<b>2000</b>	6	17,427,233	2000	10,654,878	0	0	10,654,878
			2001	0	0	204,393	10,450,485
<b>YTD Totals</b>	<b>6</b>	<b>17,427,233</b>		<b>10,654,878</b>	<b>0</b>	<b>204,393</b>	<b>10,450,485</b>
<b>2001</b>	3	1,844,250	2001	0	0	0	0
<b>YTD Totals</b>	<b>3</b>	<b>1,844,250</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Appendix

## Unresolved Audits over Six Months Old

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

Agency/Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs (\$)
<b>Nonmonetary Recommendations and Questioned Costs:</b>					
<b>Being Resolved in Conjunction with DOL Consolidated Financial Statement Audit:</b>					
ESA/Admin	08/18/94	ESA Salaries and Expenses	03-94-008-04-001	2	0
OASAM/Admin	06/15/95	FY94 DOL Consolidated Financials	12-95-004-07-001	2	0
CFO/Admin	08/19/96	DOL FY95 Management Comments	12-96-016-13-001	2	0
CFO/Admin	05/01/96	FY95 DOL Consolidated Financials	12-96-007-13-001	1	0
CFO/Admin	02/27/98	FY97 Consolidated Financials	12-98-002-13-001	2	0
CFO/Admin	10/19/98	FY97 Management Advisory Comments	12-99-001-13-001	3	0
CFO/Admin	02/26/99	FY98 Consolidated Financials	12-99-002-13-001	1	0
CFO/Admin	07/20/00	FY99 DOL Management Advisory Comments	12-00-006-13-001	6	0
<b>Working with U.S. Department of Education to Resolve:</b>					
ETA/STW	05/09/97	School-to-Work	05-97-002-03-385	13	16,821
ETA/STW	05/09/97	School-to-Work	05-97-003-03-385	8	34,847
<b>Pending Indirect Cost Negotiations:</b>					
OASAM/OPGM	11/04/94	Homebuilders Institute	18-95-001-07-735	1	628,158
OASAM/OPGM	11/04/94	Homebuilders Institute	18-95-002-07-735	2	748,379
OASAM/OPGM	11/04/94	Homebuilders Craft Skills	18-95-003-07-735	7	353,479
ETA/OJC	02/19/99	Advantage Resource Group	18-99-008-03-370	1	23,036
<b>Under Litigation or Alternative Dispute Resolution:</b>					
ETA/OJC	09/10/96	National Plastering Industries	18-96-024-03-370	2	145,344
<b>Audit Under Appeal at State Level:</b>					
ETA/JTPA	02/26/96	City of Chicago JTPA	05-96-001-03-340	3	679,773
<b>Management Decision Not Yet Issued by Agency:</b>					
ETA/Admin	11/29/99	Xpand Corporation	18-00-001-03-001	2	106,757
ETA/UIS	09/26/97	Virgin Island UI	02-97-220-03-315	8	269,404
ETA/UIS	10/19/99	Single Audit: State of Indiana-1997	18-00-501-03-315	10	161,548
ETA/UIS	10/19/99	Single Audit: State of Indiana-1998	18-00-502-03-315	7	311,872
ETA/UIS	01/10/00	Single Audit: State of Minnesota-1998	18-00-517-03-315	3	0
ETA/UIS	01/10/00	Single Audit: State of Nevada-1997	18-00-520-03-315	2	0
ETA/UIS	09/25/00	Allegation of Misuse of UI Funds	03-00-010-03-315	1	967,426



