



Semiannual Report to the Congress

U.S. Department of Labor
April 1, 1995 - September 30, 1995

OFFICE OF INSPECTOR GENERAL

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UNITED STATES DEPARTMENT OF LABOR

THE INSPECTOR GENERAL'S MESSAGE

This Semiannual Report, covering the period of April 1 through September 30, 1995, documents some of the most significant accomplishments of the U.S. Department of Labor (DOL), Office of Inspector General (OIG). During this very important period of change in Government, my office continued to work extensively with the Department, the Congress, and other Federal Agencies to ensure the integrity and efficiency of DOL programs, to safeguard the taxpayers' investment, and to ensure that the American worker is served in the most efficient and cost-effective way.

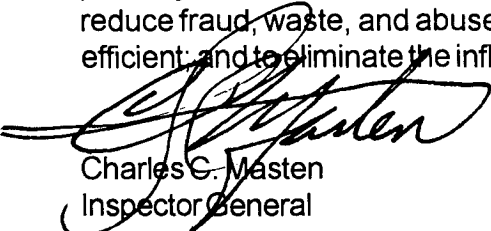
Through audits, investigations, and congressional testimony and briefings, my office has focused attention on: the effectiveness and efficiency of several employment and training programs; fraud in workers' compensation and unemployment insurance programs; and criminal activity by traditional and non-traditional organized crime groups.

Just as we strive to improve operations at the Departmental level, my office has continued to examine ways to improve the way we do business and how we can maximize our effectiveness. One initiative in this area has been the implementation of the OIG Strategic Plan. This plan establishes the long-term direction, goals, and priorities of the organization and outlines the actions needed to achieve them. An important feature of the plan is the built-in participation of staff at all stages of implementation, which I believe will add to our success.

During my tenure at DOL, I have worked extensively to improve and streamline the mechanisms that grant law enforcement powers to OIG criminal investigators. While the Inspector General Act established criminal investigative authority for OIGs, it did not provide the statutory authority for OIG investigators to execute search warrants, make arrests, or carry firearms. Accordingly, the Department of Justice (DOJ) instituted case-specific delegations of U.S. Marshal deputation authority to certain OIG investigators to carry out these functions. However, this process (which required a specific request and decision by DOJ for each case) proved to be cumbersome, time-consuming, and costly. We estimate that it cost us approximately \$80,000 per year, and that for other OIGs Government-wide, the costs totalled hundreds of thousands of dollars annually.

Working with the Federal Bureau of Investigation, DOJ, and other OIGs, this past July we succeeded in obtaining annual deputation for investigators in our Program Fraud Division, as well as for six other OIGs. This authority was granted on a pilot basis. Upon evaluation, it may result in such authority being extended to other OIGs and in DOJ support for statutory law enforcement authority for OIG criminal investigators.

I would like to thank my colleagues in the OIG for their efforts to make Government work better. As in the past, my staff and I remain committed to working with Secretary Reich and the DOL management team to reduce fraud, waste, and abuse of Federal funds; to ensure that DOL programs are effective and cost-efficient; and to eliminate the influence of organized crime in the American workplace.



Charles G. Masten
Inspector General

SIGNIFICANT CONCERNS

Access to UI Wage Records is Needed

The OIG continues to have concerns about our lack of immediate access to state unemployment insurance wage reporting records. These records are often needed during the course of OIG program oversight audits or criminal investigations to ascertain or verify wage and employment information. In many cases, these wage records are the only accurate sources of such information and, thus, crucial to the success of the audit or investigation.

It is important to note that the OIG does have subpoena authority under the Inspector General Act of 1978, as amended. However, to obtain these records from States that refuse to provide them requires judicial enforcement, which results in unnecessary delays and has proven to be time-consuming and expensive.

The States, employers, and the Department's Employment and Training Administration (ETA) have expressed privacy and cost concerns in providing the data. Arguments have also been raised that it would create a domino effect with other agencies seeking similar authority. The problem is compounded by the fact that ETA's regulations for the UI Program specifically state that wage records should be confidential and released only under certain circumstances.

While these arguments have validity, the OIG believes that the Government's interest in protecting the billion dollar programs of the Department of Labor far outweighs these concerns. In fact, there are other Federal agencies that have been given statutory authority to access these records to aid them in the oversight of their programs. These agencies include the Departments of Health and Human Services, Agriculture, and Housing and Urban Development. It is also important to note that administration costs for the UI Program are paid out of DOL funds.

The OIG urges Congress to provide the DOL-OIG the statutory authority to obtain UI wage records without having to resort to subpoena enforcement proceedings, and to extend such authority to the Department as a whole.

Revisions of Tax Credit Program Need to Address Weaknesses

In previous semiannual reports, the OIG has called attention to the ineffectiveness of the Targeted Jobs Tax Credit (TJTC) Program. TJTC was created to induce employers to hire disadvantaged individuals in exchange for Federal tax credits. However, during a 1994 OIG nationwide audit of the program, employers acknowledged they would have hired 92 percent of the employees in our sample, regardless of the subsidy.

The TJTC Program, which accounted for revenue losses to the Treasury of about \$300 million a year, was allowed to expire in December 1994. However, legislation is being considered in Congress that would reauthorize the program with minor modifications. Notwithstanding the OIG's continuing recommendation that TJTC be eliminated, the OIG is of the opinion that any legislation reauthorizing the program needs to, at a minimum, ensure meaningful employee retention by requiring that the 1-year tax credit period begin only after individuals have been employed for 6 months, during which no tax subsidy is offered. In addition, individuals should be pre-certified and issued a voucher by the employment service before they are placed on employers' rolls. Absent such requirements, many of the same problems that surfaced under the prior legislation will continue to plague the program.

Job Training System Reforms Need to Ensure Accountability

During this reporting period, the OIG has been monitoring congressional efforts to change the Nation's job training system. In proposals passed by both the House and Senate, States would receive Federal funds, in the form of block grants, to operate and administer their own job training systems.

Fiscal Accountability

The OIG raised its concerns that, while both the House and Senate bills have requirements for reporting performance measures and goals, there are no requirements for the States to submit financial reports to the Federal Government. The OIG recommended inclusion of a provision requiring States to submit yearly financial reports. Together with the performance reports, the financial information will enable the Department and the Congress to ascertain how the Federal funds allocated to each State have been spent and to better assess the program's return on the taxpayers' investment.

***Liability for
Misexpenditures
of Job Training
Funds***

The OIG also raised its concerns with proposed provisions that would allow States to offset, with subsequent years' funding, costs that have been disallowed or otherwise determined to have been misspent. An exception is made in cases involving fraud or other criminal activity. Over the years, the Department has disallowed millions and millions of dollars as a result of costs questioned by OIG audits. These questioned costs have resulted from our detection of gross abuses and program mismanagement on the part of job training program operators, including States, service delivery areas, contractors, and grantees. Some examples of disallowed costs include the use of Federal funds for personal expenses, first class travel, expensive hotels, entertainment, lobbying activities, purchase of expensive computer equipment for use by non-participants, salaries and fringe benefits for non-DOL activities, etc.

Currently, the entity receiving the funding is responsible for reimbursing the Government, with non-Federal funds, for these types of unallowable expenses. Under the proposed provisions, the States would be allowed to use future years' program funds, which are intended for program beneficiaries, to offset the mistakes of program operators, even though the expenditures are obviously unallowable but not fraudulent.

The OIG is of the opinion that such provisions, if enacted, will negate intended fiscal accountability and eliminate deterrence against waste, abuse, and mismanagement of already-scarce Federal funds.

**Amendments to the
Paperwork Reduction Act
Infringe on
IG's Independence**

The Office of Inspector General has a significant concern that the revised information collection procedures found in the Paperwork Reduction Act (PRA) of 1995, P.L. 104-13, and its implementing regulations, will infringe on the independence of the OIG. In particular, the OIG is concerned that the internal agency review procedures create a direct conflict with the reporting and non-interference provisions of the Inspector General Act. Under OMB's amended regulations (60 Federal Register 44978, August 29, 1995), the OIG will be required to submit all proposed information collections (subject to the PRA) to a designated agency PRA official for review and clearance.

This procedure creates a direct conflict with the Inspector General Act and infringes on the OIG's independence. The head of an

agency, through the designated PRA official, would have an opportunity to delay and/or prevent audits or evaluations deemed to be potentially contrary to the agency's interests. Further, the Inspector General would be required to report to an agency official below the rank of Deputy Secretary.

The changes in the information collection procedures may also further impede the ability of the OIG to conduct timely and effective programmatic audits. Under the new PRA provisions, each agency must establish its own expanded internal review, public comment, and approval system, before a proposed information collection is forwarded to OMB for final approval and the issuance of a PRA control number. This new procedure portends greater delays in getting PRA approvals, which means an even greater problem for IG audits. This sort of delay decreases the impact of audit findings and recommendations, as well as the likelihood and timeliness of possible corrective actions by the agency.

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SELECTED STATISTICS

April 1 - September 30, 1995

Office of Audit

| | |
|--|-----------------|
| Reports issued on DOL activities | 188 |
| Total questioned costs | \$ 7.1 million |
| Dollars resolved | \$ 13.8 million |
| Allowed | \$ 5.8 million |
| Disallowed | \$ 8.0 million |

Office of Investigations

Division of Program Fraud:

| | |
|---|----------------|
| Cases opened | 201 |
| Cases closed | 147 |
| Cases referred for prosecution | 87 |
| Cases referred for administrative/civil action | 56 |
| Indictments | 82 |
| Convictions | 82 |
| Recoveries, cost efficiencies, restitutions, fines/penalties, and civil monetary actions | \$ 7.7 million |

Division of Labor Racketeering:

| | |
|--|----------------|
| Cases opened | 43 |
| Cases closed | 45 |
| Indictments | 53 |
| Convictions | 86 |
| Debarments | 19 |
| Fines, restitutions, forfeitures, and civil monetary actions | \$ 6.9 million |

NOTE: The Office of Investigations conducts criminal investigations of individuals which can lead to prosecutions ("convictions") by criminal complaints, warrants, informations, indictments, or pre-trial diversion agreements. Successful prosecutions may carry sentences such as fines, restitutions, forfeitures, or other monetary penalties. The Office of Investigations' monetary results also include administrative and civil actions which are further detailed and defined in an Appendix found on page 60 of this report.

OFFICE OF AUDIT

During this reporting period, 188 audits of program activities, grants, and contracts were issued. Of these, 17 were performed by OIG auditors, 14 by CPA auditors under OIG contract, 26 by state and local government auditors for DOL grantees and subrecipients, and 131 by CPA firms hired by DOL grantees or subrecipients. A listing of audits issued is contained in the Audit Schedules section at the back of this report.

Audits issued in this reporting period questioned \$7.1 million in costs. In addition, departmental agencies issued management decisions disallowing a total of \$8 million in response to current period and prior audit recommendations.

EMPLOYMENT AND TRAINING ADMINISTRATION

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

A major ETA responsibility is to administer the Job Training Partnership Act (JTPA). JTPA authorizes a decentralized structure for the delivery of employment and training services, which is funded through grants and administered predominantly by the states. ETA's employment security functions are carried out by the Unemployment Insurance Service (UIS), which administers a nationwide unemployment compensation system, and the U.S. Employment Service (USES), which administers a nationwide public employment service system. Programs under the UIS and USES are operated by State Employment Security Agencies.

The Job Training Partnership Act (JTPA) is the largest training program administered by DOL. The purpose of JTPA is to prepare youth and adults facing serious barriers to employment for participation in the labor force by providing them with training and other services that will result in increased employment and earnings. Congress appropriated over \$5 billion for JTPA in Fiscal Year 1995.

JTPA TITLE IV

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

THE JOB CORPS PROGRAM

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

The Job Corps program was established to provide certain underprivileged youths with an intensive education and vocational training program in order to become "more responsible, productive, and employable citizens." The program provides comprehensive training in basic and vocational education, work experience, counseling and other enrichment activities, as well as placement assistance.

**Job Corps
Student Outcomes
Audit**

The OIG completed an audit of outcomes achieved for a sample of 1,800 students who were placed, or whose period of placement assistance expired, during Program Year (PY) 1991 (July 1, 1991 through June 30, 1992).

We attempted to follow the 1,800 randomly selected students from the date they left Job Corps until December 31, 1993. It is important to note, however, that this process was hampered by the lack of access to wage histories maintained by the states.

***Overall Evaluation
of Sample***

Approximately 2 years following their termination from Job Corps, the OIG could not determine the career status of 1,001 of the 1,800 students in our sample. Consequently, the OIG was unable to determine whether or not these students were working following their participation in the program, for which Job Corps had invested approximately \$12.5 million.

Due to the large number of students whose outcomes were unknown, the audit results should not be used to evaluate program success or failure.

For those students for whom we were able to obtain information on matched jobs (i.e., employment related to the training received) and unmatched jobs, we found that, between termination from the program and December 31, 1993, average hourly wages increased by 19 percent, or \$0.91 per hour, to \$5.79 for unmatched jobs and 15 percent, or \$0.88 per hour, to \$6.87 for matched jobs. For the unmatched jobs, this would represent an income of approximately \$12,040 if the student worked a full year. For the matched jobs, these earnings would represent an income of approximately \$14,290 if the student worked a full year. However, the OIG found that only 33 percent of the students who were employed on December 31, 1993, worked a full year. Bureau of Labor Statistics data shows that annual living expenditures average \$13,407 for a single male under the age of 25 and \$17,258 for a head of household.

Audit Results

Student Population: We selected 1,800 students from the 59,467 students whose period of placement assistance expired during PY 1991. We then compared employment status as of December 31, 1993, with the information recorded in the Job Corps data base at the expiration of the students' individual 180-day placement periods. (Job Corps has established a 180-day period, following departure from the program, for the placement contractors to place the students.) Our results are summarized below:

Students Whose Career Status Was Unknown: Job Corps data showed that the career status of 413 of the students (that is, 23% of our total sample) could not be determined at the time of their termination from the program. As of December 31, 1993, the number of students in our sample whose career status was unknown increased to 1,001 students (56%).

Students Who Were Not Placed in Employment or Additional Training: Job Corps data showed that 292 of the students (16%) were not placed in employment or additional training at the time they terminated from the program. We found that, as of December 31, 1993, 184 of the students (10%) were unemployed.

Employed In Jobs Not Related to Their Vocational Training: Job Corps' data showed that 600 of the students (33%) obtained unmatched employment (employment in occupations outside their vocational training) at the time of their termination from the Job Corps Program, with average starting wages of \$4.88 per hour. The OIG found that, as of December 31, 1993, 446 of the students (25%) had

obtained unmatched employment, with an average hourly wage of \$5.79. For this category of students, the average hourly wage equates to an annual salary of \$12,040.

Employed In Jobs Related to Their Vocational Training: Job Corps data showed that 268 of the students (15%) obtained matched employment (employment in occupations for which they were trained) at the time of their termination from the program, with average starting wages of \$5.99 per hour. The OIG found that, as of December 31, 1993, 120 of the students (7%) had obtained matched employment, with an average hourly wage of \$6.87. For this category of students, the average hourly wage equates to an annual salary of \$14,290.

Enrolled in School or Military: Job Corps data showed that at the time of termination from the program, 204 of the students (11%) enrolled in school, while 23 (1%) entered the military. As of December 31, 1993, a total of 49 students were either enrolled in school or in the military.

***Better Meeting Students'
and Employers' Needs
May Help Achieve
Long-term Employment***

We believe that Job Corps could improve the long-term outcomes of Job Corps students by better meeting students' and employers' needs. We interviewed Job Corps National and Regional Office staff, Center Directors and placement agency officials to gain an understanding of how they conduct labor market research to determine occupations in demand in the centers' geographic areas and how the centers establish vocational curricula.

The OIG found that the vocational curriculum for each center is determined by the Job Corps National Office and that none of the Regional Offices directly determined the occupations in demand. Further, the OIG found that the criteria for defining a center's geographic area varied among Center Directors from not defining the area to limiting the area to the local community in which the center is located.

As part of our employment verification with both the initial placement employers and subsequent employers of the students in our sample, we asked if the training provided was adequate and what additional training Job Corps should have provided. Of the 315 employers who responded, 205 (65 percent) stated that the training provided by Job Corps was adequate. However, about 100 employers provided

written comments, of which 95% were critical of the training provided by Job Corps.

At 17 of the 18 centers audited, we attempted to survey the 3 major employers in each of 3 of the largest geographic areas to which most students returned after termination from Job Corps. The purpose of the survey was to determine if the vocations taught at the center were representative of the entry-level positions of the employer. We successfully contacted 88 employers. Our review disclosed that most of the employers contacted indicated that they could use Job Corps students from at least one of the vocations taught at the center.

Recommendations

Based on the audit results and conclusions, the OIG recommended that the Assistant Secretary for Employment and Training:

1. Provide Job Corps access to wage data maintained by states as a tool to measure Job Corps student achievements;
2. Instruct the Director of the Job Corps Program to routinely measure and document the long-term outcomes of Job Corps students;
3. Instruct the Director of the Job Corps Program to test the feasibility of refining vocational training; and
4. Instruct the Job Corps Director to test the feasibility of better addressing employers' needs for skilled workers.

(Report No. 05-95-009-03-370; issued September 29, 1995)

Reviews of Job Corps Student Information System

During this period, we completed two reviews of the Student Pay, Allotment and Management Information System (SPAMIS) used by the Job Corps program to process student payroll. The reviews covered the period November 1, 1992 through September 30, 1993, the first 11 months of SPAMIS' operations.

The purpose of our reviews was to determine if adequate internal controls were established over the processing and payment of student allowances and bonuses. SPAMIS is used to pay students biweekly living allowances which are calculated based on student attendance information fed into SPAMIS by the Job Corps centers.

SPAMIS is also used to process final readjustment allowances and student bonuses.

We found that SPAMIS is not a general ledger accounting system and, as such, does not generate the financial information necessary to provide a complete accounting for the approximately \$70 million in funds transferred from DOL for student payroll each year. We also found internal controls over student payroll were inadequate. We concluded that the internal controls at the SPAMIS data center and at the Job Corps centers did not provide reasonable assurance that the payroll system provides complete and reliable financial information or that material errors and irregularities are detected and corrected on a timely basis.

Job Corps acknowledged the need for improved controls and has made appropriate changes to their systems and operating procedures, including purchasing an automated general ledger system. While Job Corps agreed with many of our recommendations, other recommendations remain unresolved.

We also conducted a review of the student biweekly payroll fund process at the Civilian Conservation Centers (CCC's). CCC's are Job Corps centers which are operated by the Federal Departments of Interior and Agriculture. We identified internal control deficiencies that could place a portion of the Job Corps student payroll at unnecessary risk.

The current practice of providing a large cash balance (up to \$65,000 per center) results in approximately \$1.1 million being maintained in safes at the CCC's rather than in interest-bearing accounts. CCC's are collectively maintaining \$923,013 in excess of the biweekly amount needed for student payrolls and advances. Using an annual effective interest rate of 5 percent, the amount of lost interest revenue would be \$46,151 per year.

We recommended that the Assistant Secretary for Employment and Training instruct the Office of Job Corps to: establish depository bank accounts to maintain biweekly student payroll funds; instruct the SPAMIS Data Center to include the 30 CCC's in their biweekly transfer; direct the CCC imprest fund cashiers to reduce the amount of the fund; and obtain reimbursement from the Data Center. The Office of Job Corps and the Departments of Agriculture and Interior have agreed to establish depository accounts for these funds.

We also identified a problem with placement and job match bonuses, a new system implemented in November 1992. Job Corps students can receive a placement bonus of either \$250 or \$350, depending on the type of placement. SPAMIS is designed to automatically generate a student placement bonus check once the placement contractor or Job Corps Center inputs a placement into the system. Job Corps routinely verifies a 10 percent sample of all placements.

We identified invalid placement and job match bonuses of \$31,400 paid to 114 students for PY 1993 and \$15,900 to 78 students for the first three quarters of PY 1994. Moreover, in addition to the invalid payments made to students, we believe that Job Corps is overpaying placement contractors and overstating the placement performance measure as a result of the invalid placements.

We recommended that the Assistant Secretary for Employment and Training instruct the Office of Job Corps to: redesign the placement verification sample and project invalid placements and unallowable costs to the universe of placements; adjust performance ratings to reflect the projected invalid placement rates; require placement contractors and centers with placement contracts to reimburse Job Corps for placements and job match bonuses paid to students whose placements are subsequently found to be invalid; and enhance the internal controls over placement verification by requiring students to submit their pay stub as proof of employment.

The Office of Job Corps is studying this recommendation. (Report Nos. 12-95-012-03-370; issued April 24, 1995, and 03-95-016-03-370; issued September 29, 1995)

Job Corps Effective in Implementing Zero Tolerance for Violence and Drugs Policy

At the Office of Job Corps' request, we conducted a special audit to determine if the recently expanded policy of zero tolerance for violence and drugs at Job Corps centers had been effectively implemented. The expanded policy, effective May 1, 1995, was instituted in response to congressional oversight hearings last year which revealed unacceptable levels of violence and drug abuse at Job Corps centers. Our audit work was performed at a statistical sample of 8 Job Corps centers and included interviews with 112 statistically selected students.

Based on our audit, we concluded the Office of Job Corps had effectively implemented the new policy at the eight Job Corps centers

we visited. The great majority -- 93 percent -- of the students we interviewed stated they felt safe on center; 61 percent reported they felt safer than they had before the strengthened policy was put in effect. Also, according to data recorded in Job Corps' management information system by the eight sample centers, 25 percent of their total terminations in May 1995 were as a result of the new zero tolerance policy.

We made no recommendations regarding the new policy. (Report No. 12-95-013-03-370; issued June 15, 1995)

**OIG Produces First
Video Audit Report:
Job Corps Can Work!**

Just as a picture is worth a thousand words, a moving picture is invaluable in telling a story or illustrating a condition. Using this philosophy, the OIG produced its first-ever video audit report to pictorialize the life of Job Corps students while on center. The video audit report is a compilation of footage recorded at 17 Job Corps centers during audit field work.

The video answers the following questions by giving examples from the 17 centers:

What are the physical conditions of the centers?

What is the quality of training?

What is the overall center environment?

Although the video focuses on 17 locations, the OIG believes it presents an overall picture of the nation's Job Corps centers. (Report No. 05-95-007-03-370; issued May 26, 1995)

**THE MIGRANT AND
SEASONAL
FARMWORKERS
PROGRAM**

The Migrant and Seasonal Farmworker Program is authorized under JTPA Title IV. The main purpose of the program is to provide training, education, and employment assistance to migrant and seasonal farmworkers.

**Audit of the Central
Valley Opportunity
Center**

The Central Valley Opportunity Center (CVOC) is a nonprofit corporation which offers JTPA employability services to migrant and seasonal farmworkers in three California counties. The OIG audited the direct and indirect costs claimed by CVOC for Program Years

(PYs) 1992 and 1993 (July 1, 1992 to June 30, 1994). In addition, the OIG reviewed CVOC's success in training eligible individuals and placing them in full-time employment.

For the period audited, CVOC reported direct and indirect program expenditures of \$2,251,398 to the Department. The OIG questioned \$215,005 of direct expenditures and \$79,585 of indirect expenditures, for total questioned costs of \$294,590, because the CVOC: (1) exceeded its PY 1991 grant budget and inappropriately shifted expenditures of \$39,200 from its PY 1991 grant to its PY 1992 grant; (2) earned JTPA program income of \$44,600, yet failed to credit the program for this amount; (3) inappropriately claimed \$29,601 of depreciation expenses for property which was leased; and (4) allocated program costs of \$48,300 in contravention of its own cost allocation plan. The OIG questioned an additional \$132,889 for other reasons.

All costs in the indirect cost pool were allowable; however, the allocation base (total direct costs) was understated because CVOC failed to include allowable direct costs of unrestricted funds in the base. The OIG adjusted the allocation base and developed "audit-recommended" indirect cost rates for Fiscal Years 1993 and 1994. Applying the audit-recommended rates to the adjusted allocation base resulted in questioned indirect costs of \$79,585.

For PYs 1992 and 1993 combined, CVOC placed only 25 percent of the participants who were enrolled in classroom training into training-related jobs. For PY 1992, of 172 individuals receiving classroom training, 31 were placed and employed more than 90 days in training-related employment. The average cost per placement in this category was \$23,500.

The CVOC did not take exception to \$132,973 of the costs questioned by the OIG. While CVOC generally concurred with the concepts associated with the remaining findings, it stated that additional work needed to be accomplished to substantiate the allowability of the remaining questioned costs. CVOC complained that OIG's performance audit focused on training-related placements, which is not a JTPA 402 performance standard. CVOC agreed, however, it must do a better job of training and placing individuals in the target population. (Report No. 18-95-014-07-735; issued July 20, 1995)

Audit of Americas Corporation

ETA awarded a contract to the U.S. Small Business Administration (SBA) to improve the quality of JTPA programs through the provision of technical assistance and training (TAT). The SBA subcontracted with Americas Corporation (Americas) on July 1, 1992, to provide TAT to Migrant and Seasonal Farmworker grantees through national workshops. The subcontract for \$300,000 was subsequently modified to: (1) provide TAT to Indian and Native American program grantees, (2) extend the original June 30, 1993 end date to June 30, 1995, and (3) increase the funding level to \$1,256,997.

At the request of ETA, the OIG audited the direct costs claimed by Americas for the period July 1, 1992 through September 30, 1994, which resulted in \$93,043 of questioned costs. This amount represented 11.7 percent of all program funds expended. Costs were questioned because they were unallowable, unsupported, unreasonable, inequitably allocated or claimed twice. The OIG also found that Americas' accounting system did not maintain accurate, current and complete financial data. This made it virtually impossible for Americas to provide the required assurances that costs invoiced to DOL were allowable program expenditures.

Shortly after audit work began, the ETA Contracting Officer issued a Stop Work Order which directed Americas to stop performance of all work for 90 days. In December 1994, the Contracting Officer issued a Cure Notice providing Americas 60 days to correct the deficiencies identified by the auditors. In May 1995, based on the OIG's finding that Americas had failed to provide fiscal integrity under the subcontract, the Contracting Officer sent a Notice of Termination to Americas.

In responding to the audit report, Americas contended that about two-thirds of the questioned costs are allowable but did not provide any documentation to support these questioned costs. (Report No. 18-95-015-03-365; issued July 18, 1995)

NATIVE AMERICAN PROGRAMS

JTPA Title IV also authorizes employment and training programs for Native Americans.

Nebraska Indian Inter-Tribal Development Corporation

The Nebraska Indian Inter-Tribal Development Corporation (NIITDC), located in Winnebago, Nebraska, is a consortium of four Indian tribes established for the purpose of administering and operating employment and training programs under JTPA. In

addition to this function, the NIITDC also served as the JTPA Native American Program grantee for non-reservation areas in Iowa and Nebraska. The OIG performed a financial and performance audit of the NIITDC JTPA operations for the period July 1, 1992 through September 30, 1994. During this period, the NIITDC administered Title IV-A (Section 401 Indian Program) and Title II-B (Summer Youth Program) grants awarded by the Employment and Training Administration.

The OIG audit questioned \$279,568 in JTPA expenditures. Further, the OIG concluded the NIITDC was experiencing serious financial problems. In addition to the costs questioned in the current audit, the financial difficulties facing NIITDC were: (1) an ETA management decision which disallowed 100 percent (\$607,354) of questioned costs from a prior OIG audit, and which the NIITDC appealed to the Office of Administrative Law Judges; (2) a deficit in the indirect cost pool of \$273,687 as of August 31, 1994; and (3) drawdowns of JTPA funds which were not used for the JTPA program, resulting in over \$340,000 of the costs questioned in the current and prior OIG audit reports. Although the NIITDC has obtained a line of credit and has developed a deficit reduction plan, many of the plan's factors are beyond its control and it is questionable whether the NIITDC will be able to continue as a going concern.

The majority of the questioned costs in this report resulted from excessive cash drawdowns and related interest which were used to pay expenses unrelated to the JTPA programs. The OIG also found that the NIITDC did not use its financial accounting system to manage its financial affairs and that the JTPA Program Status Reports were mathematically incorrect and not supported by participant records. As a result, the OIG issued a Disclaimer of Opinion on the program statistics for the period of the audit.

The NIITDC has developed and implemented a financial management plan designed to allow it to recover from the budget deficit described in the OIG audit report. It agreed with the other OIG findings and submitted additional documentation to support certain questioned costs, which the OIG accepted. (Report No. 18-95-022-03-355; issued September 12, 1995)

JTPA TITLE II

JTPA Title II authorizes employment and training services for eligible youth and adults through grants administered by the states.

Audit of the Nashville JTPA Program

The OIG performed a limited scope audit of the Metropolitan Government of Nashville and Davidson County - Mayor's Employment and Training Resources Agency (METRA). METRA administers JTPA program funds provided by the U.S. Department of Labor and passed to METRA through the State of Tennessee. The audit included JTPA program activities that occurred during the period July 1, 1993 to June 30, 1995.

The OIG questioned \$299,771 in JTPA expenditures, by both METRA and its contractors, that were not in compliance with Federal or State requirements. Specifically, METRA:

- paid Community Services Unlimited, Inc., \$22,362 for computer training which was not provided to JTPA participants;
- paid Focus, Inc., \$12,914 to train JTPA participants, although none were enrolled in the program;
- paid \$236,693 to PENCIL Foundation and the Opportunities Industrialization Center (OIC), which trained only a small fraction of the participants the funds were intended to serve; and
- charged \$27,802 in administrative costs to the JTPA Title II-B Summer Youth Program in excess of the administrative cost limitations established by the JTPA and METRA's contract with the State of Tennessee.

The majority of the questioned costs resulted from METRA's failure to recruit adequate numbers of participants into the JTPA program. METRA retained responsibility for enrolling JTPA participants.

METRA referred far fewer participants to some contractors than was planned when the contracts were negotiated. The costs contractors charged for serving a much smaller number of participants did not vary significantly from the costs budgeted based on a much larger number. However, METRA took no action to either modify or terminate the contracts.

To illustrate, only 17 percent of the planned participants were served in the PENCIL and OIC contracts which we have questioned. Yet, 91 percent of the budgeted funds were spent by the contractors.

As a result, the average cost of serving each participant increased unnecessarily and individuals who could have received assistance, at little additional cost, were denied help. Consequently, JTPA funds were wasted.

METRA's problems were compounded by weaknesses in internal controls over its operations and those of its contractors. We found that METRA:

- did not adequately monitor the activities of its contractors to ensure performance or expenditures conformed with the provisions of the contracts;
- overpaid its contractors and, after the contracts expired, modified contract provisions to allow the costs; and
- overspent its administrative allowance and attempted to circumvent past years' JTPA administrative cost limitations by transferring excessive administrative costs to a current contract.

Recently, METRA's management has implemented changes in its systems and procedures that should help prevent recurrence of many of the problems identified in our audit. However, additional improvements are required.

Consequently, we also recommended the Assistant Secretary for Employment and Training require that the Tennessee Department of Labor monitor METRA's activities to ensure Federal and State requirements are complied with, and that internal controls are implemented to prevent the identified problems from recurring. (Report No. 04-95-041-03-340; issued September 28, 1995)

OLDER WORKER PROGRAMS

The Older Americans Act of 1965 authorizes subsidized part-time work opportunities in community service activities for unemployed low-income persons age 55 and over. Through grants and contracts administered by ETA, the Senior Community Service Employment Program (SCSEP) is intended to address unmet community needs by utilizing the skills of senior citizens.

Audit of the National Council on the Aging

The National Council on the Aging, Inc. (NCOA) is a private nonprofit advocacy organization which provides interested parties with training, technical assistance, research and publications on the

subject of aging. In addition, the NCOA is a National sponsor of the SCSEP administered by the Department of Labor (DOL). Over 90 percent of NCOA's annual revenues came from Federal Government grants and contracts; the SCSEP grant program is, by far, NCOA's single largest Federal program.

Over the past several years, the Department has become increasingly concerned about the indirect cost rates proposed by the NCOA. In two previous OIG audit reports on this topic (Reports Nos. 18-91-018-07-735 and 18-93-009-07-735 covering the period CYs 1988 through 1990), the OIG questioned substantial costs charged to Federal grants; the DOL portion of these questioned costs is about \$800,000. Because of continuing concerns about NCOA's proposed indirect costs, the Department requested the OIG audit NCOA's proposed final indirect cost rates for CYs 1991 through 1993.

The serious problems reported in the two prior OIG audit reports had not been corrected. The current audit questioned costs totaling \$1,539,978 (\$1,115,016 in indirect costs, \$379,377 in direct costs; and \$45,585 in double and unsupported billings). Due to the reported findings, the OIG issued an adverse opinion on the indirect and direct costs for CYs 1991 through 1993.

The questioned indirect costs resulted from audit adjustments to NCOA's proposed indirect cost pools and cost allocation bases. The single most significant "repeat finding" regards NCOA's continued charging of salary and fringe benefit costs to its indirect costs pools rather than as direct costs to its private projects and other activities (\$878,278 questioned). The improper charging of salary and fringe benefit costs, in turn, resulted in excessive allocations in nonpersonnel costs to NCOA's indirect costs pools and, eventually, to DOL grants and contracts (\$508,396 questioned). The OIG questioned additional indirect and direct costs because of unallowable or unsupported charges to the pool, improper direct charges to the Department, double billing of administrative costs and other reasons.

While NCOA has moved aggressively to correct the problems identified by OIG, it was not in agreement with all of the OIG findings. The NCOA is, however, working with DOL to assure current difficulties are corrected and future problems and audit findings are minimized. (Report No. 18-95-018-07-735; issued August 18, 1995)

BUREAU OF LABOR STATISTICS

Validation of Source Data Could Improve Reliability of BLS and UIS Employment Data

The Bureau of Labor Statistics (BLS) is the principal fact-finding agency for the Federal Government in the field of labor economics. BLS develops general purpose statistics for: use by labor, business and government entities in the development of economic and social policy; decision-making in the business and labor communities; the legislative process; the general administration of government programs; and other purposes.

We reviewed two of the BLS programs that report employment and wage data -- the Current Employment Statistics (CES) and ES-202 programs. The CES program conducts a monthly survey of over 400,000 business establishments covering 40 percent of the total employment. The ES-202 program serves as both the sampling frame and the benchmark source for the CES survey. ETA's Unemployment Insurance Service (UIS) funds the State Employment Security Agencies (SESAs) to provide BLS data on monthly employment counts from the 6.7 million employers subject to Unemployment Insurance laws.

The CES program annually benchmarks its employment data to the employment counts in the quarterly ES-202 reports and the overall accuracy of the CES survey is gauged by the size of benchmark revisions. The 1991 CES benchmark revision was unusually large and, as a result, received considerable congressional and media attention. After extensive research by BLS into the cause of the large revision, BLS contracted with the American Statistical Association (ASA) to perform an independent review of their findings. The ASA panel issued their report concurring with the BLS research findings. BLS also requested the ASA panel to provide their recommendations for a broad-based research agenda for both the CES and ES-202 programs.

Our review included an evaluation of BLS' plans for addressing the recommendations made by the ASA report on improving the CES and ES-202. We also evaluated the procedures used to ensure the accuracy of the CES and ES-202 data.

We concluded that BLS is actively working on addressing the most significant issues identified in the ASA report and that the highest priority for the CES program should be the transition to a probability sample design. In June 1995, BLS announced its plans to initiate a major sample redesign for the CES survey; the plan calls for a 2-year

research period, followed by a phased-in implementation. However, until this conversion is implemented, the program will have to continue to address the periodic issues impacted by: (1) a sample which is not fully representative of the universe; (2) reliance on the use of a bias adjustment factor; and (3) the national versus sum-of-states employment differences. BLS also plans to expand the Response Analysis Survey, performed in nine states, to include an on-site records verification.

We recommended that UIS, in cooperation with BLS, perform a study to validate the accuracy of employer-reported employment counts as part of the SESA field audits. If the results of the study identify significant employer reporting errors and the study is determined to be cost effective, this verification should be continued.

However, UIS does not believe that expanding SESA field audits is the most viable or cost effective approach. Since UIS is currently developing the upgrade to the SESA field audit procedures, we continue to recommend employment count validation procedures be implemented. We will work with UIS to develop these procedures. (Report No. 03-95-015-11-001; issued August 28, 1995)

FINANCIAL AND PERFORMANCE REPORTING UNDER THE CFO ACT

The Department of Labor is required by the Chief Financial Officers (CFO) Act to annually prepare and submit to OMB financial statements that present the overall financial position, results of operations, cash flows, budget and actual expenses of the Department. The CFO Act also requires that the Department provide an accurate and complete portrayal of the extent to which its legislative mandate is being achieved. This portrayal of the Department's performance is presented in the Overview and Supplemental section of the Department's Annual Financial Statements. The OIG annually audits the financial statements and performance measures as presented by the Department.

STATUS OF IMPLEMENTING THE CFO ACT

We previously reported that DOL had not fully implemented the CFO Act due to the lack of a Chief Financial Officer and certain organizational aspects of the Department's financial management. We are pleased to note that the Department now has a CFO. Edmundo Gonzales was confirmed as the Department's first CFO on June 30, 1995. However, we continue to be concerned with the financial management organizational structure of the Department.

The Department's current financial management organizational structure has not been approved by OMB. (It was submitted on October 16, 1994.) The current structure separates financial authority from management responsibilities, which we believe is not in accordance with the requirements of the CFO Act. As a result of this division, DOL's financial management is weakened. This weakness was reported in our FY 1994 report on the Department's Internal Control Structure. The then-Acting CFO concurred with our assessment. However, DOL has not acted to change the division of financial responsibilities within the Department.

Financial management functions of the five major agencies within DOL remain decentralized and under the direct control of the respective Assistant Secretaries rather than the CFO. Further, the financial management functions of the National Capital Service Center and the regional service centers (which perform accounting services for the smaller agencies as well as cross-cutting services for all agencies) are under the direct control of the Assistant Secretary for Administration and Management rather than the CFO.

The CFO Act sets forth specific requirements for the establishment of the CFO. These requirements are designed to ensure that the CFO has the requisite authority to meet his/her responsibilities and to ensure that financial managers are sufficiently independent of program managers. These are necessary to ensure the integrity of financial data. The Act specifically requires that the CFO oversee all financial management activities relating to the programs and operations of the agency. DOL's structure, which has not yet been approved by OMB, does not accomplish this.

Although the current structure provides that the CFO is responsible for the development and promulgation of departmental accounting and financial policy, it does not provide the CFO with control over the financial managers who are expected to implement these policies. The CFO can promulgate policy, but doesn't have the authority to enforce such policy.

**FY 1994 CONSOLIDATED
FINANCIAL STATEMENTS**

The Department's financial statements for FY 1994 reflect \$34 billion in expenses, of which approximately 86 percent are "pass through" funds, or funds actually expended by state or local government. Of the total, \$21.6 billion was expended by the states for unemployment insurance benefit payments, and another \$7.7 billion by state and

local governments that operate JTPA programs. The balance of the expenses were for benefit payments and services provided directly by the Department.

Financial Statement Opinion. The OIG's report on the FY 1994 financial statements contained a scope restriction related to the lack of audit assurance for tax revenues and related receivables for the Unemployment Trust Fund and Black Lung Disability Trust Fund. As a result, our opinion on the financial statements was qualified. However, this scope restriction is not a reflection on the Department of Labor. Management has worked diligently with both GAO and Treasury to ensure that the Department's funds are audited.

Report on Compliance. The results of our tests for compliance did not disclose any material instance of noncompliance.

Report on Internal Control Structure. In addition to the Department's financial management organizational structure (discussed above), we reported several other conditions in the internal control structure that warrant action, two of which were deemed to be material weaknesses. These weaknesses relate to the timely completion of the annual financial report and the distribution of funding for the Emergency Unemployment Compensation program.

- 1) **Improved Timeliness of Annual Report.** Management stated that the discussion of the need for improved timeliness of the audited annual financial statement was not balanced and they did not respond to the specific recommendations. Progress was made with management in developing a financial statement preparation timeline that would better accommodate the March 1 due date for the final audited statements. However, progress has not been made to modify bookkeeping practices **during** the fiscal year rather than relying on efforts to "clean up the books" subsequent to year end.
- 2) **Accounting for Emergency Unemployment Compensation (EUC) Program Funding.** The legislation creating this \$28 billion program provided for portions of the program to be funded by appropriation and the balance by the Unemployment Trust Fund. Due to a lack of reporting by the states, DOL periodically estimated the amount of Appropriated funding (\$17 billion). Stringent, and in two cases retroactive, time frames for program

implementation, combined with numerous EUC legislative amendments, led to problems in state reporting. As a result, the Department did not obtain a final accounting from all the states to verify the periodic estimates. Further, DOL decided that available reports would not result in a better estimate. Management did not respond to our recommendation to seek an opinion from GAO regarding the acceptability of using estimates in lieu of pursuing final accounting and reporting from the states.

Other significant conditions include the prevention and detection of duplicate FECA payments and accounting for Federal Employees Unemployment Compensation.

3) Duplicate FECA Payments. We identified 234 **potential** duplicate payments totalling \$1.1 million. These were the result of controls being overridden. The Department acted promptly to investigate each of these potential duplicate payments and re-establish the controls designed to prevent future duplicates.