# Appendix

## Unresolved Audits over Six Months Old

Agency/Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs (\$)
<b>Management Decision Not Yet Issued by Agency (continued):</b>					
ETA/UIS	09/28/00	Survey of Office of Workforce	03-00-011-03-315	4	0
ETA/UIS	09/12/00	North Carolina Y2K Conversion Expenditures	04-00-003-03-315	1	39,690
ETA/UIS	09/22/00	Single Audit: Michigan Consumer and Industry	12-00-524-03-315	4	0
ETA/UIS	06/08/00	Single Audit: State of Idaho 1998	12-00-536-03-315	1	148,414
ETA/UIS	04/17/00	Single Audit: State of Louisiana 1999	18-00-534-03-315	6	2,429,691
ETA/USES	07/31/00	Single Audit: State of Ohio	12-00-503-03-320	1	0
ETA/USES	07/31/00	Single Audit: State of Oklahoma 1999	12-00-505-03-320	1	205,000
ETA/USES	09/07/00	Single Audit: D.C. Department of Employment Services	12-00-517-03-320	4	0
ETA/SESA	01/17/96	Proposed FY 96 Rental Rates	06-96-001-03-325	5	344,822
ETA/SESA	03/21/97	DOL Equity in SESA Real Property - Colorado	06-97-010-03-325	1	79,346
ETA/SESA	08/13/97	DOL Equity in SESA Real Property - New York	06-97-051-03-325	1	3,952,692
ETA/SESA	08/21/97	DOL Equity in SESA Real Property - Oregon	06-97-053-03-325	1	739,444
ETA/SESA	08/22/97	DOL Equity in SESA Real Property - Idaho	06-97-054-03-325	1	297,400
ETA/SESA	09/30/97	DOL Equity in SESA Real Property - Roll-up Report	06-97-056-03-325	7	0
ETA/SESA	12/08/99	Puerto Rico Department of Labor and Human Resources	02-00-203-03-325	9	15,814,678
ETA/SESA	09/18/00	Single Audit: Puerto Rico Dept of Labor and Human Resource	02-00-218-03-325	6	287,065
ETA/SESA	08/23/00	Single Audit: State of Florida	12-00-514-03-325	9	0
ETA/USES	07/31/00	Single Audit: State of Tennessee	12-00-512-03-325	1	0
ETA/JTPA	09/25/98	Cherokee Nation	06-98-009-03-340	9	529,272
ETA/JTPA	09/07/99	Atlanta PIC PY 1996 JTPA Contracts	04-99-007-03-340	3	543,117
ETA/JTPA	09/22/99	New Mexico Service Delivery Area	06-99-008-03-340	13	360,106
ETA/JTPA	01/10/00	Single Audit: State of Nevada 1998	18-00-521-03-340	1	0
ETA/JTPA	03/06/00	Single Audit: State of Iowa 1998	18-00-529-03-340	4	0
ETA/JTPA	09/28/00	New York State DOL JTPA Title III Expenditures	02-00-214-03-340	2	0
ETA/JTPA	09/20/00	Florida Cash Management Practices	04-00-004-03-340	3	3,438,078
ETA/JTPA	07/31/00	Single Audit: State of New Mexico 1998, 1999	12-00-500-03-340	12	0
ETA/JTPA	07/31/00	Single Audit: State of Oregon 1999	12-00-501-03-340	3	0
ETA/JTPA	08/31/00	Single Audit: National Alliance of Business	12-00-516-03-340	1	0
ETA/JTPA	09/18/00	Single Audit: State of Maine	12-00-521-03-340	2	0
ETA/JTPA	09/26/00	Single Audit: National Center on Education	12-00-526-03-340	2	267,251
ETA/JTPA	09/29/00	Single Audit: Commonwealth of Kentucky 1998	12-00-528-03-340	7	613,950
ETA/JTPA	06/08/00	Single Audit: State of Florida 1998	12-00-535-03-340	2	0
ETA/JTPA	06/08/00	Single Audit: Ironton Lawrence County	12-00-537-03-340	1	10,768
ETA/JTPA	08/04/00	American Association of Community Colleges	18-00-008-03-340	2	198,687
ETA/DINAP	07/31/00	Single Audit: Confederated Tribes of Warm Springs	12-00-513-03-355	2	34,883
ETA/DINAP	08/28/00	Single Audit: United Sioux Tribes of South Dakota	12-00-519-03-355	1	0