4) Accounting for Federal Employees Unemployment Compensation. In previous audits of the Unemployment Trust Fund, recommendations related to the need for establishment of an accounting system for the Federal Employees Compensation (FEC) Account were made. In response, ETA developed certain subsidiary ledgers during FY 1993 to support the general ledger control accounts. During FY 1994, however, the accounting function was not sufficiently performed to sustain the improvements made in 1993. This adversely affected the completeness and integrity of the FEC Account books. Although management reiterated in its response to our report that a system had been designed and was in place, management did not indicate how and by whom this system would be better maintained than it was in FY 1994.

Our report also provided the status of conditions noted in prior year reports on the internal control structure. Several key conditions and the status of resolution or corrective action follow.

1) Accounts Payable and Undelivered Orders. Progress has been made to improve the accounting for accounts payable and undelivered orders. However, further improvements could be made to ensure that only valid undelivered orders remain on the books, accounts payable are recorded timely in the proper

period, only valid accounts payable are recorded, and accounts payable are recorded in the proper amount.

- 2) Black Lung Disability Trust Fund Accounts Receivable.** Accounting controls for the Black Lung Disability Trust Fund's \$89 million of accounts receivable continue to need improvement to ensure that accounts receivable records are maintained up-to-date and that all transactions are recorded in the proper amount.
- 3) Wage and Hour's Civil Monetary Penalty and Backwage Accounts.** The ESA has begun to design a system to improve the tracking of Civil Monetary Penalty assessments. Differences between the Backwage regional and national office systems still need to be reconciled and adjusted.
- 4) Funds with U.S. Treasury.** In our FY 1993 report, we identified that the Department recorded adjustments to bring its books into agreement with Treasury. These adjustments were not supported by properly completed reconciliations (\$3 million in FY 1994). If the reconciliation process was complete and timely, the Department would have reasonable assurance of detecting transactions posted in error either by itself or Treasury. The Department has agreed that proper reconciliations will be performed in the future.
- 5) Property and Equipment.** Our FY 1992 audit identified improvements needed in the Department's accounting for personal property and equipment. Although the Department has made various efforts to develop and improve property systems, it has been unable to implement a viable system. However, a more concerted effort is under way to complete corrective action.
- 6) Accounting for Costs of Federal and State Unemployment Benefit Programs.** ETA and the Office of Chief Financial Officer (OCFO) continued their joint effort to complete a comprehensive accounting system to account for Federal and state unemployment benefit programs.
- 7) Working Capital Fund Cost Allocations.** Management indicated it will implement a revised pricing strategy that will ensure costs are allocated based on the benefits derived by the users of the Working Capital Fund beginning in FY 1995.

- 8) Grant Accounting.** Management stated they will issue a policy on minimum requirements on accounting for grants for all DOL agencies. For FY 1994, the refinement of accrued costs for ETA grants and reclassification of grant-related receivables and payables was performed at year end. We have recommended to the Department that these items be incorporated into the Department's routine accounting rather than at year end for financial statement purposes only. (Report No. 12-95-004-07-001; issued June 15, 1995)

**AUDIT OF FY 1994
PERFORMANCE
MEASURES**

The OIG audited the performance measures reported in the Department's Consolidated Fiscal Year 1994 Financial Statements for: ETA's Employment and Training and Unemployment Insurance programs; ESA's Wage and Hour Division, Office of Workers' Compensation Programs, and Office of Federal Contract Compliance Programs; OAW's Office of Labor-Management Standards; OSHA; MSHA; PWBA; and BLS. The major objective of the audits was to answer the question of whether the reported performance measure information present fairly the Department's performance. We identified the need to improve reporting of performance measures in four areas:

- 1) New measures.** BLS currently does not report measures that reflect the accuracy of data related to monthly and annual price changes reported by the Consumer Price Index program. CPI program managers have suggested using sample variance measures similar to those adopted for other BLS programs. Such measures would increase the users' confidence that the data reported for this program is reasonably accurate.

The Unemployment Insurance program currently does not have a measure on initial claims accuracy. The accuracy of initial claims is critical to assure that those entitled to benefits receive them timely. Based on UI program statistical data, initial denials represent 26 to 30 percent of all initial claims. As a result, the UI service is designing a pilot project to test the best means for assessing the accuracy of denial decisions.

- 2) Improvements needed in presentation of some measures.** The title and description of PWBA's performance measure on *Advisory Opinions and Information* do not fully describe all data reported for the measure. As a result, the measure appeared to be overstated by 22 percent.

MSHA's fatality and injury rates measure lacks complete disclosure. The footnote should disclose that reported statistics are compiled from mostly unaudited reports submitted by the mine operators and contractors. Also, the footnote should explain why the calculation of incidence rates uses 200,000 hours.

- 3) Inadequate documentation.** The Longshore Program does not maintain a record of detailed cases which are included in the monthly summary report for the timeliness measures. The case management system is continuously updated and data needed to verify timeliness measures is not maintained on the system.

Supporting documentation is inadequate for MSHA's measure on *mines not in compliance with dust standards*. The documentation consisted of over 4,000 pages of information without any summary data.

There is no system in place to assure the accuracy of UI's baseline measure of *benefits paid*. The amounts reported as benefits paid were \$120 million more than the benefits reported on the UI Financial Transaction Summary report which was reconciled to the FY 1994 financial statements. Management corrective action plans include a data validation program that will include the ETA 5159 Report, which is the basis for the baseline measure reported.

- 4) Data collection issues.** PWBA's measure on *benefit recoveries* is valued inconsistently. Field offices report the value of a single month's benefit increase, whereas the National Office reports the same benefit accumulated over the next 15 years. PWBA National and field offices reported inconsistent data for the performance measure on *inquiries answered*. Automated telephone messages were included by the National Office but not by the field offices.

MSHA's reported statistics did not include a significant number of reports from mine operators and contractors that were not processed prior to reporting final fatality and injury statistics. MSHA computed *the percentage of field equipment audits in which defects were found* using an incorrect formula. Thus, the measure was overstated by 82 percent (26.8 percent versus 14.7 percent). MSHA corrected the FY 1994 rate and restated the FY 1990 - FY 1993 rates in the final FY 1994 financial statements.

AUDIT RESOLUTION

An audit recommendation is **resolved** when the Departmental funding agency and the OIG **agree** on the action that will correct the problem or deficiency that produced the recommendation. An audit recommendation is considered **closed** when all actions agreed to by management to correct a problem have been **completed**.

ETA'S USE OF ADR IN AUDIT RESOLUTION

In passing the Administrative Dispute Resolution Act (the Act), the Congress provided a method for parties to disputes involving Federal administrative proceedings, to informally resolve their differences short of entering a more formal resolution process. Alternative Dispute Resolution (ADR) is the process in which the parties to a dispute call upon the services of a neutral third party to assist them in reaching agreement. Although the Act expired on October 5, 1995, Congress is considering reauthorizing it.

ETA is the only DOL agency to date which has used ADR to resolve OIG audit findings. The OIG believes ETA has taken a constructive step in its approach to the use of ADR. However, the initial results have been mixed in terms of the timeliness and content of agreements reached, as illustrated by the following examples.

Use of ADR in the Appeal Stage

ETA sometimes proposes that ADR be used after a formal appeal has been filed with the Department's Office of Administrative Law Judges (OALJ).

The OIG's March 1991, June 1992 and July 1993, audit reports on the National Governors' Association (NGA) questioned grant funds for indirect costs expended by the NGA for the years 1986 through 1991. In April 1994, ETA issued management decisions disallowing almost \$82,000 of the questioned costs for DOL. There is an additional \$430,000 of questioned costs involving other Federal agencies. NGA subsequently appealed the decisions to the OALJ.

In February 1995, the parties agreed to utilize ADR in lieu of an OALJ hearing to settle the issues and costs disallowed by the Grant Officer. However, NGA withdrew from ADR in July 1995. Both parties are now preparing to bring the cases before the OALJ.

It has been 4½ years since issuance of the first of these audit reports and 1½ years since ETA issued its management decisions on DOL's portions. DOL has neither recovered the costs disallowed by ETA nor has an administrative hearing before the OALJ been held. In this

case, the offer of ADR in the administrative appeal stage did nothing to facilitate the timeliness or effectiveness of the audit resolution process.

Use of ADR in the Informal Resolution Stage

OMB Circular A-50, the IG Act Amendments of 1988 and the recent Federal Acquisition Streamlining Act require that management decisions be rendered within 6 months of OIG's issuance of audit reports. In some cases, ETA has initiated ADR before the final management decision is issued.

The OIG's September 1991 audit report on the Opportunities Industrialization Centers of America, Inc. (OICA) questioned grant funds expended during the year ending June 30, 1990. ETA issued an initial management decision disallowing \$398,021. In August 1994, an OIG audit report for the period July 1990 through September 1993, questioned \$554,867 of OICA grant expenditures which impacted the Department. ETA issued an initial management decision on the latter audit report and, at the same time, proposed the use of ADR as a means to resolve the costs initially disallowed by ETA under both audits. In March 1995, the OICA accepted ETA's proposal to use ADR mediation. Although ETA has informed the OIG that substantial progress has been made, the parties have not reached agreement as of September 30, 1995.

The two OICA cases have now been in ADR for 6 months. The OIG remains concerned, however, that it is now 4 years since the first OIG audit report was issued and it is still not resolved.

Successful Use of ADR

The OIG issued audit reports in September 1991 and April 1993, questioning grant funds expended by the Santo Domingo Tribe. In March 1992, the ETA Grant Officer issued a management decision on the first report disallowing over \$13,000 and, in September 1993, issued an initial decision on the second report disallowing \$65,000. In October 1993, the grantee accepted ETA's offer to resolve the disallowed costs through the use of ADR. Mediation commenced in August 1994 and resulted in a Settlement Agreement.

In this case ADR proved very successful and the grantee was able to demonstrate the allowability of all but \$12,960 of the costs which were initially disallowed. Through the use of a mediator, the questioned costs were resolved in a timely manner and a potentially prolonged and expensive OALJ hearing process was avoided. The Tribe has agreed to refund \$9,200 in settlement of the disallowance.

The OIG recognizes that the use of ADR in the audit resolution process is still being tested by ETA. However, we are concerned that the lack of built-in time constraints will in some cases negatively impact the timeliness of the agreements or decisions ultimately obtained through the process.

SIGNIFICANT AUDIT RESOLUTION

Secretary Rules on Long-Standing City of Detroit Appeals

The following narratives detail some of the most significant audit resolution actions that occurred during this semiannual reporting period.

In 1982 and 1983, the OIG issued four audit reports on the City of Detroit's CETA (Comprehensive Employment and Training Act) programs covering the period October 1977 to September 1980. The audits recommended \$8.8 million be disallowed because of a lack of documentation for certain administrative costs charged by the City to the CETA program. In 1983, the DOL Grant Officer issued Final Determinations (management decisions) disallowing the \$8.8 million.

The City appealed the Grant Officer's Determinations to the Office of Administrative Law Judges (OALJ). The OALJ consolidated the results of the four audits, plus six other pertinent OIG audits, into one case and, in October 1990, issued a Decision and Order requiring the City of Detroit to pay \$3.4 million to the Department of Labor. The City appealed this Decision and Order to the Secretary. Since 1990, the case has been pending review and final decision in the Secretary's Office of Administrative Appeals. On July 31, 1995, the Secretary issued a Final Decision and Order modifying the OALJ's decision by increasing the disallowed indirect costs by \$1 million, for a total disallowance of costs of \$4.4 million, and establishing a debt in that amount owed to DOL by the City of Detroit. On September 27, 1995, the City filed an appeal of the Secretary's Final Decision and Order with the U.S. Court of Appeals.

The Federal Acquisition Streamlining Act of 1994 provides that the Government may assess interest from the time a Federal Agency issues a written demand for payment against a contractor. However, it is important to note that this provision of the Act does not apply to grants/grantees. Had the Government been authorized to assess interest from the date a written demand for payment was issued against the City of Detroit, the City would owe the Department in excess of \$8 million in interest alone.

The OIG believes there is no real incentive for grantees who are disposed to delaying the resolution of monetary audit findings to move forward with resolution. We urge Congress to consider allowing Government agencies to charge grantees interest on disallowed costs, just as the Streamlining Act permits with respect to contractors.

\$3 Million Settlement of Kentucky Industrial Incentives JTPA Audit

After lengthy litigation, the State of Kentucky recently entered into an agreement with the Department to return \$3 million to DOL in settlement of almost \$7 million in costs that were disallowed as a result of an OIG audit report.

In March 1992, the OIG issued an audit report on JTPA funds spent by the Kentucky Cabinet for Human Resources to fund on-the-job-training (OJT) for workers hired by the Toyota Motor Company and the Budd Company. The OIG's report questioned \$6,955,803 in JTPA funds Kentucky spent on the training.

The OIG found no evidence of a bona fide JTPA program operating at the two companies. Both companies hired highly qualified workers; consequently, neither incurred "extraordinary training costs" nor experienced reduced production, which would have justified their receiving the funds. In fact, Toyota had made no commitment, contractually or otherwise, to train JTPA participants. Similarly, at Budd, eligibility for JTPA was not determined until after individuals had been hired.

We concluded Kentucky improperly used JTPA funds to subsidize Toyota's and Budd's normal start-up costs rather than serve individuals in need of assistance. The funds helped defray the State's financial obligation which had resulted from incentive packages offered the companies to locate manufacturing plants in Kentucky.

The ETA Grant Officer upheld OIG's findings in a Final Determination dated September 22, 1992, which Kentucky subsequently appealed to the Department's Office of Administrative Law Judges (OALJ). The issue was settled with Kentucky's June 15, 1995 agreement to repay \$3 million, on which basis the OALJ dismissed the appeal on September 15, 1995. On September 26, 1995, Kentucky remitted a check to DOL in the amount of \$3 million, pursuant to the settlement agreement. (Report No. 04-92-023-03-340; issued March 26, 1992.)

ETA Disallows \$4.5 Million in Alamo Consortium SDA JTPA Program Costs

The OIG's March 31, 1994 audit report on the Alamo Consortium Service Delivery Area (SDA) in San Antonio, Texas, questioned costs of \$7,136,576. The OIG reported that the SDA did not effectively use JTPA funds to provide quality training and services to eligible participants and failed to properly administer the program. The OIG found the SDA had spent significant funds on activities that provided marginal, if any, benefit to participants. In addition to our recommendation that these costs be disallowed, we recommended that the SDA be designated a "high risk" recipient.

In its October 7, 1994, audit resolution plan, the Texas Department of Commerce (the State JTPA administrative entity) notified ETA that the State had designated the SDA as "high risk" and placed the SDA under a conditional contract. However, it was not until July 7, 1995, that the State officially notified the SDA of its "high risk" status.

On August 29, 1995, ETA issued its final determination disallowing \$4,529,306 and allowing \$2,607,270. We have notified the grant officer of our disagreement with \$112,514 of the allowed costs. We will work with the grant officer to resolve our differences. (Report No. 06-94-002-03-340; issued March 31, 1994)

\$1.2 Million in Costs Disallowed for the California Human Development Corporation

In our previous semiannual report, the OIG reported questioned costs of \$1,064,390 as a result of the audit of the California component of CHDC operations. The OIG additionally recommended CHDC reimburse DOL \$144,848 for imputed interest costs. ETA's management decision disallowed all of the OIG questioned and imputed interest costs totalling \$1,209,238.

On September 1, 1994, the CHDC filed for Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Northern District of California. (Report No. 18-95-008-03-365; issued March 1, 1995)

Court Action Allows for Resolution of East Texas Council of Governments SDA Audit

While the OIG's report on the East Texas Council of Governments (ETCOG) has not yet been resolved, significant activity occurred during this semiannual period that warrants reporting.

Our September 1992 audit report on ETCOG's JTPA program questioned \$5.8 million in profits, interest income, program income and expenditures. The report was high profile because \$4.5 million in profits and interest were earned by two non-profit organizations that ran the program for the ETCOG SDA.

In September 1991, prior to issuance of our audit report, the two non-profit contractors filed a lawsuit in Federal District Court in Tyler, Texas, against the SDA and the Texas Department of Commerce (TDOC), the State JTPA administrative entity, seeking a declaratory judgment allowing them to keep all profits and interest earned while operating the JTPA program. The District Court ordered the plaintiff contractors to join the DOL as an indispensable party to the litigation. On May 26, 1993, the District Court ruled in favor of the plaintiffs, indicating neither USDOL nor TDOC could recover any of the profits nor interest from the subcontractors. Because of this decision, ETA suspended resolution action on this report pending ETA's appeal of the District Court decision, through the Department of Justice.

On April 17, 1995, the Court of Appeals concluded that the District Court lacked jurisdiction to hear the subcontractors' and ETCOG's Federal law claims against the DOL, which amounted to pre-enforcement attacks on non-final agency action. The Court of Appeals vacated the District Court's decision and stated that both the State and DOL were free to pursue final agency action regarding whether subcontractors' costs and revenues were reasonable and necessary under ordinary agency standards and procedures. The Court of Appeals decision cleared the way for ETA to reinstitute audit resolution action on this audit. On May 15, 1995, ETA resumed the audit resolution process with the Texas Department of Commerce. (Report No. 06-92-010-03-340; issued September 25, 1992)

**Judgment Upheld;
An Additional \$1.2 Million
Questioned for WAVE, Inc.**

In the semiannual report for the period ending September 30, 1991, the OIG reported on an audit of JTPA Title IV grants and a departmental contract awarded to the "70001 Training and Employment Institute." The Institute subsequently changed its name to "Work, Achievement, Values and Education, Inc.," or WAVE. On March 26, 1992, ETA issued a management decision which upheld OIG's findings and established a debt of \$622,602. WAVE appealed this decision to the Department's Office of Administrative Law Judges (OALJ). On December 7, 1993, the OALJ upheld the Grant Officer's management decision.

WAVE appealed the ALJ's decision to the Secretary of Labor; however, the Secretary did not accept the case for review. WAVE then petitioned the U.S. Court of Appeals for review of the Secretary's decision. On November 28, 1994, the Court issued a judgment affirming the decision of the Secretary. On August 9, 1995, the

Department and WAVE entered into an Installment Repayment Agreement in which WAVE committed to repay the Department \$622,602. The Department agreed to accept payment of \$350,000 over a period of 5 years, after which time DOL would make a recommendation to the Department of Justice on the disposition of the remaining \$272,602 owed by WAVE. WAVE made its first installment payment of \$17,000 on September 5, 1995. (Report No. 18-91-021-03-340; issued Sept. 30, 1991)

In the semiannual report for the period ending September 30, 1994, the OIG reported its audit of JTPA Title IV grants awarded to WAVE, Inc. (WAVE). Of the \$4.8 million in costs claimed by WAVE for Fiscal Years 1990 through 1992, the OIG questioned \$1.2 million, or about 25 percent of the funds it received to operate job training programs for youth. WAVE disagreed with all of the questioned costs. The ETA has issued its management decision and disallowed the entire \$1,202,216 questioned by the OIG. (Report No. 18-94-021-07-735; issued September 27, 1994)

Resolution Actions on Prior Audits of the National Council on the Aging

In previous semiannual reports, the OIG reported our audits of the NCOA. ETA subsequently issued management decisions on the costs questioned by OIG, disallowing a total of \$796,224. In a revised management decision, ETA allowed \$96,224 of this amount and established a debt due to the Department of \$700,000. The NCOA appealed both ETA management decisions to the Department's Office of Administrative Law Judges.

Recently, DOL and NCOA entered into a Settlement Agreement in which DOL stipulated that, "consistent with law and policy, it is in the best interest of the Government to accept the Grantee's offer of \$400,000 in full satisfaction of the amount which remains disallowed and which is on appeal." The agreement established a payment schedule for NCOA to repay the \$400,000. (Report Nos. 18-91-018-07-735; issued July 19, 1991, and 18-93-009-07-735; issued March 18, 1993)

United American Indians of the Delaware Valley Enters into Settlement Agreement

In June 1993, the ETA Grant Officer issued a management decision disallowing the entire \$277,744 in costs questioned by the OIG. The grantee appealed the Grant Officer's decision to the Department's Office of Administrative Law Judges.

Based upon a review of the Grantee's financial condition, DOL determined there were insufficient non-Federal funds to pay the debt, either in one lump sum or in installments, within a reasonable time. Therefore, the Department determined it is in the best interest of the Government to enter into a Settlement Agreement in which the grantee agreed to pay \$135,000 in full satisfaction of the \$277,744 under appeal. (Report No. 18-93-002-03-355; issued December 23, 1992)

**REVISED MANAGEMENT
DECISIONS**

No significant revised management decisions were reported to the OIG by the Department this reporting period.