# Appendix

## Unresolved Audits over Six Months Old

Agency/Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs (\$)
<b>Management Decision Not Yet Issued by Agency (continued):</b>					
ETA/DINAP	09/15/00	Single Audit: Leech Lake Reservation	12-00-520-03-355	2	0
ETA/DINAP	06/08/00	Single Audit: Puyallup Tribe of Indians	12-00-525-03-355	5	0
ETA/DOWP	03/29/00	National Senior Citizens Education and Research Center	18-00-006-03-360	8	5,684,923
ETA/DOWP	06/08/00	Single Audit: State of Arizona 1998	12-00-538-03-360	1	0
ETA/DSFP	06/02/00	Central Valley Opportunity Center	09-00-003-03-365	13	535,579
ETA/DSFP	09/26/00	Audit of Center for Employment and Training	09-00-006-03-365	15	5,797,229
ETA/DSFP	07/31/00	Single Audit: Portable Practical Education	12-00-511-03-365	3	0
ETA/OJC	09/22/99	Talking Leaves Job Corps Center	06-99-010-03-370	12	1,052,574
ETA/OJC	03/30/00	Nat'l Plastering Industry's Joint Apprenticeship Trust Fund	18-00-005-03-370	4	536,359
ETA/OJT	09/22/00	Followup Audit of Job Corps S&H	05-00-007-03-370	11	0
ETA/STW	09/23/99	Hawaii Department of Education	18-99-501-03-385	1	50,000
ETA/WTW	05/22/00	Postaward Survey of Deveraux	03-00-006-03-386	2	1,995
ETA/WIA	02/08/00	Vermont's One-Stop Readiness	02-00-205-03-390	4	0
ETA/WIA	02/22/00	Connecticut's One-Stop Readiness	02-00-206-03-390	5	0
ETA/WIA	02/22/00	New York's One-Stop Readiness	02-00-207-03-390	6	0
ETA/WIA	03/14/00	Illinois's One-Stop Readiness	02-00-209-03-390	3	0
ETA/WIA	03/14/00	California's One-Stop Readiness	02-00-210-03-390	6	0
ETA/WIA	03/22/00	Florida's One-Stop Readiness	02-00-211-03-390	3	0
ESA/ADMIN	09/26/00	OFCCP Region IX Information System Security	09-00-007-04-001	1	0
CFO/ADMIN	09/02/99	FY 1998 Management Advisory Comments	12-99-009-13-001	19	30
CFO/ADMIN	02/29/00	FY 1999 DOL Consolidated Financial Statement	12-00-003-13-001	1	0
DOL/MULTI	09/16/99	Milwaukee Area American Indian Manpower	05-99-009-50-598	25	352,693
DOL/MULTI	09/20/99	SER Corporation of Kansas	05-99-021-50-598	3	3,783
<b>Total Nonmonetary Recommendations and Questioned Costs:</b>				<b>375</b>	<b>48,796,363</b>
<b>Total Funds Recommended for Better Use:</b>					
<b>Management Decision Not Yet Issued by Agency:</b>					
ETA/JTPA	09/28/00	New York State JTPA Title III Expenditures	02-00-214-03-340	2	6,102,478
ETA/JTPA	09/20/00	Florida Cash Management Practices	04-00-004-03-340	1	185,000
<b>Total Funds Recommended for Better Use:</b>				<b>3</b>	<b>6,287,478</b>
<b>Total Nonmonetary Recommendations, Questioned Costs, and Funds Recommended for Better Use:</b>				<b>378</b>	<b>55,083,841</b>

# Appendix

## Final Audit Reports Issued by the OIG

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

<b><u>Strategic Goal</u></b> <b>Program Name</b> Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
<b><u>Employment and Training</u></b>						
<b>Trade Adjustment Assistance</b>						
GPRA Performance Measures Audit of the Dislocated Worker, Trade Adjustment Assistance, and NAFTA Transitional Adjustment Assistance Programs	03-21-01	23-01-001-03-330	4	0	0	0
<b>Job Training Partnership Act</b>						
Title IIC Out-of-School Youth Performance Audit	03-19-01	06-01-001-03-340	4	0	0	0
Out-of-School Youth Pilot Demonstration Grant Program for Four Final Round Pilot Grantees	03-27-01	06-01-002-03-340	3	0	0	0
<b>Indian and Native American Programs</b>						
Single Audit: American Indian OIC	11-03-00	12-01-503-03-355	0	11,786	0	0
<b>Job Corps</b>						
Glenmont Job Corps Center	10-10-00	02-01-201-03-370	0	0	0	0
Woodstock Job Corps Center	03-23-01	02-01-202-03-370	1	6,817	0	0
Adams and Associates, Inc., Indirect Costs	03-23-01	02-01-203-03-370	0	167,863	0	0
Detroit Job Corps Center Expenses	03-22-01	02-01-204-03-370	1	0	0	0
Hubert H. Humphrey Job Corps Center	03-22-01	02-01-205-03-370	1	0	0	0
Penobscot Job Corps Center	03-21-01	02-01-206-03-370	2	67,192	0	0
Training Development Corporation Indirect Costs	03-20-01	02-01-207-03-370	0	0	0	0
Zellner Construction Company	02-13-01	04-01-003-03-370	0	0	332,611	0
Privacy and Procurement Issues – Job Corps Student Transportation System	03-26-01	09-01-202-03-370	3	0	0	0
National Office Job Corps Procurement	03-07-01	09-01-203-03-370	0	0	0	0
<b>Welfare-to-Work Program</b>						
Prince George's Workforce Corporation's Competitive Grant	10-03-00	03-01-001-03-386	4	0	0	0
Stillman College Competitive Grant	03-20-01	04-01-002-03-386	2	194,936	0	0
Greater Omaha Workforce Development	03-07-01	05-01-001-03-386	1	0	0	0
Single Audit: City of Omaha	11-03-00	12-01-501-03-386	1	0	0	0
<b>Goal Totals</b>		<b>18</b>	<b>27</b>	<b>448,594</b>	<b>332,611</b>	<b>0</b>