OFFICE OF INVESTIGATIONS

OVERVIEW

A primary responsibility within the mission of the OIG is to detect and prevent fraud and abuse in Department of Labor programs and labor racketeering in the American workplace. The Office of Investigations (OI) has made great strides toward meeting this responsibility. Our total investigative work hours were distributed approximately as follows: ERISA employee benefit plan investigations - 25 percent, Employment Standards Administration program investigations - 17 percent, investigations of internal union affairs - 13 percent, Employment and Training Administration program investigations - 10 percent, investigations involving labor-management relations - 10 percent, DOL employee integrity investigations - 6 percent, unemployment insurance investigations - 6 percent, and all other categories of investigations - 13 percent. During this period, the Office of Investigations opened 244 cases. OI investigations led to 135 indictments, 168 convictions, and \$14.6 million in monetary results.

The number of indictments, convictions, and the total amount of monetary results generated from criminal investigations have traditionally been used by law enforcement agencies to measure success or performance. However, these statistics alone are not an effective measure of the total performance of an agency. In an attempt to address this dichotomy, the OIG has adopted an additional form of accomplishment reporting entitled, "Impact Statements." Impact statements attempt to describe the effect or impact that results because of an investigation, or series of investigations.

The Office of Investigations consists of two components: the Division of Program Fraud and the Division of Labor Racketeering. The following section provides descriptions of investigative initiatives and case results for some of the more significant investigations accomplished by OI Special Agents.

DIVISION OF PROGRAM FRAUD

The Division of Program Fraud (PF) is responsible for conducting investigations into allegations of fraud, waste, and abuse in DOL programs and allegations of criminal activity by DOL employees. During this reporting period, the PF has focused its resources on two major areas: medical provider fraud in DOL-sponsored health care

programs and employee integrity in the mine safety and health program.

MEDICAL PROVIDER FRAUD

The PF has begun a nationwide task force designed to deter the continuation of fraud within health care programs administered by the Department. Health care fraud can be divided into two areas: medical provider fraud and claimant fraud. Fraud by health care providers annually costs the American taxpayer millions of dollars. Investigative successes by the OIG and other federal agencies have generated substantial congressional interest in the detection and prevention of health care fraud by individuals who are often considered by society to be its most highly educated and well-trained members -- and usually above suspicion.

There has previously been no systematic investigative approach adopted by OIG in the area of medical provider fraud. Several recent, regional investigations have demonstrated that there may be substantial problems related to health care providers in the Federal Employees' Compensation Program. A planned and coordinated task force approach designed to provide resources and guidance to all regions should result in greater impact within DOL and the health care provider field. This planned approach will also improve the knowledge, skills and abilities of Special Agents in this critical investigative area which is likely to remain a priority for the foreseeable future.

Office of Workers' Compensation Programs (OWCP) charge-back reports show that from July 1994 through June 1995, OWCP paid out \$1.8 billion in Federal Employees' Compensation Act (FECA) benefits. Of that amount, nearly \$500 million was for medical care. While the DOL is charged with administering the program, the cost is ultimately borne by each Federal agency or department through a charge-back system. The OWCP Black Lung Program paid out \$110 million in medical and diagnostic treatments last year.

The importance of the new PF task force becomes clearer when one considers that in 1994 the Health Care Industry grossed over \$900 billion. According to the United States Department of Justice (DOJ), as much as 10 percent of each health care dollar, or approximately \$90 billion, is the result of fraudulent claims or business practices. As noted above, DOL's OWCP paid over \$600 million to health care providers on behalf of injured federal workers and miners with Black

Lung disease. Thus, using DOJ's estimate, fraud in OWCP programs may be as high as \$60 million in 1994-95.

The primary concept of this PF task force is the development of a more efficient, systematic approach to investigating medical provider fraud cases in order to ensure uniformity in approaches used and a sharing of information between those involved. Using this approach, OI intends to refer at least 12 medical provider fraud cases to DOJ within the next year. Each investigation will be followed by a detailed report to the OWCP for their use in taking appropriate administrative action against the medical providers and others found to be defrauding the program. Also, any program weaknesses or administrative problems noted, or any legislative, regulatory, or procedural proposals needing the attention of Congress or DOL will be appropriately referred.

The intended impact of this task force will be to: (1) reduce the growth in medical provider costs submitted to DOL, (2) reduce the number of fraudulent claims submitted by health care providers, (3) facilitate the passage of legislation or the revision of regulations designed to reduce the cost of the health care programs administered by DOL, (4) debar medical providers who are convicted of submitting fraudulent claims to DOL, and (5) improve OI Special Agents' knowledge and skills in this critical investigative area in order to more efficiently conduct this type of investigation in the future.

Examples of significant medical provider investigations receiving attention during this reporting period are described below.

Rehab Specialist Indicted for Inflating Bills

Thomas Pavloski, an OWCP rehabilitative specialist who hid his active employment at a private rehabilitation clinic under contract to OWCP, was indicted for his part in a scheme to fraudulently inflate bills submitted to OWCP for rehabilitative service. Investigation disclosed that over a 2-year period, Pavloski, while employed by the clinic to prepare bills for treatment provided to FECA claimants, inflated these bills and received 60 percent of the proceeds from the inflated portions of the bills, resulting in a theft in excess of \$47,700. *U.S. v. Pavloski* (S.D. New York)

Neurologist Charged in False Claims Scheme

A Kitsap County, Washington, neurologist, Dr. Sander E. Bergman, was charged with filing false claims with OWCP for office visits which never occurred and for neurological tests which were never conducted.

Prosecution of this case is noteworthy given that Bergman has been sentenced to prison for his conviction in 1993 for sexually assaulting female patients, during the same time period that he was defrauding the government. Bergman is appealing his assault conviction and had not yet commenced his sentence. *State of Washington v. Bergman* (Washington)

Cardiologist Guilty of Soliciting Kickbacks

After a 5-week trial, a jury found Dr. Dominic W. DiLeo, a Uniontown, Pennsylvania cardiologist, guilty of violating federal kickback, mail fraud, and drug trafficking laws. An OI investigation (detailed in our October 1, 1993 - March 31, 1994 report), determined that over a nine-year period, Dr. DiLeo solicited and received kickbacks from Penn Medical Services, Inc., a Uniontown durable medical equipment company, in return for referring patients to it. Dr. DiLeo was also found guilty of illegally dispensing prescription drugs and creating false medical records to hide these actions. Dr. DiLeo was jailed pending his sentencing. *U.S. v. DiLeo* (W.D. Pennsylvania)

Doctor Sentenced to Jail for False Billings

In furtherance of a joint investigation detailed in our April 1 - September 30, 1994, report, Dr. Earl M. Stenger, a Texas psychiatrist who specialized in pain management, was sentenced to 21 months imprisonment, fined \$50,000, and ordered to make \$200,000 restitution. Imposition of the sentence came after Dr. Stenger entered a guilty plea to charges that he submitted false billings and medical reports to OWCP and private insurance companies for treatments allegedly provided to compensation claimants or for modalities of treatment which utilized equipment he did not have. *U.S. v. Stenger* (W.D. Texas)

Impact: *As a direct result of these types of investigations, PF has initiated a medical provider fraud task force project to systematically approach this developing health care problem. In addition, the OIG's Office of Audit has begun to review the impact of medical provider fraud on DOL health care programs. The PF Division will be working closely with the Office of Audit in this effort. By concentrating more resources on medical provider cases, the OIG hopes to stem the loss of taxpayer money to fraud.*

CLAIMANT FRAUD

Providers, however, were not the only ones defrauding DOL's compensation programs during this reporting period. The following are examples of the more significant claimant fraud cases receiving attention this period.

**THE FEDERAL
EMPLOYEES'
COMPENSATION ACT
PROGRAM**

The Federal Employees' Compensation Act (FECA) Program is a workers' compensation program that provides medical benefits and disability compensation to Federal employees who are injured. The Department of Labor's Office of Workers' Compensation Programs is responsible for the program's administration for all Federal agencies.

**Former Letter Carrier
Sentenced in
FECA Fraud Scheme**

Rufus L. Tartaglia, a former Utica, New York letter carrier who was found guilty in connection with his scheme to defraud the FECA program, was sentenced to 6 months home detention, 5 years probation, and ordered to make restitution in the amount of \$112,247. Investigation disclosed that Tartaglia failed to report earnings he received as the owner/operator of a floor covering business while also receiving FECA benefits. Using the provisions of the FECA amendments enacted in 1994, OWCP terminated Tartaglia's FECA benefits upon his conviction. *U.S. v. Tartaglia* (N.D. New York)

**Former Fire Fighter
Sentenced for
Concealing Income**

A joint investigation with the U.S. Army's Criminal Investigation Division culminated with the sentencing of James P. Hajacos, a former civilian fire fighter at Fort Lee, Virginia. Hajacos was sentenced to 10 months incarceration, of which 5 months was to be served in home detention, 100 hours community service, 3 years supervised probation, and payment of a \$50 special assessment. In addition to the criminal charges, a civil judgement was entered against Hajacos, in which he was ordered to pay \$205,290. The investigation determined that he had been operating an antique business and maintaining rental property, while concealing these facts and income from OWCP. The Army has described this case as a major accomplishment and the largest recovery recorded since the Army made FECA fraud a priority. *U.S. v. Hajacos* (E.D. Virginia)

**Former IRS Agent
Repays Over \$251,000**

As part of a stipulated settlement agreement, Bernard V. Donahue, a former Revenue Agent for the Internal Revenue Service (IRS), presented a cashier's check in the amount of \$251,064.03 to the Department of Justice. The payment represents the FECA funds Donahue had fraudulently obtained over a period of 7 years. This settlement was the result of an investigation conducted jointly with the

IRS which determined that Donahue had been employed as a consultant to, and served on, the board of directors for an Ohio railroad company, receiving income in excess of \$660,000 which he failed to report to OWCP. *U.S. v. Donahue* (D. Minnesota)

Impact: *These cases serve to illustrate that the FECA program remains vulnerable to those individuals who would take advantage of this compensation system. Long-term FECA recipients often receive hundreds of thousands of dollars while on the rolls, and the benefit level offers little incentive to return to the workplace. Investigations and successful prosecutions of those who would defraud the program, serve as an effective deterrent to future dishonesty. In the previous Congressional session, the FECA statute was amended to allow for the immediate termination of benefits of claimants convicted of defrauding the FECA program. To date, the Government has realized a savings of over \$932,700 through their ability to terminate such benefits. Future successful PF investigations will serve to further save Federal money.*

THE BLACK LUNG PROGRAM

During this reporting period, four separate instances of individuals who fraudulently obtained Black Lung (BL) benefits were successfully investigated. In three instances, the child of a miner's surviving spouse failed to report the death of the spouse and then falsified BL forms in order to continue receiving BL survivor benefits. In another case a deceased miner's spouse failed to report her remarriage. These four criminal acts defrauded the BL program of over \$252,000.

Impact: *These cases illustrate a potential weakness in the BL survivor benefit program. OIG will work with BL management officials to determine whether systems can be improved beyond the current death-roll computer match conducted by OWCP which led to the discovery of these cases. Detecting this criminal conduct at an earlier stage will reduce future such losses to the program.*

EMPLOYEE INTEGRITY

The OIG continues to devote substantial resources to the investigation of corrupt DOL employees and others who fail to properly exercise their official responsibilities in exchange for personal gain. Particular attention has been directed to alleged corruption by Mine Safety and Health Inspectors.

MINE SAFETY AND HEALTH

The Mine Safety and Health Administration (MSHA) is responsible for ensuring health and safety in all of the Nation's mines. MSHA develops and promulgates safety and health standards, ensures compliance with such standards, assesses civil penalties for violations, and investigates mine accidents.

Most of our investigations focused on inspectors in Kentucky and West Virginia and involved allegations that inspectors extorted mine owners or accepted money or other items of value in exchange for not properly performing their official inspection duties. Examples of these cases follow.

MSHA Compliance Specialist Pleads Guilty

Eugene Holt, a former MSHA Civil Penalty Compliance Specialist in Pikeville, Kentucky, pled guilty to three felony charges of accepting money from the owner of a Pike County coal company. Holt was responsible for collecting delinquent civil monetary penalties from coal operators, which had been assessed by MSHA for safety and health violations. Holt admitted to receiving payments from coal mine operators in return for assessing lower civil monetary penalties on the companies than were actually required. He admitted to accepting payments of \$500 in May and November 1990, and accepting a payment of \$1,000 in March 1994. In addition, Holt further admitted to agreeing to accept an additional \$2,000 from the same mine operator in return for future reductions in penalties. Holt is the sixth Pike County MSHA employee to be indicted and convicted of corruption charges in the last year. With this guilty plea, Holt faces a maximum penalty of 45 years imprisonment and a fine up to \$775,000. *U.S. v. Holt* (E.D. Kentucky)

Mine Inspector Sentenced for False Statements on Mine Reports

Gary McClanahan, a 19-year career MSHA mine inspector, pled guilty to making false statements on mine inspection reports and has been sentenced to 2 years probation, 30 days in a half-way house, fined \$500, and ordered to serve 100 hours of community service. McClanahan reported in official records that he had inspected a coal mine on a day he was actually in Virginia purchasing an all-terrain vehicle. In addition to the false filing charge, McClanahan was also indicted for allegedly seeking and receiving a payment of \$300 from a coal mine operator in return for failing to properly inspect the coal company's mine. McClanahan pled guilty to the false filing charge in an agreement to drop the bribery charges. *U.S. v. McClanahan* (E.D. Kentucky)

Fishing Rod and Reel Leads to Sentencing of MSHA Inspector

Thomas Marcum, a former MSHA mine inspector assigned to Logan, West Virginia, was sentenced to 3 years probation, fined \$5,000, and directed not to leave the Southern District of West Virginia or the Eastern District of Kentucky while on probation. In a plea agreement, Marcum admitted receiving a fishing rod and reel worth approximately \$180 from the superintendent of a Logan County mine with the understanding that he would treat the operator more leniently in the future. At the time of the agreement, the Assistant Secretary for MSHA issued a news release emphasizing that the majority of MSHA's employees are committed professionals dedicated to protecting the miners' lives. However, he also stated that, "corruption cannot and will not be tolerated." In addition, he said, "any situation that appears to compromise the integrity of the federal service must be vigorously and impartially investigated, and appropriate action taken." At Marcum's sentencing, the judge stated that public corruption is "a most heinous crime" and one he would not tolerate. *U.S. v. Marcum* (S.D. West Virginia)

Mine Inspector Sentenced to Prison for Accepting Bribe

During the previous reporting period, T. Richard Oney, a former supervisory inspector with MSHA, pled guilty to one count of conspiracy. An OIG investigation revealed that he had demanded and received payments from several mine operators from 1986 through 1991. During this reporting period, he was sentenced to 6 months imprisonment, 2 years supervised probation, and fined \$2,900 (the amount he admitted taking from an official of a Pike County, Kentucky coal company). Oney was also ordered to perform 100 hours of community service. He had previously pled guilty to scheming with a fellow MSHA inspector to extort at least \$7,000 from coal operators in Pike County. *U.S. v. Oney* (E.D. Kentucky)

Impact: *These MSHA integrity investigations are part of an initiative which, since 1986, has resulted in the conviction and/or removal from employment of 14 Federal and 2 State inspectors. These results demonstrate OIG and MSHA's commitment to ensure the highest integrity in such inspection programs. They also serve as a warning to individuals willing to disregard their official responsibilities in favor of personal gain, that they will be sought out and prosecuted for their actions. MSHA has requested that the OIG's Office of Evaluations and Inspections assist MSHA to improve its integrity program by studying the policies and procedures of other Federal, State, and Local regulatory agencies. The OIG is also assisting MSHA in the development of a special ethics training program to be provided to all inspectors.*

**DEPARTMENTAL
INTEGRITY**

Brief narratives of additional integrity investigations involving offenses committed by other DOL employees or individuals entrusted with DOL funds or responsibilities follow.

**VETS State Director
Sentenced for Weapons
Violation**

Wesley E. Leggett, the Ohio Director of Veterans' Employment and Training Services, entered a guilty plea to improperly handling a firearm in a motor vehicle. Leggett had been charged after he reportedly pulled a gun from the trunk of his car, pointed the gun at a subordinate employee, and threatened to use it to resolve a union grievance issue. Leggett was sentenced to 6 months in jail, fined \$300, ordered to turn over all his handguns for destruction, and advised to avoid contact with the victim. In addition, a felonious assault charge was dismissed without prejudice, meaning the State can re-indict Leggett any time over the next 7 years if he in any way threatens the victim again. *Ohio v. Leggett* (D. Ohio)

**Five DOL Employees
Charged in Time
and Attendance Fraud**

As a result of reports of alleged time and attendance fraud being committed by employees in the Department's National Office, the OIG's Office of Special Investigations initiated a project to identify those who were involved. To date, this initiative has identified five DOL employees who have committed time and attendance fraud, four of whom have been charged in D.C. Superior Court for theft, and one employee was charged in Federal District Court. Four of the five charged have pled guilty, while the other is scheduled for trial in December. Four have also either resigned their DOL employment or have been removed as a direct result of this initiative. Based on this project, DOL has enhanced the security procedures for processing time and attendance reports at the National Office. Cost efficiencies of approximately \$120,000 and recoveries of \$7,200 have been realized. *District of Columbia v. Purden, Seupaul, Morton, King, and Queen* (District of Columbia)

**Former Timekeeper
Sentenced for False
Overtime Claims**

Melva Faye Taylor, a former Clerk Typist/Timekeeper for the Bureau of Labor Statistics, pled guilty to charges of making false statements. An OIG investigation disclosed that Taylor had made false entries to her time and attendance records to include overtime hours she had not worked. These falsified entries were processed through the payroll department and Taylor received in excess of \$27,000 for the unauthorized overtime. Taylor was sentenced to 3 years probation, with 6 months in a half-way house, and ordered to pay restitution in the amount of \$27,632. *U.S. v. Taylor* (District of Columbia)

Impact: *The immediate investigation of alleged criminal misconduct or serious breaches of integrity places DOL employees on notice that such action will not be tolerated. Federal service requires the utmost integrity and ethical conduct from its employees in order to serve the public trust. DOL management has demonstrated that those found guilty of serious misconduct may be removed from federal service, in addition to any appropriate legal action taken to penalize the guilty.*

UNEMPLOYMENT INSURANCE FRAUD

Unemployment Insurance (UI) is a \$36 billion dollar program that is susceptible to fraud not only by claimants, but also by those entrusted with the responsibility of running the program. During this reporting period, OI continued devoting resources to the identification and prosecution of those defrauding the UI program, in furtherance of several major UI state projects initiated in previous reporting periods. Current developments include the following.

Three Indicted in False Billing Scheme

Richard Hicks, Marie Bowser, and Yvette Carter were indicted by a Federal Grand Jury for conspiracy and theft in a fraudulent billing scheme. Hicks, a former Texas Employment Commission (TEC) employee, was charged with embezzling \$427,460 from TEC by using the TEC computer system to create fraudulent invoices and causing checks to be issued to fraudulent vendors. Bowser and Carter were charged with receiving some of the proceeds. An unindicted co-conspirator, Morris Lee Bailey, entered a guilty plea to a conspiracy charge for his role in the scheme. Bailey was allowed to plead guilty in return for testimony. Ironically, shortly after his arrest, Bailey appeared on the television "Nightline" news program as an "expert" in the bill collection industry. *U.S. v. Bailey, et al.* (W.D. Texas)

Oklahoma State Employee Pleads Guilty to Embezzlement

Donald Jones, a former Oklahoma Employment Security Division (OESD) employee, was charged with and pled guilty to bank fraud after an investigation disclosed he had used his position to embezzle four UI employer refund checks totaling \$353,392. Jones devised a scheme wherein he would alter UI refund checks making them payable to a business account he established at his credit union. Jones used the proceeds to purchase an expensive home, vehicles, and furnishings. As part of his plea agreement, Jones must forfeit his \$159,000 home, a 1994 Nissan truck, contents of bank accounts, a satellite dish and big screen television, and other furnishings in his home. *U.S. v. Jones* (W.D. Oklahoma)

**Ex-Con Defrauds
UI Program**

Alex A. Ward, an individual who had previously served time in prison for defrauding the California UI program by submitting Ex-Servicemen's Compensation (UCX) UI benefit claims in 1991, pled guilty to 4 of 22 counts of mail fraud and false claims filed against him in connection with his filing of 17 additional fraudulent UCX claims in California totalling \$53,318. Evidence obtained in this investigation showed that Ward, within 3 weeks after his release from prison for his previous conviction, began to file false UCX claims using several aliases and Social Security Numbers. Ward was subsequently arrested in Alaska where he had also filed a false UCX claim. *U.S. v. Ward* (S.D. California)

**51-Month Sentence
for Bank Fraud**

A sentence of 51 months incarceration, 5 years probation, 300 hours of community service, and an order to pay \$49,700 in restitution and a \$50 special assessment fee was handed down to Sandra Wright following her conviction for bank fraud. Wright created a counterfeit State of Arkansas Employment Security Department benefit check made payable to her in the amount of \$115,000. Using the altered check, she opened a savings account, deposited most of the money, and then withdrew a total of \$59,000. This investigation was conducted jointly with the FBI. *U.S. v. Wright* (N.D. Indiana)

**Sentences Ordered
in UI Fraud Scheme**

M. Vincent Dunn was sentenced to 1 year in prison to be followed by 3 years supervised release in connection with a scheme to defraud the Michigan Employment Security Commission (MESC). Patricia O'Neal, a co-conspirator, was sentenced to 3 years supervised release with the first 4 months confined to her house. The sentences are the result of an investigation which disclosed that Dunn, a former attorney, and Ernestine Calhoun, his girlfriend, conspired with Calhoun's sister, O'Neal, to fraudulently collect UI benefits. The conspirators filed nine fraudulent UI claims with MESC during a 4-year period and collected over \$72,460 in UI and federally funded extended benefits. *U.S. v. Dunn, et al.* (E.D. Michigan)

**UI Fraud Detected by
New York State Employee**

An alert New York State Department of Labor (NYDOL) employee was instrumental in the initiation of a joint investigation with the NYDOL OIG of Mark J. Esposito. The employee noticed that Esposito had previously been in the office filing a UI claim under a different name. The investigation determined that, during a period of four years, Esposito filed 30 UI claims, totalling over \$121,000, against several alleged former employers. He used his true last name on all of the claims but alternated between three different first names and varied the dates of birth and social security numbers

used. Esposito was charged with mail fraud and subsequently arrested by OI Special Agents. *U.S. v. Esposito* (E.D. New York)

UI investigative matters previously reported in other Semiannual Reports, but having significant sentencings or other action taken during this period, are detailed below.