# Appendix

## Final Audit Reports Issued by the OIG

<b><u>Strategic Goal</u></b>	Date Issued	Report Number	Number of Non-Monetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
<b>Program Name</b>						
Name of Report						
<b><u>Worker Benefits Programs</u></b>						
<b>Unemployment Insurance Service</b>						
State of Maryland Unemployment Insurance						
ADP/IT Central Service Costs Charged to DOL Grants	02-23-01	03-01-002-03-315	2	0	1,339,695	0
Follow up on Results of Blocked Claim Audits for CY 2000	03-09-01	03-01-004-03-315	0	0	0	6,002,970
New Mexico Department of Labor Y2K Grant Expenditures	02-26-01	04-01-001-03-315	0	914,221	171,944	0
Nevada Department of Employment and Training Rehabilitation Y2K Grant Expenditures	03-19-01	04-01-004-03-325	1	758,427	0	0
<b>State Employment Security Agency</b>						
Single Audit: State of Alaska	11-02-00	12-01-500-03-325	4	0	0	0
Single Audit: State of Maryland	12-06-00	12-01-502-03-325	7	0	0	0
<b>Federal Employees' Compensation</b>						
Special Report Relating to the FECA Special Benefit Fund	12-15-00	22-01-003-04-431	0	0	0	0
<b>Longshore and Harbor Workers' Compensation</b>						
Longshore and Harbor Workers' Compensation Act Special Fund Financial Statements	03-27-01	22-01-007-04-432	0	0	0	0
District of Columbia Workmen's Compensation Act Special Fund Financial Statements	03-27-02	22-01-008-04-432	0	0	0	0
<b>Coal Mine Workers' Compensation (Black Lung)</b>						
Security Testing and Evaluation Pilot Audit of the New Automated Support Package - Black Lung System	03-29-01	17-01-003-04-433	3	0	0	0
<b>Pension Welfare Benefits Administration</b>						
ERISA Filing Acceptance System General Controls	03-27-01	09-01-001-12-001	8	0	0	0
<b>Goal Totals</b>		<b>11</b>	<b>25</b>	<b>1,672,648</b>	<b>1,511,639</b>	<b>6,002,970</b>
<b><u>Worker Safety, Health, and Workplace Rights</u></b>						
<b>Wage and Hour</b>						
Special Minimum Wage for Workers with Disabilities	03-19-01	05-01-002-04-420	5	0	0	0
<b>Goal Totals</b>		<b>1</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Appendix

## Final Audit Reports Issued by the OIG

<u>Strategic Goal</u> Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
<b><u>Departmental Management</u></b>						
<b>Assistant Secretary for Policy</b>						
Privacy Policy Data Collection on DOL Web Sites	02-26-01	17-01-002-01-010	1	0	0	0
<b>Office of the Ass't Secretary for Administration and Management</b>						
FY 2000 General Controls Review of Selected Financial Systems	02-28-01	22-01-010-07-001	0	0	0	0
Promptness of Department of Labor Water Payments	02-13-01	21-01-001-07-711	0	0	0	0
<b>CFO Management</b>						
DOL Consolidated Financial Statement - CFO Findings and Recommendations	02-22-01	22-01-006-13-001	11	0	0	0
Agreed Upon Procedures Report for Health and Life Insurance Withholding Contributions	12-22-00	22-01-011-13-001	0	0	0	0
Status of DOL Managerial Cost Accounting	03-27-01	22-01-012-13-001	3	0	0	0
DOL Consolidated Financial Statements (FY 2000)	02-23-01	22-01-013-13-001	0	0	0	0
<b>Goal Totals</b>		<b>7</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Appendix

## Final Evaluation Reports Issued by the OIG

<u>Strategic Goal</u> Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
<b><u>Worker Safety, Health, and Workplace Rights</u></b>						
Review of the Department of Labor's Random Drug Testing Program FYs 1996-2000	10-10-00	2E-07-780-0001	3	0	0	0
Evaluation of the Occupational Safety and Health Administration's ERA-EPA Whistleblower Investigations	03-16-01	2E-10-105-0001	6	0	0	0
Evaluation of MSHA's Handling of Inspections at the W.R. Grace & Company Mine in Libby, Montana	03-22-01	2E-06-620-0002	7	0	0	0
Evaluation of Hazard Complaint Handling in MSHA's Office of Metal and Non-metal Mine Safety and Health	03-29-01	2E-06-620-0001	8	0	0	0
<b>Goal Totals</b>		<b>4</b>	<b>24</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Report Totals</b>		<b>41</b>	<b>96</b>	<b>2,121,242</b>	<b>1,844,250</b>	<b>6,002,970</b>

	Division Totals	Totals
<b>Cases Opened:</b>		
Program Fraud	234	
Labor Racketeering	60	294
<b>Cases Closed:</b>		
Program Fraud	157	
Labor Racketeering	57	214
<b>Cases Referred for Prosecution:</b>		
Program Fraud	98	
Labor Racketeering	86	184
<b>Cases Referred for Administrative/Civil Action:</b>		
Program Fraud	20	
Labor Racketeering	0	20
<b>Indictments:</b>		
Program Fraud	91	
Labor Racketeering	93	184
<b>Convictions:</b>		
Program Fraud	68	
Labor Racketeering	48	116
<b>Debarments:</b>		
Program Fraud	20	
Labor Racketeering	18	38
<b>Recoveries, Cost Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:</b>		
Program Fraud	\$44,560,309	
Labor Racketeering	\$18,092,619	\$62,652,928

<b>Recoveries:</b>	<b>\$3,012,885</b>
(The dollar amount/value of an agency's action to recover or reprogram funds or to make other adjustments in response to OIG investigations.)	
<b>Cost Efficiencies:</b>	<b>\$47,579,203</b>
(The one-time or per annum dollar amount/value of management's commitment, in response to OIG investigations, to utilize the government's resources more efficiently.)	
<b>Restitutions:</b>	<b>\$10,595,474</b>
(The dollar amount/value of restitutions resulting from OIG criminal investigations.)	
<b>Fines/Penalties:</b>	<b>\$138,806</b>
(The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations.)	
<b>Civil Monetary Actions:</b>	<b>\$1,326,560</b>
(The dollar amount/value of forfeitures settlements, damages, judgements, court costs, or other penalties resulting from OIG civil investigations.)	
<b>Total:</b>	<b><u><u>\$62,652,928</u></u></b>



	Indicted	Convicted	Sentenced	Monetary
<b>FOREIGN LABOR CERTIFICATION</b>				
CARMEL, AVI			X	\$100
FILANDRIANOS, THEODORE		X		
GALVEZ-LANTION, MAE		X		
GOLDEN STATE HEALTH CENTERS			X	\$85,400
LAKIREDDY, ANNAPURNA	X	X		
LAKIREDDY, JAYAPRAKASH	X	X		
MUTIA, ALICIA	X			
NAUDE, HEYN	X			
PERALTA, ANTONINA			X	\$2,000
RAMOS, AMERICUS			X	\$2,000
REDDY, LAKIREDDY		X		
RICH, ELI	X	X		
TOTAL	5	6	4	\$89,500
<b>BLS/OTHER</b>				
SIMS, CHARLES	X			
TOTAL	1			
<b>EMPLOYEE MISCONDUCT</b>				
ELBECK, LINDA			X	\$161,196
TOTAL	0	0	1	\$161,196
<b>ESA-BLACK LUNG</b>				
AMERICAN DEVELOPMENT CORP.		X		
CABELL, DONALD		X		
CARTER, BARBARA	X	X	X	\$4,600
CARVER, LYDIA	X	X	X	\$4,261
DAVIS, JAMES			X	\$1,720,000
FUGATE, CHARLES			X	\$33,984
JOHNSON BATES, IRENE	X			
LACOMBE, ANNA	X			
MORRISON, DAVID		X		
MOTLEY, CHERYL		X	X	\$2,187
NORTON, RICHARD, MD			X	\$825,581
REDMAN, MICHAEL			X	\$136,000
SANFORD, CHARLES			X	\$173,389
STRAUSS, FRANK		X	X	\$7,325
TOTAL	4	7	9	\$2,907,327
<b>ESA-FECA</b>				
ALEXANDER, CLAUDE	X			
*PRE-TRIAL DIVERSION*		X	X	
*PRE-TRIAL DIVERSION*	X	X	X	\$1,100
CHEEKS, LONNIE	X			
COOK, WILLIAM		X		
CUBILETTE, SAMUEL			X	\$600
DENNIS, DONALD		X	X	\$31,442
FENSTER, ROBERT, MD	X			
FUSCO, RONALD		X	X	\$20,025
GEORGE, BOBB			X	\$41,493
GROSS, GEORGE, MD		X	X	\$2,116
HANAUER, JAMES			X	\$26,432
HANCE, TRICIA	X			
*PRE-TRIAL DIVERSION*		X	X	\$125,000
HART, CLAIRE			X	\$100
HART, DEBRA			X	\$37,580