Seven Plead Guilty in UI Fraud Scheme

Another significant investigation into UI benefit fraud in New Jersey, commonly referred to as the "Hot Dog Man" case (detailed in two of our last three Semiannual Reports), continued during this reporting period. This on-going effort recently resulted in a 16-count indictment being returned in Newark charging two brothers, Guillermo and Diego Marte, and now retired New Jersey State Department of Labor (NJDOL) clerk, Gretchen Smyth, for their roles in a scheme to help illegal aliens fraudulently apply for UI benefits at the Elizabeth, New Jersey UI office. The Marte brothers collected \$500 fees from the applicants and referred them to Smyth who, for a share of the fee, would further process the claims. Smyth and the Marte brothers have all entered guilty pleas to 3 of the 16 charges, and are scheduled to be sentenced in late October. In addition, four others, Jairo Gumez, Ivan Renjifo, Ramiro Roldan, and Maria Roldan, connected with the Elizabeth scheme, pled guilty to criminal informations charging them with conspiracy. These pleas bring the total number of felony guilty pleas in this case to 16. *U.S. v. Marte, et al.* (D. New Jersey)

Ringleader Sentenced to Over 8 Years in Prison for UI Fraud

In addition, as a part of this UI probe, sentencing actions were taken against eight of the nine people previously charged as part of the "Hot Dog Man" scheme in Newark, New Jersey. The most significant sentence was for Antonio Rodriguez, the leader of the conspiracy, who was sentenced to 97 months incarceration to be followed by 3 years probation. During sentencing he acknowledged that the scheme had run from 1979 until his arrest in 1994 and resulted in illegal aliens fraudulently collecting up to \$40 million in UI benefits. Six New Jersey Department of Labor (NJDOL) workers from the Newark Office were also sentenced. Christopher Boyd, Barbara Sirmans, Phyllis Thomas, Ana Torres and Rosarito Vasquez all were sentenced to prison, with sentences ranging from 8 to 27 months. All but Boyd were ordered to pay restitution of either \$5,000 or \$10,000.

A sixth Newark NJDOL employee, Rita Tyler, was sentenced to six months home detention to be followed by 3 years probation. *U.S. v. Rodriguez, et al.* (D. New Jersey)

Impact: *Through aggressive investigation and prosecution of such individuals, UI funds designed to support workers who lose their jobs through no fault of their own are now more readily available for their intended purpose. Program changes have been made by NJDOL to limit the access of NJDOL employees to computers and additional screening is done to legitimize claims. Most importantly, this case has removed seven corrupt NJDOL employees who jeopardized the public's trust in the UI system.*

JOB TRAINING PARTNERSHIP ACT FRAUD

PF also continued to focus its attention on investigations of wrongdoing and fraud within DOL's Employment and Training Administration (ETA) programs administered under the Job Training Partnership Act (JTPA). The JTPA programs are designed to assist unskilled and economically disadvantaged youths and adults in receiving training and eventual employment. However, JTPA programs continue to be vulnerable to theft and embezzlement of federal funds. Recent investigations have resulted in state officials, community leaders, and other training contractors being convicted of crimes including taking kickbacks, conspiracy, and/or providing false information to illegally obtain JTPA funds. For example:

JTPA Sub-Contractor Sentenced to Prison

Callistus Ugwu, a former JTPA sub-contractor with the Central Arkansas Planning and Development District, was recently sentenced to 11 months in prison, and one year supervised probation. Ugwu had previously pled guilty to embezzlement of employment and training funds. An investigation disclosed that Ugwu had received \$19,685 after fraudulently claiming he had trained JTPA participants in auto mechanics and auto body work, knowing that he had not trained or employed these individuals. *U.S. v. Ugwu* (E.D. Arkansas)

OJT Contractor Arrested

Gary A. Abdullah, the former owner of an import/export clothing design business in San Francisco, was arrested by OIG Special Agents in Newark, New Jersey, and ordered by the court to return to California to face charges which had been filed against him there. Abdullah was a JTPA contractor who signed OJT contracts with the San Francisco Private Industry Council (PIC) agreeing to train and hire OJT participants at a specified pay rate. An OIG investigation

determined that Abdulla paid the participants far less than agreed, but sought and received reimbursement from the PIC at the higher rate, thereby receiving \$18,400 in JTPA funds to which he was not entitled. *U.S. v. Abdulla* (N.D. California)

Phoney Business Results in Criminal Charges

A 13-count indictment was returned by a grand jury in San Francisco, charging Benjamin A. Ward with theft of government funds, money laundering, and false statements in connection with his scheme to defraud the JTPA program. The indictment resulted from an investigation which determined that Ward, using several aliases during a 4-year period, created six fictitious business names in order to fraudulently obtain over \$117,000 in JTPA on-the-job training contracts from three different local Service Delivery Areas. *U.S. v. Ward* (N.D. California)

Following are some of the guilty pleas and sentencings of individuals convicted of JTPA-related violations, which were detailed in previous reports.

JTPA Contractor and Husband Sentenced to Jail

In follow-up to a \$296,000 JTPA fraud investigation detailed in our last two Semiannual Reports, Kathleen Bacon Miller, the president of Quality Plus, Inc. (QPI), an Atlanta-based JTPA clerical training contractor, was sentenced to 21 months in prison, to be followed by 3 years probation, ordered to pay a \$100 special assessment fee, and to perform 200 hours of community service. Her husband, Barak Miller, who served as QPI's financial aid officer, was sentenced to 1 year in prison, 3 years probation, ordered to pay a \$100 special assessment fee and to perform 200 hours of community service. The Millers were also jointly ordered to make restitution in the amount of \$154,664. Charges against a third defendant, Paris Miller (no relation), were ultimately dismissed since she did not gain any personal profit from the scheme. *U.S. v. Miller, et al.* (N.D. Georgia)

Computer Center Owner Sentenced for Fraudulently Receiving Government Funds

Greg M. Ilag, owner of the Queens Computer Center (QCC) in New York, was sentenced to serve 6 months home detention, 5 years probation, fined \$15,000, and ordered to pay \$14,721 in restitution, after pleading guilty to a criminal information charging him with mail fraud for having fraudulently obtained \$85,000 in DOL JTPA and U.S. Department of Education funds in connection with his alleged training and placement claims. *U.S. v. Ilag* (E.D. New York)

Former Tennessee SDA Officer Sentenced for Embezzling JTPA Funds

Former Tennessee Service Delivery Area 12 (SDA-12) Fiscal Officer Donald Seaton, after previously having pled guilty to embezzling JTPA funds, was sentenced to 4 months home detention, one year probation, fined \$2,000, and ordered to pay a special assessment fee of \$100 and make restitution of \$11,856. *U.S. v. Seaton* (W.D. Tennessee)

Atlanta CPA Firm Debarred

The DOL also took decisive administrative action against Hope Merritt, Jr., President of Merritt and Company, Inc., an Atlanta CPA firm, when it debarred Merritt and his company from doing business with the U.S. Government for a 3-year period, effective April 20, 1995. The debarments resulted from an investigation detailed in our October 1, 1993 to March 31, 1994, Semiannual Report which disclosed Merritt had fraudulently received over \$150,000 in JTPA funds. *U.S. v. Merritt* (N.D. Georgia)

Impact: *PF investigations have prevented millions of dollars of taxpayers' money from being taken by the continuation of these criminal schemes. These case results serve as an illustration of the vulnerability of the Nation's job training system to fraud and the need for continued oversight over these programs.*

DIVISION OF LABOR RACKETEERING

The Office of Investigations' Division of Labor Racketeering (LR) conducts criminal investigations to eliminate the influence of traditional and non-traditional organized crime, labor racketeering, and corruption in employee benefit plans, labor-management relations, and unions.

ORGANIZED CRIME

The LR continues to emphasize the utilization of the equitable powers of the court, through the development of civil racketeering cases, to address the underlying cause of labor racketeering problems -- the influence of organized crime over labor unions. This approach continues to be successful as highlighted by the September 5, 1995, filing of a consent decree between the U.S. Government and the Hotel Employees and Restaurant Employees International Union (HEREIU).

In 1985, the President's Commission on Organized Crime identified the HEREIU as one of four international unions under the control of La

Cosa Nostra. The others identified by the President's Commission on Organized Crime were the International Brotherhood of Teamsters, the International Longshoremen's Association and the Laborers International Union of North America. In 1989, the Government entered into an agreement with the Teamsters union to eradicate the corrupt influences in their organization. In March 1995, the Government entered into a similar agreement with the Laborers International Union of North America. A September 1995, Civil RICO settlement with the HEREIU marks the third international union that has agreed to root out corruption from its ranks.

An investigation conducted by LR and the Federal Bureau of Investigation established that the General Executive Board of HEREIU had operated the HEREIU as a racketeering enterprise. Racketeering acts by the general executive board included: appointing organized crime members and associates to positions within the HEREIU; permitting improper expenditures of union assets, and aiding HEREIU officials in accepting items of value from employers. Predicated on the investigation, a civil racketeering complaint was filed by the Department of Justice and a settlement reached with the HEREIU. The agreement and the Court's decree required the appointment of a monitor who is empowered by the court to investigate corruption within HEREIU, remove corrupt officials, and oversee operations of the union. The consent decree also calls for the establishment of an ethical practices code and a public review board. Six of the union's executive board members have either resigned or retired since the beginning of negotiations for this settlement.

With the settlement of the civil racketeering case against the HEREIU, the government has addressed the mob's control over three of the four international unions identified by the President's Commission on Organized Crime.

**NON-TRADITIONAL
ORGANIZED CRIME**

The LR has also established as an investigative priority the emerging non-traditional organized crime groups that adversely affect the workplace and America's workers. The LR conceptualized an integrated approach to effectively address criminal activity in the workplace, which has successfully resulted in joint efforts with the Immigration and Naturalization Service (INS) to address the problem of an illegal labor force. Our findings leading up to this initiative have shown that the balance between labor and management, which the

Congress has historically promoted in labor law, has been adversely affected by the use of illegal workers -- often at lower than fair wages. In support of this priority, a joint effort is underway with the INS to address employers that hire illegal workers -- quite frequently in conditions of involuntary servitude -- that have been smuggled illicitly into the country by organized criminal groups. By bringing both agencies together and utilizing, in a combined approach, labor and immigration law, we hope to create a disincentive for employers to knowingly hire illegal workers -- to the detriment of American workers and competing employers who pay fair wages.

PROTECTING AMERICA'S WORKERS

The first phase of this joint effort was Operation SouthPAW (Protecting America's Workers in the South). Operation SouthPAW targeted a number of employers in the Southeast who had been the subject of complaints for violations of the Employers Sanctions Statute, the Employee Retirement Income Security Act, and Wage and Hour Laws. The operation methodology first verified the status of employees working for targeted employers and removed the illegal workers who were working in violation of law. Secondly, the operation sought to investigate those employers who knowingly violated the Employers Sanctions Statute and the other labor protection laws by hiring illegal employees.

Operation SouthPAW has identified more than 4,000 illegal workers employed in violation of immigration laws and, as a result, has restored \$55 million in annual salary opportunities for legal workers. These aliens diverted an estimated \$806,446 in wages per day that could have been paid to American workers. Thus far, 10 employers in Georgia and Alabama have been cited and fined for non-compliance. Operation SouthPAW's is currently focusing on investigation of those employers who knowingly hired the illegal workers, thereby violating immigration and labor laws. In addition, the operation is looking into the organized crime groups smuggling illegal workers into the United States and brokering their services to employers.

Public reaction to this initiative has been extremely positive as legal workers are hired as replacements for those illegal employees who were removed from employment. Additionally, competing employers have praised this effort because they now have a chance to successfully bid on contracts as no one employer holds a labor cost advantage over another.

LABOR-MANAGEMENT RELATIONS

Cleveland Laborers' Union Official Pleads Guilty

The following case examples illustrate some of the significant efforts of the Division of Labor Racketeering in removing corruption from the nation's labor unions.

Chester L. "Zip" Liberatore, the business manager of Cleveland's largest Laborers' Union, Local 310, pled guilty to an indictment charging him with accepting an item of value from a company under contract to Local 310. Local 310 represents approximately 2,600 members working in the building trades in Northeastern Ohio.

Liberatore was charged with accepting materials and labor valued at between \$10,000 and \$20,000 for an addition made to his house by a Cleveland-area business which was under contract with Laborers' Local 310. He paid \$2,500 for the materials and labor. In addition, Liberatore acknowledged accepting labor and materials from other contracted companies in excess of \$10,000 for other remodeling projects at his residence.

This investigation was conducted jointly with the Federal Bureau of Investigation in conjunction with the Organized Crime Strike Force Unit of the U.S. Attorney's Office in Cleveland, Ohio. *U.S. v. Liberatore* (N.D. of Ohio)

Impact: *This investigation was important because the Liberatore family has held a stranglehold on Cleveland's Laborers' Union locals for more than 20 years. Liberatore is the nephew of Anthony Liberatore, a member of the Cleveland family of La Cosa Nostra. Anthony Liberatore is the former business manager of Laborers' Union Local 860. "Zip" Liberatore's father, Chester J. Liberatore, was the Secretary of Laborers' Local Union 310 for more than 20 years prior to his conviction in federal court. Both Chester J. and Anthony Liberatore were convicted on a variety of financial crimes in connection with their union positions and subsequently removed from union office. With the conviction of "Zip" Liberatore, the influence of La Cosa Nostra over Cleveland's Laborers' Union locals is severely diminished.*

Five Maritime Union Officers Convicted

Five former officers of the largest maritime union in the United States, District No. 1 - Marine Engineers Beneficial Association of America/ National Maritime Union (MEBA/NMU), were convicted of racketeering in a scheme involving the theft of \$2 million dollars of union funds, election fraud, and extortion of political action fund contributions. The union, as the result of a 1988 merger, represented

licensed engineers and unlicensed seamen at ports throughout the country, but broke apart in 1992 as the result of controversy over the merger.

The defendants were the former MEBA/NMU president, C. Eugene DeFries; the former executive vice-president and Branch Agent for the Port of San Francisco, Clyde Dodson; the former vice-president and Branch Agent for the Port of New Orleans, Claude Daulley; the former vice-president and Branch Agent for the Port of New York, Reinhold Schamann; and the Branch Agent for the Port of Houston, Alexander Cullison.

Four of these defendants, DeFries, Dodson, Daulley, and Schamann, were convicted of defrauding the union through a scheme involving phony severance payments linked to the merger of District No. 1 - Pacific Coast District, Marine Engineers Beneficial Association (MEBA) and the National Maritime Union in 1988. These four, and a fifth officer who cooperated with the Government, claimed that the merger effectively terminated their employment with MEBA, and consequently, they were entitled to severance payments, even though they remained employed in the successor union. The union's membership was not informed of the amounts the officers could be paid or that they would be paid severance when the unions merged.

All five officers were convicted of soliciting blank ballots from union members and then voting the ballots for themselves. They also discarded legitimate ballots and replaced them with improperly obtained ballots, and tampered with legitimate ballots.

The extortion conviction arose from threats made by Cullison and others to union members who resisted the defendants' efforts to obtain both election ballots and contributions to the MEBA political action fund. Among the extortionate activities were threats to delay the processing of members' pension applications and to deny members basic union services, such as access to the MEBA training school.

This investigation was conducted jointly with the Federal Bureau of Investigation in conjunction with the Department of Justice's Organized Crime and Racketeering Section. *U.S. v. DeFries, et al.* (District of Columbia)

Impact: *This investigation identified what were apparently longstanding election fraud and coercive political action fund solicitation practices in the maritime industry. The investigation showed that the union officials sought only to benefit themselves during the merger and failed to uphold the high calling of their union offices. Aside from the deterrent effect on future abuses by union officers in elections, this case is significant for the legal precedent that it establishes in the use of the mail fraud statute in fraudulent state and local elections. The Court of Appeals for the District of Columbia held that union ballots had more than the diminimus face value of the ballot itself, but held significant value for the union with respect to the rights of union members to an honest election. The Circuit Court's opinion has achieved landmark status among U.S. Attorneys for showing how the costs of an election can be used to show pecuniary loss deriving from voter fraud in non-federal elections. This prosecution is also the first RICO conviction of the entire governing board of a national union, and is the first conviction of national-level union officers in the District of Columbia in over 20 years.*

**Insurance Broker
Arrested on Charges
of Making Payoffs
to Former Union Official**

Harvey Glick, the former president and owner of HIG Associates, a Long Island insurance brokerage firm, was arrested following an indictment charging him with making illegal payoffs to a former union official. Glick was charged with allegedly conspiring with William Loeb, the former president of Consolidated Local 867 and former trustee of the Consolidated Welfare Fund, to make payments to Loeb totalling \$150,000. These payments were made to ensure that Glick remained the exclusive agent to market insurance coverage being offered through the Consolidated Welfare Fund. Commissions earned by Glick on these sales totalled approximately \$1.3 million.

Loeb, who previously pled guilty to embezzling approximately \$250,000 from the union and its welfare fund, is currently serving a seven-year sentence in federal prison. This investigation was conducted by the Division of Labor Racketeering and the Pension and Welfare Benefits Administration. *U.S. v. Harvey I. Glick* (E.D. New York)

**Two Former Philadelphia
Police Officers Sentenced
for Union-related
Racketeering Activity**

John Shaw, the former president of the Fraternal Order of Police (FOP) Lodge 5, and Anthony LaSalle, the secretary/treasurer of the Lodge, were sentenced on charges of racketeering, mail fraud, and commercial bribery. Shaw was sentenced to 57 months in prison and ordered to forfeit over \$40,000. LaSalle was sentenced to 37 months

imprisonment and ordered to pay over \$2,500. In addition, both men were ordered to make restitution of over \$16,000 to the City of Philadelphia.

The two men were found guilty of mail fraud and racketeering acts including soliciting money, campaign contributions, services, and other items of value from several local businessmen in return for the guarantee of future FOP business. *U.S. v. Shaw, et al.* (E.D. Pennsylvania)

Two Brothers Heading New Jersey Textile Union Sentenced on Racketeering Charges

Joseph LaBarck, Sr. and his brother, Raymond LaBarck, the former president and vice-president of the Amalgamated Clothing and Textile Union of America Local 1733, were sentenced to 44 months imprisonment on racketeering, extortion, and related charges.

The two men were found guilty in February 1994, of engaging in a 7-year scheme that employed threats and violence. They were also found guilty of accepting more than \$500,000 in illegal payments from employers to ensure labor peace prior to three contract negotiations. The two also accepted illegal Christmas and vacation cash gifts and forced employers to hire relatives. In addition, they were found guilty of embezzling from the Local's general operating account. *U.S. v. LaBarck and LaBarck* (D. New Jersey)

Impact: *This investigation has resulted in the removal of two racketeers who maintained criminal dominance of the textile processing industry in northern New Jersey, through extortion and fear of violence.*

Philadelphia Civic Center Manager Pleads Guilty to Mail Fraud Charges

Joseph O'Shea, employed by the City of Philadelphia as the stage manager of the Philadelphia Civic Center, was charged with defrauding various promoters, artists, and sponsors of events at the Civic Center. O'Shea allegedly devised a scheme to inflate stagehand labor expenses through his company, Back Stage Right, Inc. Joseph O'Shea used his connection with his brother, Francis O'Shea, who was the president of the International Alliance of Theatrical Stage Employees (IATSE) Union Local 8. Joseph O'Shea was permitted to operate by his brother despite not having a union contract. He was not required to pay his employees the prevailing wage rates and benefits. However, Joseph O'Shea charged promoters and concert groups based upon the prevailing rates and benefits.

In addition, Joseph O'Shea, was charged for allegedly using "ghost employees" and phony bills to defraud numerous artists, promoters, and sponsors of over \$100,000. The mail fraud charge stems from O'Shea's use of the U.S. Mail system to deliver and receive payments for the false billings.

Francis O'Shea, the IATSE President, drew no salary from the union, instead, he worked for Electric Factory Concerts (EFC), Inc., the largest promotion company in the Pennsylvania, Delaware, and New Jersey area. As a result of this arrangement, Francis O'Shea appeared on as many as three separate payrolls in different locations for the same hours. He was also allowed to place ghost employees at large stadium concerts, and retain the salary proceeds. In turn, he allowed concert promoters to pay union members in cash and waived their health and welfare benefit fund contribution payments. This systematic cheating permitted the EFC to profit because it was billing groups and performers for full union wages, benefits, and payroll taxes. Francis O'Shea and Alan Spivak and Sidney Payne, the President and Vice-President of EFC, have been convicted and have served prison sentences. EFC was ordered to pay a restitution to the Internal Revenue Service more than \$1.2 million. Joseph O'Shea pled guilty to the charges and is awaiting sentencing. *U.S. v. O'Shea* (E.D. Pennsylvania)

Impact: *This investigation has stopped the largest promotion company in the Pennsylvania, Delaware, and New Jersey area from the practice of defrauding concert groups and the IATSE benefit funds. In addition, this investigation eliminated the systematic pattern of paying off an IATSE union official.*

EMPLOYEE BENEFIT PLAN INVESTIGATIONS

The Division of Labor Racketeering has devoted considerable resources to the investigation of employee benefit plans. It is apparent that the large amounts of money residing in pension plans (estimated to be in excess of \$4 trillion) and the billions of dollars flowing through the employee benefit plans are lucrative targets for racketeers. It is also apparent from our investigations that the costs of making contributions to these plans is a significant expense for employers -- an expense that some will avoid by bribing a corrupt union official. Some of our most significant cases in this are follow:

**Company President
Indicted for Attempting
to Influence Benefit Plan**

In 1990, LR began a 4-year investigation into the misuse of employee benefit plan funds by trustees of Locals 256 and 144 of the United Brotherhood of Carpenters in Georgia. Also targeted were the union's third party administrator, Light and Associates (L&A); a company seeking union benefit plan monies, the Tahoe Company; and a representative for the Carpenters International Union.

In July 1992, the President of L&A, Larry Patterson, pled guilty to charges of embezzlement of over \$200,000 from 9 union employee benefit plans administered by L&A. Patterson established special bank accounts where he deposited refund checks from claims paid by insurance companies. Patterson was sentenced to 22 months of incarceration, 3 years of probation, 500 hours of community service, and he was ordered to pay over \$130,000 in restitution.

In 1995, Robert Jernigan and Waylon Morton, trustees of Locals 256 and 144, and John Oglesby, the Carpenters Union International Representative, pled guilty to receiving kickbacks totaling \$135,000 from the Tahoe Company. With Oglesby facilitating the transactions, Jernigan and Morton made unauthorized investments of plan money in Tahoe Company stock totalling over \$325,000. In addition, the Vice-President and attorney for the Tahoe Company, pled guilty to charges of offering gratuities to influence the operations of an employee benefit plan. All of the defendants received prison sentences ranging from 14 to 24 months, and fined between \$10,000 and \$15,000. Moreover, all of the defendants are barred from any activities relating to employee benefit plans and labor organizations.

In June 1995, the President of the Tahoe Company, Walter D. Tearse, was indicted for allegedly offering a kickback to influence the operation of an employee benefit plan. Tearse allegedly offered kickbacks to Jernigan and Morton in order to influence their decision to invest in Tahoe Company stock. Tearse was also indicted for obstruction of justice charges after altering documents related to his activities with Jernigan and Morton. This investigation was conducted jointly with the Federal Bureau of Investigation, the Pension and Welfare Benefits Administration, the Office of Labor Management Standards, and all three Georgia Districts of the Department of Justice. *U.S. v. Tearse* (S.D. Georgia)

Impact: *This investigation demonstrated the wide range of possible corruption associated with benefit plans. It identified and removed officials involved in several different aspects of an*

employee benefit plan, ranging from the trustees of the plan to the company officers seeking investments. Concurrent with this criminal investigation, a civil suit was filed and most of the embezzled monies were returned to the plan.

Former Chicago Truck Drivers' Union Officials Convicted of Racketeering

Paul Glover, the former general counsel and vice-president of the Chicago Truck Drivers and Warehouse Workers Union, was convicted of racketeering, conspiracy, money laundering, accepting pension fund-related kickbacks, and filing false income tax returns. John R. Johnson, the union's former president, was also convicted of racketeering. The two maintained control over the union's pension plan which had assets valued at close to \$300 million.

The indictment charged Glover with engaging in a conspiracy with Johnson to illegally manipulate the investment of about \$72 million of the pension plan's assets. Glover and Johnson split over \$600,000 they had obtained through illegal kickbacks and fraudulent investment schemes. Johnson was convicted in July 1994, and served as the prosecution's key witness during Glover's trial.

In September, Glover was sentenced to 7 years imprisonment, ordered to forfeit \$325,000, and barred from any union or labor activity for a period of 13 years. This investigation was conducted jointly with the Office of Labor-Management Standards and the Criminal Investigation Division of the Internal Revenue Service. *U.S. v. Glover* (N.D. Illinois)

Impact: *This investigation served to remove corrupt officials from the Chicago Truck Drivers Union's top positions. The Union's pension, health, and welfare fund investments are now closely monitored by all of the union and employer trustees. In addition, the fund's investments are now openly disclosed and reported to the rank and file membership.*

California Businessman Indicted in Health Insurance Scheme

Ronald Gordon Loetz, Sr., a California insurance executive, was indicted for his involvement in a scheme to defraud individuals with an unsound health insurance plan conceived and marketed by Loetz. The indictment charges Loetz with allegedly making false claims in order to induce consumers to purchase his health plan, including claims that it was fully insured by Lloyd's of London and other insurance companies when there was no such insurance available. Loetz also claimed that this plan met the requirements under ERISA, and, thus, was exempt from State insurance regulation and oversight.

Loetz obtained approximately \$5.8 million in premium payments and association dues paid by consumers throughout the country. When his health plan finally went out of business in late spring of 1991, policy holders were left with over \$3.7 million in unpaid medical bills. The indictment alleges that Loetz was paid a 6 percent fee and, in addition, diverted over \$300,000 of plan assets to his personal use. He is also charged with attempting to use plan assets in order to purchase a defunct insurance company with the intention of continuing to deceive the public that his health plan was "fully insured." This investigation was conducted jointly with the California Department of Insurance Investigation Bureau and the Criminal Investigation Division of the Internal Revenue Service. *U.S. v. Loetz* (N.D. California)

Impact: *The indictment from this investigation has exposed a fraudulent health insurance plan.*

Real Estate Company President Convicted for Embezzling Pension Funds

John Robert Bogle, the former president of Bogle Industries, was convicted of embezzling more than \$758,000 from the R. H. Bogle Company Employee Pension Trust. In addition, Bogle was also convicted on the charge of conspiring with the company's former comptroller, Robert A. Porco, to commit the embezzlement and to launder the stolen money.

The R. H. Bogle Company, a real estate development business and subsidiary of Bogle Industries, was sold in 1986. After the sale, the company no longer made contributions to its pension fund, the R. H. Bogle Company Employee Pension Plan. The assets of this plan were then folded into the R. H. Bogle Employee Pension Trust. The investigation disclosed that Porco and Bogle embezzled \$758,333 from the Pension Trust through a series of illegal transactions. The embezzled funds were routed through various entities controlled by or in partnership with Bogle Industries, the parent company.

Bogle was sentenced to 70 months incarceration. Porco pled guilty to conspiracy to embezzle pension plan assets, was sentenced to 6 months imprisonment, and was required to make a restitution of \$652,455. This investigation was conducted jointly with the Federal Bureau of Investigation and the Pension and Welfare Benefits Administration. *U.S. v. Bogle* (E.D. Virginia)

**Former
Insurance Company
Chief Financial Officer
Charged in Multi-Million
Dollar Fraud Scheme**

In follow-up to an investigation detailed in our previous Semiannual Report, Louis J. Hevey, the former Chief Financial Officer for the Twentieth Century Life Insurance Company (TCL), was charged with mail fraud conspiracy and money laundering in an insurance fraud scheme. Hevey conspired with TCL company officers, Glenn H. Martin and Candice Cooper, to divert approximately \$9.7 million in premiums from the sale of policies to other accounts and corporations owned by Martin. These transactions were in direct violation of an agreement that Martin and TCL had signed with the Florida and North Carolina Departments of Insurance. Hevey, Martin, and Cooper concealed these diversions of premiums by making false and fraudulent statements to the Florida and North Carolina insurance regulators. Hevey cooperated with the prosecution and testified against Martin and Cooper. Hevey was sentenced to 21 months imprisonment and ordered to pay restitution of \$9.7 million. This investigation was conducted jointly with the Criminal Investigation Division of the Internal Revenue Service. Assistance was also provided by the Florida and North Carolina Departments of Insurance. *U.S. v. Hevey* (M.D. Florida)

Impact: *This case is significant in that the court has held that the laundered money is subject to forfeiture and should be returned to those hurt by the scheme. The investigation will have a significant deterrent effect due to the publicity of the case. Martin and Cooper lived opulent lifestyles and were frequently featured in Florida newspapers' society columns. One reporter described Martin and Cooper as being members of the "helicopter rich" set, all with stolen money. The investigation and prosecution of the officers of TCL can be directly linked to recent changes in the regulation of how insurance companies operate. The State of North Carolina used the experience gained from this investigation to modify its investment statutes and reporting requirements. North Carolina now requires insurance companies to file annual reports through the U.S. mail. Any future fraudulent filings by unscrupulous individuals will now be subject to Federal mail fraud penalties.*

**Two Plead Guilty to
Million Dollar
Insurance Scheme**

Edward Zinner and Mark "Waldo" Waldron pled guilty to charges of their involvement in a phony health insurance scheme. Zinner marketed and administered two fraudulent employee health insurance plans: the Atlantic Plan and the American Plan. Both of these operations received over \$12 million in subscriber premium payments from 1990 to 1995. The indictment charged the two with "systematically" failing to pay, or fully pay, valid health care benefit

Former Houston Teamster Official Pleads Guilty

claims, leaving the policy holders with unpaid medical bills. The two plans were marketed to small businesses in 26 states claiming that they were properly insured. Both Zinner and Waldron are awaiting sentencing. *U.S. v. Zinner, et al.* (E.D. Pennsylvania)

Ronald Alton Kern, the former president of the International Brotherhood of Teamsters Local 1111, pled guilty to charges that he used his influence as a former union official to enrich himself and caused teamsters officials to falsify pension records. Kern is currently the vice-president and part owner of Cinema Trucks of Texas. This company supplies trucks, equipment, and drivers used by movie production companies filming in southern Texas.

Kern was involved in a scheme to falsify pension records during the production of the motion picture, "Rush" in 1991. The union was required to submit monthly remittance reports setting forth the number of employees working the "Rush" production and the hours they worked. This information was necessary in order to calculate the employees' pension contributions. Kern caused union officials to falsify the reports by incorrectly reporting the number of employees eligible for contributions and the number of hours worked. The scheme allowed Kern and other long-time union members to enhance their pension benefits while depriving others of the benefit to which they were entitled.

Kern is the third Local 1111 teamster official to be convicted. Former Teamster President Lynn Wells was convicted of receiving kickbacks from an insurance administrator in 1992. Darlene Brown, the Local's former office manager, was convicted of bank fraud and union embezzlement in 1994. An insurance administrator was also convicted. This investigation was conducted jointly with the Federal Bureau of Investigation and the Pension and Welfare Benefits Administration. *U.S. v. Kern* (S.D. Texas)

Impact: *This investigation has removed an individual from the movie industry who abused his influence from his previous position as the president of the teamsters local in order to enrich himself. Kern's influence in the Houston movie industry was so pervasive in that, for the last 10 years, he offered special incentives to movie production companies to hire teamster members without a formal contract and at a flat rate. His influence as past president and his close association with the union's current president assured him the ability to undercut legitimate union competition.*

**COMPLAINT ANALYSIS
OFFICE ACTIVITIES**

Breakdown of Allegation Reports by Source

| | |
|--|-----|
| Hotline Operations - Calls, Letters, Walk-ins from Individuals or Organizations | 146 |
| Letters from Congress | 10 |
| Letters from DOL agencies | 5 |
| Incident Reports from DOL agencies | 14 |
| Total | 175 |

Breakdown of Allegation Reports by Referral

| | |
|---------------------------------------|-----|
| Referred to Office of Audit | 4 |
| Referred to OI Regional/Field Offices | 47 |
| Referred to DOL program management | 99 |
| Referred to other agencies | 9 |
| No further action required | 16 |
| Total | 175 |

APPENDIX
Office of Investigations
Financial Accomplishments for April 1 - September 30, 1995

| CATEGORIES | PROGRAM FRAUD | LABOR RACKETEERING |
|--|--------------------------|-------------------------------|
| Recoveries: | \$640,068 | N/A |
| <p>(The dollar amount/value of an agency's action to recover or reprogram funds or to make other adjustments in response to OI investigations.)</p> | | |
| Cost Efficiencies: | 4,988,446 | N/A |
| <p>(The one-time or per annum dollar amount/value of management's commitment, in response to OI investigations, to more efficiently utilize the Government's resources.)</p> | | |
| Restitutions: | 1,256,377 | 2,991,186 |
| <p>(The dollar amount/value of restitutions resulting from OI criminal investigations.)</p> | | |
| Fines/Penalties: | 417,246 | 594,031 |
| <p>(The dollar amount/value of fines, assessments, seizures, court or investigative costs, or other penalties resulting from OI criminal investigations.)</p> | | |
| Civil Monetary Actions: | 369,731 | 3,345,290 |
| <p>(The dollar amount/value of forfeitures, settlements, damages, judgements, court costs, or other penalties resulting from OI civil investigations.)</p> | | |
| TOTAL: | \$7,671,868 | \$6,930,507 |

OFFICE OF EVALUATIONS AND INSPECTIONS

DOL Printing Acquisitions During FY 1995, OIG's Office of Evaluations and Inspections conducted several reviews of the Department's compliance with laws governing the acquisition of printing services at the request of the Chairman of the Joint Committee on Printing. Specifically, we reviewed a sample of printing and duplicating procurements by the National Commission for Employment Policy (NCEP) and the Mine Safety and Health Administration (MSHA) to determine whether these services were purchased through the Government Printing Office (GPO), as required. We also reviewed the payment status of those direct contracts with commercial printers which came to our attention, to ensure that no appropriated funds were paid for unauthorized contracts.

While DOL agencies have entered into direct commercial contracts for printing services on several occasions during the past year, including one instance each by NCEP and MSHA, the Department's internal controls have generally ensured statutory compliance by preventing the payment of appropriated funds for improper contracts. Following the NCEP and MSHA reviews, the Department implemented corrective actions more extensive than those we had recommended. We provided further recommendations to the Deputy Secretary to increase the guidance on printing requirements distributed to all DOL officials, particularly the political staff, in response to information from the Committee regarding two additional direct procurements, including an invoice suspended by OASAM for high-speed duplicating purchased by staff of the Office of the Secretary. Additional initiatives, such as revisions to the orientation briefings for new political appointees, are in process to address our recent memorandum and further improve DOL's compliance with requirements pertaining to the acquisition of printing and high-speed duplicating services.

**Review of the Workers'
Compensation Program
for Postal Service
Employees (Resolution)**

In response to our report concerning the workers' compensation program for U.S. Postal Service employees, issued jointly with the U.S. Postal Inspection Service on May 10, 1995, both the Office of Workers' Compensation Programs (OWCP) and the U.S. Postal Service (USPS) have initiated substantive actions to further improve the program's operations and management. OWCP's corrective actions have focused upon a revised approach to technical

assistance which emphasizes identifying program problems by employing agency and providing the specific training or other interventions necessary to resolve the identified problems. OWCP has also undertaken a special project to review long-term disability issues for periodic roll cases which were not scheduled to receive attention under the management initiatives recognized in our report. The corrective actions instituted by OWCP will benefit not only USPS but all Federal employing agencies. USPS has placed primary emphasis upon increased training, improved systems and controls and revised procedures to resolve the recommendations in our report. In addition, USPS is developing new incentives to encourage the reemployment of injured workers and has established a task force to address limited duty concerns.

Both USPS and OWCP are currently strengthening their systems for ensuring that notice of injury forms and compensation claims are submitted timely to OWCP to prevent interruptions in the incomes of injured Postal employees. USPS has encouraged their District offices to use available automated systems more effectively and to establish procedures to report and track actions regarding workplace injuries, including the submission of applicable forms, within 24 hours of an employee advising his/her supervisor of an injury. USPS has also increased training to ensure that line supervisors understand their responsibilities in the event of an injury and has developed new procedures to notify employees of their right to select a physician and authorize payment of related medical expenses. OWCP has instructed District offices to monitor the timeliness of receipt of notice of injury forms and compensation claims by employing agency and to provide outreach and technical assistance where problems are evident.

With regard to the reemployment of injured workers, both OWCP and USPS had successful management initiatives in process at the time of our review to improve the effectiveness of their actions in this area. In response to our report which identified the potential for some further improvements, the agencies have expanded their efforts. For example, USPS established an automated national tracking system to be implemented in conjunction with a National Limited Duty Task Force to promote more effective management and monitoring of the limited duty program. In early FY 96, USPS is planning to announce a special incentive to encourage field offices to return to the workplace injured workers who are able to perform some productive work. OWCP has undertaken a special project to ensure that

medical evidence is current and reemployment will be timely for an estimated 680 traditional periodic roll cases not included in the management initiatives recognized in our report.