# Appendix

## Investigations Case List

	Indicted	Convicted	Sentenced	Monetary
HENSON, SAUNDRA	X			
JOHNSON, HERBERT	X			
KEISTER, TERRY			X	\$11,188
KING, BONNIE	X	X	X	\$6,021
*PRE-TRIAL DIVERSION*	X	X	X	
LADO, MICHAEL			X	\$6,417
LAIRD, JACK	X			
LAIRD, JUANA	X			
LEASE, CHRISTOPHER	X			
LEWIS, LORRAINE			X	\$25
MATHEWS, KYLE	X			
MONTGOMERY, ARTHUR	X	X		
MORFIN, ELIUD	X			
NICKELSON, MALCOLMO	X			
NOLEN, ROBERT		X	X	\$1,100
POWERS, SARAH			X	\$22,713
POYTHRESS, DORMAN	X	X		
RANKIN, JOHN	X			
RANKIN, LAURA	X			
ROBERTS, EDDIE	X	X		
SILVA, CHANDA		X	X	\$10,973
SPENCE, CALVIN	X	X		
*PRE-TRIAL DIVERSION*	X	X	X	\$85,573
STREATH, MICHAEL	X	X		
TOLER, DARRELL	X	X	X	\$10,025
TUCKER, BERTHA	X	X	X	\$12,642
WDOWIAK, ANDRZEJ	X			
<b>TOTAL</b>	<b>26</b>	<b>19</b>	<b>22</b>	<b>\$452,565</b>
<b>ESA-LONGSHORE</b>				
ARTIS, JOHN	X			
CENTENO, CYNTHIA	X			
*PRE-TRIAL DIVERSION*	X	X	X	\$24,502
SHANLEY, JAMES	X	X		
WINTERS, ALLAN	X	X	X	\$11,000
<b>TOTAL</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>\$35,502</b>
<b>ESA-WAGE AND HOUR</b>				
CONSTRUCTION PERSONNEL, INC.	X	X		
DELGADO, EDUARDO		X		
GOODWIN, RON	X	X		
*SEALED*	X	X		
VOILES, TINA	X	X		
WEAVER, ROY	X	X		
<b>TOTAL</b>	<b>5</b>	<b>6</b>		
<b>ESA-OTHER</b>				
SHOREY, BARBARA	X			
<b>TOTAL</b>	<b>1</b>			
<b>ETA-JTPA</b>				
*PRE-TRIAL DIVERSION*	X	X	X	
ZIMET, TERRY		X		
<b>TOTAL</b>	<b>1</b>	<b>2</b>	<b>1</b>	

## Investigations Case List

	Indicted	Convicted	Sentenced	Monetary
<b>ETA-UNEMPLOYMENT INSURANCE/SESA</b>				
*PRE-TRIAL DIVERSION	X	X	X	\$3,044
AKHTER, RABIYA		X		
ALAMIN, NUR		X		
ALDREDGE, RONALD	X			
BARTLETT, RUSTY	X			
*PRE-TRIAL DIVERSION		X	X	\$2,587
BIGLEY, ROLAND	X			
*SEALED		X	X	\$3,539
BURSTON, MICHAEL	X	X	X	\$1,374
*PRE-TRIAL DIVERSION	X	X	X	\$418,688
DIGGS, NAPELEON	X			
DIXON (VARNER), PENNY		X	X	\$12,962
DONOVAN, JAMES			X	\$138,672
*PRE-TRIAL DIVERSION	X	X	X	\$3,841
ESPANA, ARTURO	X			
ESPANA, CAMERINO	X			
FALLER, TERRI			X	\$25
FERNANDEZ, APOLINAR	X			
FOWLDS, ALLAN		X	X	\$121,895
GARCIA CASTRO, JOSE	X			
GARCIA, DAVID	X			
GARCIA, MOISES	X	X		
GILLESPIE, TAMMIE	X			
GUY, DAVID			X	\$11,460
HARDIMAN, MELISSA	X			
HARRIS, ALISKA	X			
HAWKINS, TRACY		X	X	\$2,856
HERNANDEZ, ROSA	X			
HILL, GEORGE	X			
HOLDAWAY, MELISSA		X		
HOLDAWAY, TOBIANN			X	\$7,710
IANNAcone, ANTHONY			X	\$53,796
*PRE-TRIAL DIVERSION		X	X	
JORDAN, WILLIE		X	X	\$3,949
KAMRUZZAMAN, KAZI	X			
LEON, IVAN		X	X	\$10,316
LEWIS, LAWRENCE	X			
LEWIS, PATRICIA	X			
MANZO, JOSEPH	X	X		
MATTHEWS, BOBBY	X			
MEDEIROS, LINDA	X			
MIKELL, JOAN	X			
*PRE-TRIAL DIVERSION	X			
NICKENS, FRANK		X		
NORMAN, JAMES	X			
PENA, GANALIEL	X			
PEREZ, NEMESIO	X			
PETROSKI, GREGORY	X			
POKORSKI, DAVID	X			
RACE, BEVERLY			X	\$1,025
ROBY, JANIE	X			
RODRIGUEZ, JESUS		X	X	\$9,104
ROSARIO, ENRIQUE		X	X	\$149,584
SLATTEN, GARY	X			
SMITH, CORNELL	X			
SOTO LARA, ALBERTO	X			