Additional corrective actions have been implemented to ensure that *controversions or challenges of claims will be for appropriate reasons and fully supported by USPS and will receive complete responses from OWCP. Finally, new systems and procedures have been implemented by both agencies to transfer health insurance enrollments in a more timely manner and to monitor follow-up actions to resolve reported fraud cases.*

REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT OF 1978

Requirement

| | |
|--|-------------|
| Section 4(a)(2) - Review of Legislation and Regulation | <i>ii-v</i> |
| 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 Recommendations Not Yet Completed | 79 |
| Section 5(a)(4) - Matters Referred to Prosecutive Authorities | 1 |
| Section 5(a)(5) and Section 6(b)(2) - Summary of Instances Where Information Was Refused | None |
| Section 5(a)(6) - List of Audit Reports | 82 |
| Section 5(a)(8) - Statistical Tables on Management Decisions on Questioned Costs | 73 |
| Section 5(a)(9) - Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use | 78 |
| Section 5(a)(10) - Summary of Each Audit Report Over 6 Months Old for Which No Management Decision Has Been Made | 76 |
| Section 5(a)(11) - Description and Explanation for Any Significant Revised Management Decision | 31 |
| 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 | 73-75 |
| Delinquent Debts | 67 |

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

AUDIT SCHEDULES

Money Owed the Department of Labor 67

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

Summary of Audit Activity of DOL Programs 68

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

Summary of Audit Activity of ETA Programs 69

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

Summary of Audits Performed Under the Single Audit Act 70

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

Summary of Audits Performed Under the Single Audit Act: Multi-Agency Program Reports 71

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

Audits by Non-Federal Auditors, PCIE Semiannual Reporting - Summary Results of IG Reviews 72

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

Summary of Audit Resolution Activity: Questioned Costs 73

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

Summary of Audit Resolution Activity: Unsupported Questioned Costs 74

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

Summary of Audit Resolution Activity: Funds Put to Better Use 75

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

Unresolved Audits Over 6 Months 76

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

Summary of Final Action Activity: Disallowed Costs 77

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

Summary of Final Action Activity: Funds Put to Better Use 78

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

Significant Recommendations Resolved for Over One Year on which Corrective Action Has Not Been Completed, as of September 30, 1995 79

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

Final Audit Reports Issued 82

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

Money Owed the Department of Labor For the Period April 1, 1995 - September 30, 1995

| Program Name | Beginning Balance | | Debt Established During Period | New Appeals | Collections During the Period | | | Write-Offs | | Adjustments Due to: | | | Ending Balance | |
|---|-------------------|--------------|--------------------------------|-------------|-------------------------------|--------|-----------|------------|-------------|---------------------|------------------|-----------------------------|----------------|-------------|
| | In Collection | Under Appeal | | | Cash | Offset | Other | Compromise | Termination | Overturned | Appeals Affirmed | Revised Management Decision | Delinquent | Current |
| ESA | 23,718,707 | 8,801,074 | 13,813,710 | 741,381 | 0 | 0 | 340,817 | 1,053,551 | 0 | 0 | 1,176,873 | 11,384,849 | 13,116,306 | 9,542,455 |
| FECA | 5,260,239 | 87,256,965 | 20,618,555 | (4,868,265) | 0 | 0 | 0 | 7,357,674 | 0 | 3,367,570 | 0 | 5,274,850 | 0 | 82,388,700 |
| Black Lung -Disability Trust Fund | | | | | | | | | | | | | | |
| ETA | 8,941,334 | 11,370,396 | 25,322 | 25,322 | 0 | 0 | 0 | 0 | 6,095,327 | 4,521,639 | (13,046,201) | 11,857,572 | 11,404,235 | 3,378,918 |
| CETA | 10,884,119 | 43,222,625 | 7,600,550 | 7,060,289 | 0 | 0 | 0 | 0 | 396,224 | 400,000 | 1,141 | 8,370,764 | 3,071,653 | 47,786,322 |
| JTPA | 241 | 9,491,870 | 25,322 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 241 | 0 | 9,491,870 |
| UI/SESA | | | | | | | | | | | | | | |
| MSHA | 15,846,857 | 21,965,611 | 14,414,387 | 0 | 0 | 0 | 0 | 4,076,047 | 0 | 0 | 1,521,895 | 15,288,398 | 3,157,622 | 18,183,836 |
| Assessment/Mine Operator Civil Penalties | | | | | | | | | | | | | | |
| OSHA | 44,308,812 | 95,068,419 | 28,469,096 | 2,197,555 | 0 | 0 | 4,940,399 | 0 | 0 | 0 | 9,619,544 | 23,287,500 | 15,524,979 | 85,448,875 |
| Civil Penalties | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| -From Business | 255,591 | 0 | 816,348 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 481,077 | 44,538 | 0 |
| -From State Grantees | 2,095,438 | 50,000 | 12,225,287 | 50,000 | 0 | 0 | 173,563 | 432,568 | 45,000 | 55,000 | 1,227,500 | 6,459,718 | 77,462 | 0 |
| BLS | 8,279 | 0 | 60,113 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 249 | 3,981 | 0 |
| PWBA | | | | | | | | | | | | | | |
| OASAM | | | | | | | | | | | | | | |
| Total | 111,319,617 | 277,226,960 | 98,068,690 | 5,206,282 | 0 | 0 | 5,454,779 | 12,919,840 | 6,536,551 | 8,344,209 | 500,752 | 82,405,218 | 46,400,776 | 256,422,976 |

Explanations:

Figures provided by agencies are estimates and are unaudited.

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

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

Definitions:

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

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

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

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

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

**Summary of Audit Activity of DOL Programs
April 1, 1995 - September 30, 1995**

| Agency | Reports Issued | Grant/Contract Amount Audited ¹ | Questioned Costs Unsupported | Other |
|---------------|-------------------|---|---------------------------------|-----------------|
| OSEC | 2 | \$ 3,000 | \$ 0 | \$ 0 |
| VETS | 1 | 253,071 | 0 | \$ 0 |
| ETA | 113 | 47,454,854,468 | 825,458 | 0 |
| ESA | 4 | 64,403,890 | 0 | 0 |
| MSHA | 3 | 582,018 | 0 | 27,923 |
| OASAM | 7 | 58,929,431,534 | 2,186,126 | 0 |
| OSHA | 7 | 135,975 | 0 | 0 |
| BLS | 1 | 0 | 0 | 0 |
| PWBA | 1 | 0 | 0 | 0 |
| Multi-Agency | 47 | 16,420,767,193 | 4,065,573 | 0 |
| OT AGY | 2 | 0 | 0 | 0 |
| Totals | 188 | \$122,870,431,149 | \$7,077,157 | \$27,923 |

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

**Summary of Audit Activity of ETA Programs
April 1, 1995 - September 30, 1995**

| Program | Reports Issued | Grant/Contract Amount Audited | Questioned Costs | |
|---------------|----------------|-------------------------------|------------------|------------|
| | | | Unsupported | Other |
| UIS | 2 | \$ 47,142,055,000 | \$ 0 | \$ 0 |
| ADMIN | 2 | 2,206,199 | 0 | 0 |
| JTPA | 4 | 2,500,560 | 299,771 | 0 |
| USES | 2 | 1,515,293 | 0 | 0 |
| DINAP | 68 | 30,745,285 | 350,061 | 0 |
| DOWP | 7 | 159,286,588 | 0 | 0 |
| DSFP | 17 | 34,464,509 | 175,332 | 0 |
| OJC | 6 | 70,000,000 | 0 | 0 |
| OPR | 5 | 12,081,034 | 294 | 0 |
| Totals | 113 | \$47,454,854,468 | \$825,458 | \$0 |

**Summary of Audits Performed Under the Single Audit Act
April 1, 1995 - September 30, 1995**

| Agency | Entities Audited | Reports Issued | Grant/Contract Amount Audited | Questioned Costs Unsupported | Other |
|---------------|------------------|----------------|-------------------------------|------------------------------|-----------------|
| OSEC | 0 | 2 | \$ 3,000 | \$ 0 | \$ 0 |
| ETA | 31 | 96 | 226,357,057 | 129,765 | 0 |
| VETS | 0 | 1 | 253,071 | 0 | 0 |
| MSHA | 1 | 2 | 582,018 | 0 | 27,923 |
| OASAM | 0 | 1 | 9,933 | 0 | 0 |
| OSHA | 0 | 6 | 135,975 | 0 | 0 |
| Multi-Agency | 5 | 47 | 3,735,288,193 | 4,065,573 | 0 |
| OT AGY | 1 | 2 | 0 | 0 | 0 |
| Totals | 38 | 157 | \$3,962,629,247 | \$4,195,338 | \$27,923 |

Note: DOL has cognizant responsibility for specific entities under the Single Audit Act. More than one audit report may have been transmitted or issued for an entity during this time period. Reports are transmitted or issued based on the type of funding and the agency/program responsible for resolution. During this period, DOL issued reports on 38 entities for which DOL was cognizant; in addition, DOL issued 91 reports which included direct DOL funds for which DOL was not cognizant.

**Summary of Audits Performed Under the Single Audit Act
Multi-Agency Program Reports
April 1, 1995 - September 30, 1995**

| Agency | Number of Recommendations | Unsupported | Questioned Costs | Other |
|---------------|------------------------------|--------------------|------------------|------------|
| VETS | 1 | 9,711 | | 0 |
| ETA: | | | | |
| ADMIN | 1 | 35,000 | | 0 |
| UIS | 18 | 372,531 | | 0 |
| USES | 2 | 7,464 | | 0 |
| SESA | 5 | 141,647 | | 0 |
| OTAA | 3 | 5,617 | | 0 |
| JTPA | 20 | 3,437,607 | | 0 |
| CETA | 1 | 1,401 | | 0 |
| DOWP | 2 | 34,303 | | 0 |
| OSHA | 1 | 20,292 | | 0 |
| Totals | 54 | \$4,065,573 | | \$0 |

Note: Multi-Agency Program Reports relate to Single Audit reports. The report may be on a statewide audit where DOL has accepted "lead" cognizance or it may be on a single entity under the direct responsibility of DOL. If multiple DOL programs were audited, the multi-agency designation was used. Individual recommendations within the report designate which agency/program is responsible for resolution. Fifty-four recommendations are contained within the 47 multi-agency reports issued this period.

Audits by Non-Federal Auditors
PCIE Semiannual Reporting - Summary Results of IG Reviews
Six Months Ended September 30, 1995

| | A-128/102-P Audits | | | A-133/110 Audits | | | Grand Total |
|--|-------------------------------|-----------------------|-------------|-------------------------------|-----------------------|-------|-------------|
| | Independent Public Accountant | State & Local Auditor | Total | Independent Public Accountant | State & Local Auditor | Total | |
| 1. Reports Issued Without Change or With Minor Changes | | | | | | | |
| A. Based on Desk Review | 97 | 26 | 123 | 32 | 0 | 32 | 155 |
| B. Based on QCR | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Without Change or With Minor Changes | 97 | 26 | 123 | 32 | 0 | 32 | 155 |
| 2. Reports Issued With Major Changes | | | | | | | |
| A. Based on Desk Review | 0 | 0 | 0 | 2 | 0 | 2 | 2 |
| B. Based on QCR | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total With Major Changes | 0 | 0 | 0 | 2 | 0 | 2 | 2 |
| 3. Reports With Significant Inadequacies | | | | | | | |
| A. Based on Desk Review | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| B. Based on QCR | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total with Significant Inadequacies | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Number of Auditors Referred to State Boards/AICPA | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. Number of Auditors Against Which Other Sanctions Were Taken | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. Unsupported Costs in Reports With Direct Funded Findings | \$208,445 | \$3,986,199 | \$4,194,644 | \$694 | \$0 | \$694 | \$4,195,338 |
| 7. Sustained Unsupported Costs | \$57,546 | \$62,991 | \$120,537 | \$69 | \$0 | \$69 | \$120,606 |
| 8. Recovered Unsupported Costs | \$1,286 | \$40,778 | \$42,064 | \$69 | \$0 | \$69 | \$42,133 |
| 9. Other Costs Questioned in Reports With Direct Funded Findings | \$27,923 | \$0 | \$27,923 | \$0 | \$0 | \$0 | \$27,923 |
| 10. Sustained Other Questioned Costs | \$27,923 | \$0 | \$27,923 | \$0 | \$0 | \$0 | \$27,923 |
| 11. Recovered Other Questioned Costs | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

STATISTICAL TABLE

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

**Summary of Audit Resolution Activity
Questioned Costs
April 1, 1995 - September 30, 1995**

| Agency/ Program | April 1, 1995 | | Issued (Increases) | | Resolved (Decreases) | | September 30, 1995 | |
|--------------------|----------------------------------|---------------------|-----------------------|--------------------|-------------------------|--------------------|-------------------------------|---------------------|
| | Balance Unresolved Reports | Dollars | Reports | Dollars | Reports | Disallowed | Balance Unresolved Reports | Dollars |
| OSEC | 1 | \$0 | 2 | \$0 | 2 | \$0 | 1 | \$0 |
| VETS | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 |
| ETA: | | | | | | | | |
| ADMIN | 3 | 0 | 2 | 0 | 2 | 0 | 3 | 0 |
| OFCMS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| UIS | 2 | 0 | 2 | 0 | 2 | 0 | 2 | 0 |
| USES | 1 | 0 | 2 | 0 | 2 | 0 | 1 | 0 |
| FLC | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SESA | 2 | 606,002 | 0 | 0 | 0 | 0 | 2 | 606,002 |
| OTAA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| JTPA | 14 | 19,252,054 | 4 | 299,771 | 10 | 4,571,155 | 8 | 8,590,573 |
| OSTP | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| DINAP | 19 | 1,244,600 | 68 | 350,061 | 72 | 46,090 | 15 | 1,442,338 |
| DOWP | 0 | 0 | 7 | 0 | 6 | 0 | 1 | 0 |
| DSFP | 7 | 1,471,717 | 17 | 175,332 | 17 | 28,277 | 7 | 409,441 |
| OJC | 7 | 906,323 | 6 | 0 | 5 | 6,784 | 8 | 833,270 |
| BAT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OPR | 0 | 0 | 5 | 294 | 2 | 0 | 3 | 294 |
| ESA | 0 | 0 | 4 | 0 | 3 | 0 | 1 | 0 |
| MSHA | 0 | 0 | 3 | 27,923 | 3 | 0 | 0 | 0 |
| OASAM | 20 | 4,290,761 | 7 | 2,186,126 | 8 | 0 | 19 | 6,426,749 |
| SOL | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OIG | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OSHA | 0 | 0 | 7 | 0 | 7 | 0 | 0 | 0 |
| BLS | 1 | 0 | 1 | 0 | 0 | 0 | 2 | 0 |
| PWBA | 1 | 0 | 1 | 0 | 2 | 0 | 0 | 0 |
| Multi-Agency | 21 | 1,299,482 | 47 | 4,065,573 | 32 | 1,183,368 | 36 | 4,065,573 |
| Other Agencies | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 |
| TOTAL | 99 | \$29,070,939 | 188 | \$7,105,080 | 178 | \$5,835,674 | 109 | \$22,374,240 |

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

DISALLOWED COSTS includes \$18,025 of additional claim amounts. Additional claim amounts occur when the grant/contract officer disallows an amount in addition to the finding amount.

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

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

**Summary of Audit Resolution Activity
Unsupported Questioned Costs
April 1, 1995 - September 30, 1995**

| Agency/ Program | April 1, 1995 | | Issued (Increases) | | Resolved (Decreases) | | September 30, 1995 | |
|--------------------|-------------------------------|---------------------|-----------------------|--------------------|-------------------------|--------------------|-------------------------------|---------------------|
| | Balance Unresolved Reports | Dollars | Reports | Dollars | Allowed | Disallowed | Balance Unresolved Reports | Dollars |
| OSEC | 0 | \$0 | 0 | \$0 | \$0 | \$0 | 0 | \$0 |
| VETS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ETA: | | | | | | | | |
| ADMIN | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OFCMS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| UIS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SESA | 2 | 606,002 | 0 | 0 | 0 | 0 | 2 | 606,002 |
| OTAA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| JTPA | 7 | 14,574,863 | 1 | 299,771 | 3 | 4,622,215 | 5 | 7,616,107 |
| CETA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| DINAP | 15 | 1,205,321 | 7 | 350,061 | 12 | 66,354 | 10 | 1,442,938 |
| DOWP | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| DSFP | 5 | 1,471,717 | 3 | 175,332 | 4 | 1,209,331 | 4 | 409,441 |
| OJC | 5 | 841,982 | 0 | 0 | 1 | 7,713 | 4 | 833,270 |
| OPR | 0 | 0 | 2 | 294 | 0 | 0 | 2 | 294 |
| ESA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| MSHA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OASAM | 11 | 4,290,761 | 4 | 2,186,126 | 1 | 50,138 | 14 | 6,426,749 |
| OIG | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OSHA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Multi-Agency | 11 | 1,299,482 | 22 | 4,065,573 | 11 | 1,183,368 | 22 | 4,065,573 |
| Other Agency | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 56 | \$24,290,128 | 39 | \$7,077,157 | 32 | \$3,895,046 | 63 | \$21,400,347 |

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

**Summary of Audit Resolution Activity
Funds Put to Better Use
April 1, 1995 - September 1, 1995**

| Agency/ Program | April 1, 1995 | | Issued (Increases) | | Resolved (Decreases) | | Management | | September 30, 1995 | |
|--------------------|-------------------------------|------------|-----------------------|------------|----------------------|------------|------------|-------------------------------|--------------------|--|
| | Balance Unresolved Reports | Dollars | Reports | Dollars | Reports | Disagreed | Agreed | Balance Unresolved Reports | Dollars | |
| OSEC | 0 | \$0 | 0 | \$0 | 0 | \$0 | \$0 | 0 | \$0 | |
| ETA: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| DSFP | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| OJC | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| ESA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| MSHA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| OASAM | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| OSHA | 0 | \$0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| TOTAL | 0 | \$0 | 0 | \$0 | 0 | \$0 | \$0 | 0 | \$0 | |

**Unresolved Audits Over 6 Months
April 1, 1995 - September 30, 1995**

| Agency | Program | Date Issued | Audit Report Number | Name of Audit/Auditee | No of Rec | Questioned Costs |
|--|---------|-------------|---------------------|--|-----------|------------------|
| Under Investigation or Litigation: | | | | | | |
| ETA | DINAP | 03-FEB-94 | 18-94-007-03-355 | NEBRASKA INTER-TRIBAL | 10 | \$ 607,354 |
| ETA | JTPA | 25-SEP-92 | 06-92-010-03-340 | EAST TEXAS CNCL OF GOVT | 13 | 5,780,925 |
| ETA | DFREP | 08-FEB-95 | 18-95-007-03-365 | MISSISSIPPI DELTA COUNCIL | 4 | 229,969 |
| ETA | JTPA | 14-SEP-94 | 02-94-263-03-340 | JTPA OJT BROKER | 1 | 1,181,720 |
| Awaiting Resolution: | | | | | | |
| OSEC | ALLDOL | 24-MAR-95 | 17-95-005-01-001 | DOL CRIMINAL ENFORCEMENT ¹ | 12 | 0 |
| ETA | ADMIN | 25-AUG-92 | 12-92-021-03-001 | UNEMPLOY TRUST FUND FY 91 ² | 1 | 0 |
| ETA | ADMIN | 25-AUG-92 | 12-92-022-03-001 | ETA FY 91 FIN STMTS ² | 2 | 0 |
| ETA | ADMIN | 30-SEP-93 | 12-93-001-03-001 | ETA FY 92 FIN STMTS ² | 5 | 0 |
| ETA | SESA | 24-AUG-94 | 12-94-017-03-325 | ADES SCHEDULE OF US DOL FINANC ³ | 4 | 259,084 |
| ETA | SESA | 20-DEC-94 | 04-95-007-03-325 | STATE OF ALABAMA ¹ | 2 | 4,101 |
| ETA | USES | 18-AUG-94 | 04-94-021-03-320 | TARGETED JOBS TAX CREDIT PROGR ¹ | 1 | 0 |
| ETA | UIS | 31-MAR-94 | 09-94-002-03-315 | UCFC/UCX PAYMENT VERIFICATION ¹ | 2 | 0 |
| ETA | JTPA | 28-FEB-95 | 04-95-013-03-340 | GEORGIA DEPT OF LABOR ¹¹ | 3 | 0 |
| ETA | JTPA | 22-DEC-94 | 04-95-003-03-340 | SELECTED CONTRACTS CSRA ⁴ | 3 | 236,538 |
| ETA | JTPA | 17-APR-91 | 05-91-012-03-340 | SEATTLE KING COUNTY ⁴ | 2 | 15,751 |
| ETA | JTPA | 29-MAR-94 | 06-94-001-03-340 | NAVAJO NATION ⁶ | 3 | 677,574 |
| ETA | DINAP | 23-MAR-95 | 06-95-239-03-355 | STANDING ROCK ⁹ | 1 | 0 |
| ETA | DFREP | 08-FEB-95 | 18-95-007-03-365 | FARMWORKERS OPPORTUNITY ⁹ | 1 | 0 |
| ETA | OJC | 07-DEC-94 | 18-95-005-03-370 | TRANSPORTATION COMMUN. INT. ¹² | 5 | 0 |
| OASAM | ADMIN | 30-SEP-93 | 12-93-008-07-001 | FY 92 CONSOLIDATED FIN STMTS ² | 1 | 0 |
| OASAM | ADMIN | 02-SEP-94 | 12-94-012-07-001 | DOL CONSOLIDATED FIN STMTS ² | 1 | 0 |
| OASAM | COMP | 30-SEP-93 | 12-93-011-07-710 | FY 92 WORKING CAPITAL FUND ² | 3 | 0 |
| OASAM | DAPP | 14-MAR-95 | 17-95-002-07-730 | DOL COMPLIANCE WITH ENERGY ACT ² | 2 | 0 |
| OASAM | OPGM | 30-SEP-91 | 18-91-035-07-735 | OIC OF AMERICA ⁵ | 13 | 481,785 |
| OASAM | OPGM | 19-AUG-94 | 18-94-019-07-735 | OIC OF AMERICA ⁵ | 3 | 554,867 |
| OASAM | OPGM | 24-JUN-94 | 18-94-014-07-735 | ILLINOIS MIGRANT COUNCIL ⁹ | 1 | 0 |
| OASAM | OPGM | 06-JUN-94 | 18-94-008-07-735 | NATIONAL COUNCIL OF LA RAZA ⁹ | 2 | 0 |
| OASAM | OPGM | 27-AUG-94 | 18-94-021-07-735 | WAVE INC. ⁸ | 3 | 1,206,216 |
| OASAM | OPGM | 04-NOV-94 | 18-95-001-07-735 | HOME BUILDERS INSTITUTE ¹⁰ | 1 | 628,158 |
| OASAM | OPGM | 04-NOV-94 | 18-95-002-07-735 | HOME BUILDERS INSTITUTE ¹⁰ | 2 | 748,379 |
| OASAM | OPGM | 11-NOV-94 | 18-95-003-07-735 | HOME BUILDERS INSTITUTE ¹⁰ | 7 | 353,479 |
| OASAM | OPGM | 31-MAR-95 | 18-95-012-07-735 | MOTIVATION EDUCATION & TRAINING ⁸ | 4 | 38,523 |
| BLS | ADMIN | 30-SEP-93 | 12-93-009-11-001 | BLS FY 92 FINANCIAL STATEMENTS ² | 1 | 0 |
| Pending Indirect Cost Negotiations: | | | | | | |
| ETA | OJC | 10-SEP-92 | 18-92-027-03-370 | LEO A. DALY ⁷ | 2 | 210,695 |
| ETA | OJC | 04-MAR-94 | 18-94-009-03-370 | LEO A. DALY ⁷ | 1 | 231,610 |
| ETA | OJC | 04-MAR-94 | 18-94-010-03-370 | LEO A. DALY ⁷ | 1 | 274,400 |
| ETA | OJC | 04-MAR-94 | 18-94-011-03-370 | LEO A. DALY ⁷ | 1 | 116,565 |
| OASAM | OPGM | 17-SEP-93 | 18-93-011-07-735 | INTERNATIONAL MASONRY INST ⁷ | 1 | 72,926 |
| TOTAL AUDIT EXCEPTIONS: | | | | | 125 | \$13,910,619 |

Notes to "Unresolved Audits Over 6 Months"

¹Unresolved pending a response to the final audit report.