# Appendix

## Investigations Case List

	Indicted	Convicted	Sentenced	Monetary
ST JACQUES, CHRISTINE	X	X		
ST JACQUES, JAMES	X	X		
STAHLEY, MICHELLE			X	\$8,700
STEWART, CYNTHIA			X	\$70,780
SUBLETT, JOSEPH			X	\$1,100
*PRE-TRIAL DIVERSION*	X	X	X	\$4,411
VANHORN, RANDY		X		
WALKER, KEVIN	X			
WATSON, EDWARD	X			
WILLIAMS, CHARLES		X	X	\$91,720
*PRE-TRIAL DIVERSION*	X	X	X	\$5,837
*PRE-TRIAL DIVERSION*	X	X	X	\$5,837
TOTAL	43	27	27	\$1,144,812
<b>OTHER - LABOR RACKETEERING</b>				
*SEALED*	X	X		
*SEALED*	X	X		
TOTAL	2	2		
<b>BENEFIT PLAN</b>				
ABBOTT, JOHN	X	X		
*SEALED*	X			
BELANGER, KENNETH, JR.		X		
BIGHAM, EDWARD, JR.	X			
*SEALED*	X	X		
BLIZZARD, CLARK	X			
BOYD, ROBERT	X	X	X	\$2,909
BUONOPANE, PAUL		X		
BUONOPANE, ROBERT		X		
CARPENTER, LINDA		X	X	\$73,518
COMPETITION CARTING, INC.			X	\$100
DI PACE, ANTHONY			X	\$32,850
FITZPATRICK, FRANCES			X	\$112,000
FRY, MAHOGANY	X			
GHEEN, HARLEY	X	X		
GRAND CARTING, INC.			X	\$100
GRAND EAST CARTING, INC.			X	\$100
GRAYSON, BARCLAY	X	X		
HAY, MICHAEL			X	\$1,500,100
HERTZ, MEIR			X	\$5,000
KELDER, WILLIAM			X	\$100
KING, LESLIE			X	\$194,138
KRAEMER, JOHN			X	\$112,000
KRAEMER, JUDITH			X	\$112,000
KRAVITZ, EDWARD			X	\$25,050
LASCOLA, TODD	X	X		
LERNER, DAVID			X	\$1,500,100
MCRA INFORMATION SERVICES, INC.			X	\$1,500,400
MECHANICAL ENERGY ENGINEERING	X	X	X	
MIRCHOU, LILIANA	X	X		
MONTESANO, ANTHONY, III			X	\$140,000
NAIMOLI, ANTHONY		X		
OBINWANNE, UCHE	X			
OGBURNAMIRI, ALBERT	X			
ORTIZ, RICHARD	X	X	X	\$60,100
RAO, CAROL	X			
*SEALED*	X			

## Investigations Case List

	Indicted	Convicted	Sentenced	Monetary
ROACH, CHRIS		X		
RODRIGUES, GARY	X			
SABATINI, ROBIN	X			
SHARPTON-CATES, ALBERTA			X	\$115,671
SKURATON, GREGORY			X	\$4,000
STRETTON, WELLINGTON	X	X		
TRINGALE, RICHARD		X		
VASQUEZ-RUIZ, FELIX, MD	X			
WEIR, DONALD	X			
WOLFE, JOHN		X	X	\$65,960
TOTAL	22	18	22	\$5,556,196
<b>INTERNAL UNION</b>				
*PRE-TRIAL DIVERSION *	X	X	X	\$100
ANTONUCCI, SHARON	X			
BERRY, DENNIS	X	X		
BONDI, RICHARD		X	X	\$250
*SEALED *			X	
CASTORE, RALPH	X			
CHIOCCHI, DENNIS	X	X		
*PRE-TRIAL DIVERSION *	X	X	X	
COURCHESNE, DANIEL	X	X		
CRENSHAW, LARRY	X			
DINARDO, JOSEPH		X	X	\$283,072
*PRE-TRIAL DIVERSION *	X	X	X	
FIORINI, PETER, JR.	X	X		
*SEALED *	X			
GARCIA, WILLIAM	X			
GHAZI, TARIF		X	X	\$9,419
HALL, CHARLIE	X			
HARRIS, ROY	X			
HURLEY, WILLIAM	X			
JOHNSTON, LORIE	X			
JOHNSTON, TERRELL	X			
*PRE-TRIAL DIVERSION *	X	X	X	
KESTLER, ADIE	X			
KESTLER, GLORIA	X			
LAMPKIN, KEITH	X			
LARK, CLARENCE	X			
LORE, JOSEPH	X			
*PRE-TRIAL DIVERSION *	X	X	X	
MCHORNE, RICARDO	X			
*PRE-TRIAL DIVERSION *		X	X	
NEWTON, CURTIS	X			
ONEIL, KEVIN		X		
*SEALED *	X			
*SEALED *			X	
PAPELO, RAYMOND	X	X	X	\$250
PELLICCIA, JOSEPH	X			
*PRE-TRIAL DIVERSION *	X	X	X	
RACKLEY, THOMAS	X			
*PRE-TRIAL DIVERSION *		X	X	
SANCHEZ, TERESA		X		
*SEALED *	X			
SHEEHAN, STEPHEN		X	X	\$1,000
SILVERI, CHRISTOPHER		X	X	\$250
*SEALED *			X	

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## Investigations Case List

	Indicted	Convicted	Sentenced	Monetary
*PRE-TRIAL DIVERSION *		X	X	
SURICO, CARL	X	X	X	\$500
*SEALED *			X	\$5,000
VENTURELLI, LOUIS	X			
WEILER, DEBRA		X	X	\$44,513
WEIST, GEORGE, JR.	X			
WILLIAMS, JOANNE		X	X	\$25
ZEUBERIS, FRANK	X			
TOTAL	36	24	22	\$344,379
<b>LABOR-MANAGEMENT</b>				
ABRAMO, PHILIP	X			
BOSTON SHIP REPAIR				\$250,000
CENTORINO, VINCENT	X			
CONSALVO, LOUIS	X			
CROSS, WAYNE	X			
D'AMATO, FRANK	X			
D'AMBROSIA, DANIEL	X			
DELEVO, ANTHONY	X			
DEMICHAEL, THOMAS	X			
DINORSICIO, DOMINICK	X			
FUSCO, EMILIO	X			
GOLDBERG, LEONARD				\$1,000,000
HILLARY, THOMAS			X	
ILLINGSWORTH, TODD	X			
*PRE-TRIAL DIVERSION *	X	X	X	
*PRE-TRIAL DIVERSION *	X	X	X	
LEPORE, RAYMOND	X			
MAJURI, CHARLES	X			
MANNARINO, ANTHONY	X			
MANZI, CARMINE	X			
MANZI, GIUSEPPE	X			
MOURADIAN, WILLIAM		X	X	\$25,300
NICASTRO, BERNARD	X			
NOVACEK, ARTHUR			X	\$500
PALERMO, GIROLAMO	X			
PAN, WEI			X	\$19,141
POLIZZI, FRANCESCO	X			
PROTO, ANTHONY	X			
RAGO, GREGORY	X			
RIGGI, JOHN	X			
SANTANIELLO, RALPH	X			
SANTOS FUSCO, JENNY	X			
SCARABINO, FRANK	X			
*PRE-TRIAL DIVERSION *	X	X	X	
SCIBELLI, ALBERT	X			
SCIBELLI, ANDREW	X			
SERVIDIO, JOSEPH	X			
VITABILE, STEFANO	X			
WILSON, EUGENE	X			
TOTAL	33	4	7	\$1,294,941



The OIG Hotline provides a communication link between the OIG and persons who want to report alleged violations of law, rules, or regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. During this reporting period, the OIG Hotline received a total of 1,510 contacts. Of these contacts, 269 allegations required additional review and a breakdown of those 269 allegations appears below.

**Total Contacts for This Period: 1,510**

**Allegation Reports by Source:**

Hotline Operations - Calls, Letters, and Walk-ins from Individuals or Organizations	225
Letters from Congress	7
Letters from DOL Agencies	8
Incident Reports from DOL Agencies	5
Reports by OIG components	4
Letters from Non-DOL Government Agencies	15
Government Accounting Office (GAO)	5
<b>Total</b>	<b><u>269</u></b>

**Allegation Reports by Referral:**

Referred to OIG Components	36
Referred to DOL Program Management	170
Referred to Other Agencies	24
No Further Action Required	<u>39</u>
<b>Total</b>	<b><u>269</u></b>