²Recommendations were reviewed under their respective current FY 94 audits and remain unresolved.

³The ETA section of the audit report is resolved. We are awaiting information from other DOL agencies to resolve this report.

⁴The States have 180 days to issue a Final Management Decision. Program Agencies and OIG have an additional 180 days to accept the State-level decision.

⁵The audit is currently under the Department's Alternative Dispute Resolution process as authorized by the Administrative Dispute Resolution Act.

⁶Auditee did not respond to all the recommendations contained in the audit report.

⁷Pending completion of indirect cost negotiations and closure.

⁸ETA Initial Management Decision issued, awaiting Final Management Decision.

⁹ETA is working with grantee to resolve administrative findings.

¹⁰Resolution pending decision on the proper accounting of costs claimed by HBI.

¹¹Pending completion of DOL study.

¹²ETA, OIG, and the Office of Cost Determination agreed to delay resolution.

**Summary of Final Action Activity
Disallowed Costs
April 1, 1995 - September 30, 1995**

| Agency/ Program | April 1, 1995 | | Resolved (Increases) | | Final Action (Decreases) | | September 30, 1995 | |
|--------------------|------------------------------------|----------------------|-------------------------|--------------------|-----------------------------|--------------------|------------------------------------|----------------------|
| | Balance No Final Action Reports | Disallowed | Reports | Disallowed | Write-Offs | Recovered | Balance No Final Action Reports | Dollars |
| OSEC | 3 | \$ 0 | 2 | \$ 0 | \$ 0 | \$ 0 | 1 | \$ 0 |
| VETS | 3 | 538,190 | 1 | 0 | 0 | 0 | 3 | 538,190 |
| ETA: | | | | | | | | |
| ADMIN | 3 | 507,696 | 2 | 0 | 0 | 0 | 2 | 507,696 |
| OFAM | 1 | 1,485,911 | 0 | 0 | 0 | 0 | 1 | 1,485,911 |
| UJS | 8 | 57,929,042 | 2 | 0 | 0 | 0 | 6 | 57,929,042 |
| USES | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| SESA | 3 | 1,492,771 | 0 | 0 | 0 | 0 | 3 | 1,492,771 |
| OTAA | 3 | 535,375 | 0 | 0 | 0 | 0 | 3 | 535,375 |
| JTPA | 34 | 28,257,514 | 10 | 6,390,097 | 5,975,202 | 3,713,566 | 36 | 24,958,843 |
| CETA | 9 | 10,679,081 | 0 | 0 | 0 | 0 | 9 | 10,679,081 |
| OSTP | 1 | 477,201 | 0 | 0 | 0 | 0 | 1 | 477,201 |
| DINAP | 74 | 6,003,782 | 72 | 106,233 | 74,846 | 30,141 | 66 | 6,005,028 |
| DOWP | 8 | 143,054 | 6 | 0 | 0 | 61,658 | 7 | 81,396 |
| DSFP | 21 | 2,370,252 | 17 | 1,209,331 | 0 | 93 | 20 | 3,579,490 |
| OJC | 22 | 1,960,670 | 5 | 66,269 | 226,922 | 0 | 21 | 1,800,017 |
| OPR | 1 | 412,662 | 2 | 0 | 0 | 0 | 1 | 412,662 |
| ESA | 8 | 11,275 | 3 | 0 | 0 | 0 | 10 | 11,275 |
| MSHA | 3 | 0 | 3 | 27,923 | 0 | 0 | 3 | 27,923 |
| OASAM | 17 | 13,530,153 | 8 | 50,138 | 0 | 115,634 | 20 | 13,464,657 |
| SOL | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| OIG | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OSHA | 9 | 0 | 7 | 0 | 0 | 0 | 10 | 0 |
| BLS | 3 | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| PWBA | 1 | 0 | 2 | 0 | 0 | 0 | 1 | 0 |
| Multi-Agency | 58 | 11,626,969 | 32 | 116,114 | 109,929 | 3,581,574 | 57 | 8,051,580 |
| Other Agency | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 294 | \$137,961,598 | 178 | \$7,966,105 | \$6,386,899 | \$7,502,666 | 283 | \$132,038,138 |

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

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

Recovered costs contain authorized repayment agreements totalling \$3,946,460.

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

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

**Summary of Final Action Activity
Funds to Be Put to Better Use
April 1, 1995 - September 30, 1995**

| Agency/ Program | April 1, 1995 | | Resolved (Increases) | | Final Action (Decreases) | | September 30, 1995 | |
|--------------------|------------------------------------|---------------------|-------------------------|------------|-----------------------------|------------|------------------------------------|---------------------|
| | Balance No Final Action Reports | Disallowed | Reports | Disallowed | Write-Offs | Recovered | Balance No Final Action Reports | Dollars |
| OSEC | 0 | \$ 0 | 0 | \$ 0 | \$ 0 | \$ 0 | 0 | \$ 0 |
| ETA: | | | | | | | | |
| UIS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SESA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CETA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| DSFP | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OJC | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ESA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OASAM | 2 | 41,810,479 | 0 | 0 | 0 | 0 | 2 | 41,810,479 |
| OSHA | 1 | 1,900,000 | 0 | 0 | 0 | 0 | 1 | 1,900,000 |
| Multi-Agency | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 3 | \$43,710,479 | 0 | \$0 | \$0 | \$0 | 3 | \$43,710,479 |

**Significant Recommendations Resolved for Over One Year
on which Corrective Action Has Not Been Completed
as of September 30, 1995**

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

The following table can be used to identify significant recommendations discussed in previous semiannual reports which have been resolved (or the decision of appeal has been rendered) in excess of one year and for which corrective action has not been completed as of September 30, 1995. The table does not contain resolved recommendations which are on appeal.

| Report No. Report Name | Prior Semiannual Mo./Yr.&Pg | # Open Rec. | Resolution Mo./Yr. | Dollars Disallowed 000s |
|--|-----------------------------------|-------------------|-----------------------|-------------------------------|
| VETS | | | | |
| 18-91-041-02-201 Urban Revitalization - USA | 09/91 Pg41 | 6 | 03/92 | 134 |
| ESA | | | | |
| 03-91-056-04-001 FY 1990 Financial Statements | 09/91 Pg36 | 7 | 08/91 | N/A |
| 03-92-052-04-001 FY 1991 Financial Statements | 09/92 Pg46 | 5 | 06/92 | N/A |
| OASAM | | | | |
| 12-91-011-07-001 Internal Cntrls do not Reasonably Assure Reliable General Ledger Balances | 03/91 Pg37 | 2 | 03/92 | N/A |
| 12-92-030-07-710 Working Capital Fund | 09/92 Pg60 | 3 | 10/92 | N/A |
| 12-92-027-07-711 Premiums Remitted to Healthplus of Maryland | 09/92 Pg67 | 5 | 08/93 | N/A |
| 12-92-029-07-711 Accounts Payable, Undelivered Orders and Disbursements | 09/92 Pg59 | 3 | 08/93 | N/A |
| SOL | | | | |
| 17-92-005-08-001 Managing Effectiveness of SOL | 03/92 Pg14 | 5 | 04/92 | N/A |

**Significant Recommendations Resolved for Over One Year
on which Corrective Action Has Not Been Completed
as of September 30, 1995**

| Report No. Report Name | Prior Semiannual Mo./Yr.&Pg | # Open Rec. | Resolution Mo./Yr. | Dollars Disallowed 000s |
|---|--|----------------------------|-------------------------------|--|
| OSHA | | | | |
| 05-90-035-10-001 OSHA Annual Report Can Be Improved | 03/90 Pg25 | 3 | 06/90 | N/A |
| 05-90-056-10-001 FY 1989 Financial Statement | 09/90 Pg23 | 1 | 12/90 | N/A |
| 05-92-008-10-001 OSHA Egregious Cases | 03/92 Pg12 | 4 | 09/92 | N/A |
| 05-88-083-10-105 OSHA 11(c) Complaint Program | 03/89 Pg52 | 4 | 08/89 | N/A |
| 05-92-014-10-001 FY 91 OSHA Financial Statements | 09/92 Pg51 | 2 | 10/92 | N/A |
| 05-93-006-10-001 OSHA Performance Measures | 09/93 Pg24 | 1 | 02/94 | N/A |
| ETA | | | | |
| 12-88-017-03-001 FY 1987 Management Advisory Comments | 03/89 Pg58 | 2 | 09/89 | N/A |
| 03-83-203-03-315 UI Experience Rating | 09/89 Pg23 | 1 | 09/90 | N/A |
| 03-90-086-03-315 Internal Control Improvements Needed for UI Trust Fund | 03/90 Pg19 | 5 | 09/90 | N/A |
| 05-93-008-03-330 TAA Program Outcomes in Nine Selected States | 03/94 Pg4 | 4 | 01/94 | N/A |

**Significant Recommendations Resolved for Over One Year
on which Corrective Action Has Not Been Completed
as of September 30, 1995**

| Report No. Report Name | Prior Semiannual Mo./Yr.&Pg | # Open Rec. | Resolution Mo./Yr. | Dollars Disallowed 000s |
|--|--|----------------------------|-------------------------------|--|
| 02-89-216-03-325 Puerto Rico Department of Labor & Human Resources | 09/89 Pg75 | 15 | 10/89 | N/A |
| 12-93-002-03-315 FY 92 UI Financial Statements | 09/93 Pg19 | 5 | 12/93 | N/A |
| 12-93-017-03-370 Job Corps Eligibility Requirements | 09/93 Pg14 | 7 | 02/94 | N/A |
| PWBA | | | | |
| 09-93-006-12-001 PWBA Performance Measures | 09/93 Pg24 | 2 | 09/93 | N/A |

**FINAL AUDIT REPORTS ISSUED
01-APR-95 TO 30-SEP-95**

| Audit Report Number | Agency | Program | Date Sent to Program Agency | Name of Audit/Auditee |
|----------------------------|---------------|----------------|------------------------------------|--|
| 02-95-235-01-010 | OSEC | ASP | 01-MAY-95 | RUTGERS, THE STATE UNIVERSITY OF NEW JERSEY - SA |
| 02-95-268-01-010 | OSEC | ASP | 29-SEP-95 | RUTGERS, THE STATE UNIVERSITY OF NEW JERSEY - SA |
| 02-95-214-03-355 | ETA | DINAP | 01-MAY-95 | SENECA NATION OF INDIANS - SA |
| 02-95-220-03-355 | ETA | DINAP | 01-MAY-95 | SAINT REGIS MOHAWK TRIBE - SA |
| 02-95-229-03-355* | ETA | DINAP | 25-MAY-95 | MASHPEE WAMPANOAG INDIAN TRIBAL COUNCIL, INC. - SA |
| 02-95-243-03-355* | ETA | DINAP | 01-MAY-95 | AMERICAN INDIAN COMMUNITY HOUSE, INC. - SA |
| 02-95-244-03-355* | ETA | DINAP | 01-MAY-95 | AMERICAN INDIAN COMMUNITY HOUSE, INC. - SA |
| 02-95-245-03-355* | ETA | DINAP | 03-MAY-95 | POWHATAN RENAPE NATION - SA |
| 02-95-246-03-355* | ETA | DINAP | 03-MAY-95 | POWHATAN RENAPE NATION - SA |
| 02-95-248-03-355 | ETA | DINAP | 03-MAY-95 | SAINT REGIS MOHAWK TRIBE - SA |
| 02-95-251-03-355* | ETA | DINAP | 25-MAY-95 | NATIVE AMERICAN COMM. SVCS OF ERIE & NIAGARA - SA |
| 02-95-253-03-355* | ETA | DINAP | 04-MAY-95 | POWHATAN-RENAPE NATION - SA |
| 02-95-264-03-355 | ETA | DINAP | 22-SEP-95 | SAINT REGIS MOHAWK TRIBE - SA |
| 02-95-249-03-365* | ETA | DFREP | 03-MAY-95 | RURAL OPPORTUNITIES, INC. AND AFFILIATES - SA |
| 02-95-250-03-365* | ETA | DFREP | 03-MAY-95 | RURAL OPPORTUNITIES, INC. AND AFFILIATES - SA |
| 02-95-269-03-365* | ETA | DFREP | 29-SEP-95 | RURAL OPPORTUNITIES, INC. AND AFFILIATES - SA |
| 02-95-241-03-380 | ETA | SPPD | 03-MAY-95 | RESEARCH FOUNDATION, THE CITY UNIVERSITY N.Y. - SA |
| 02-95-242-03-380 | ETA | SPPD | 01-MAY-95 | FOUNTAIN HOUSE, INC. - SA |
| 02-95-247-03-380 | ETA | SPPD | 01-MAY-95 | FOUNTAIN HOUSE, INC. - SA |
| 02-95-267-07-750 | OASAM | NCSC | 29-SEP-95 | NATIONAL BUREAU OF ECONOMIC RESEARCH, INC. - SA |
| 02-95-237-10-101 | OSHA | OSHAG | 01-MAY-95 | CITY OF CAMDEN NEW JERSEY - SA |
| 02-95-238-10-101 | OSHA | OSHAG | 01-MAY-95 | CITY OF CAMDEN NEW JERSEY - SA |
| 02-95-239-10-101 | OSHA | OSHAG | 01-MAY-95 | CITY OF CAMDEN NEW JERSEY - SA |
| 02-95-240-10-101 | OSHA | OSHAG | 01-MAY-95 | CITY OF CAMDEN NEW JERSEY - SA |
| 02-95-259-10-101 | OSHA | OSHAG | 22-SEP-95 | MAINE TECHNICAL COLLEGE SYSTEM - SA |
| 02-95-260-10-101 | OSHA | OSHAG | 22-SEP-95 | GENERAL HOSPITAL CORP., MASSACHUSETTS GENERAL - SA |
| 02-95-203-50-598* | MULTI | AL/DOL | 03-MAY-95 | NATIONAL URBAN LEAGUE, INC. - SA |
| 02-95-204-50-598* | MULTI | AL/DOL | 03-MAY-95 | NATIONAL URBAN LEAGUE, INC. - SA |
| 02-95-212-50-598 | MULTI | AL/DOL | 03-MAY-95 | STATE OF NEW JERSEY SINGLE AUDIT - SA |
| 02-95-213-50-598 | MULTI | AL/DOL | 04-MAY-95 | STATE OF NEW JERSEY SINGLE AUDIT - SA |
| 02-95-216-50-598 | MULTI | AL/DOL | 03-MAY-95 | STATE OF NEW YORK SINGLE AUDIT - SA |
| 02-95-217-50-598 | MULTI | AL/DOL | 03-MAY-95 | STATE OF NEW YORK SINGLE AUDIT - SA |
| 02-95-218-50-598 | MULTI | AL/DOL | 04-MAY-95 | STATE OF NEW YORK SINGLE AUDIT - SA |
| 02-95-219-50-598 | MULTI | AL/DOL | 22-SEP-95 | STATE OF NEW YORK - SA |
| 02-95-234-50-598 | MULTI | AL/DOL | 01-MAY-95 | COLUMBIA UNIVERSITY - SA |
| 02-95-236-50-598 | MULTI | AL/DOL | 01-MAY-95 | CORNELL UNIVERSITY - SA |
| 02-95-254-50-598 | MULTI | AL/DOL | 02-JUN-95 | COMMONWEALTH OF MASSACHUSETTS - SA |
| 02-95-255-50-598 | MULTI | AL/DOL | 22-SEP-95 | STATE OF MAINE - SA |
| 02-95-256-50-598 | MULTI | AL/DOL | 14-JUN-95 | STATE OF VERMONT SINGLE AUDIT - SA |
| 02-95-258-50-598* | MULTI | AL/DOL | 22-SEP-95 | TRAINING AND DEVELOPMENT CORPORATION - SA |
| 02-95-261-50-598 | MULTI | AL/DOL | 22-SEP-95 | CORNELL UNIVERSITY - SA |
| 02-95-265-50-598 | MULTI | AL/DOL | 22-SEP-95 | CORNELL UNIVERSITY - SA |
| 03-95-011-03-315 | ETA | UIS | 28-AUG-95 | UI'S PERFORMANCE MEASURES FOR FY 1994 |
| 03-95-028-03-340* | ETA | JTPA | 29-SEP-95 | NATIONAL ASSOCIATION OF REHABILITATION FACILITIES - SA |
| 03-95-029-03-340* | ETA | JTPA | 29-SEP-95 | NATIONAL ASSOCIATION OF REHABILITATION, INC. - SA |
| 03-95-025-03-360* | ETA | DOWP | 26-SEP-95 | AMERICAN ASSOCIATION OF RETIRED PERSONS - SA |
| 03-95-026-03-360* | ETA | DOWP | 26-SEP-95 | AMERICAN ASSOCIATION OF RETIRED PERSONS - SA |
| 03-95-027-03-360* | ETA | DOWP | 26-SEP-95 | AMERICAN ASSOCIATION OF RETIRED PERSONS - SA |
| 03-95-016-03-370 | ETA | OJC | 29-SEP-95 | JOB CORPS (SPAMIS) |
| 03-95-017-03-370 | ETA | OJC | 27-JUL-95 | GATEWAY JOB CORPS SPAMIS INTERNAL CONTROL STRUCTURE |
| 03-95-010-10-001 | OSHA | ADMIN | 24-MAY-95 | BLS FY 94 PERFORMANCE MEASURES |

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

**FINAL AUDIT REPORTS ISSUED
01-APR-95 TO 30-SEP-95**

| Audit Report Number | Agency | Program | Date Sent to Program Agency | Name of Audit/Auditee |
|----------------------------|---------------|----------------|------------------------------------|--|
| 03-95-015-11-001 | BLS | ADMIN | 28-AUG-95 | IMPROVED RELIABILITY OF BLS AND UIS' EMPLOYMENT DATA |
| 03-95-012-50-598 | MULTI | AL/DOL | 04-APR-95 | COMMONWEALTH OF PENNSYLVANIA - SA |
| 03-95-013-50-598 | MULTI | AL/DOL | 07-APR-95 | STATE OF MARYLAND - SA |
| 03-95-014-50-598 | MULTI | AL/DOL | 26-SEP-95 | STATE OF DELAWARE - SA |
| 03-95-020-50-598* | MULTI | AL/DOL | 22-AUG-95 | STATE OF WEST VIRGINIA - SA |
| 03-95-022-50-598 | MULTI | AL/DOL | 15-SEP-95 | COMMONWEALTH OF PENNSYLVANIA - SA |
| 03-95-023-50-598 | MULTI | AL/DOL | 26-SEP-95 | STATE OF MARYLAND - SA |
| 03-95-024-50-598 | MULTI | AL/DOL | 26-SEP-95 | STATE OF MARYLAND - SA |
| 04-95-031-02-210 | VETS | VETSPM | 22-SEP-95 | GOVT. OF NASHVILLE AND DAVIDSON COUNTY, TN - SA |
| 04-95-041-03-340 | ETA | JTPA | 28-SEP-95 | METRA NASHVILLE, TN |
| 04-95-022-03-355* | ETA | DINAP | 26-MAY-95 | HALIWA-SAPONI INDIAN TRIBE, INC. - SA |
| 04-95-023-03-355 | ETA | DINAP | 01-MAY-95 | MISSISSIPPI BAND OF CHOCTAW INDIANS - SA |
| 04-95-025-03-355 | ETA | DINAP | 20-JUL-95 | POARCH BAND OF CREEK INDIANS - SA |
| 04-95-026-03-355* | ETA | DINAP | 20-JUL-95 | FLORIDA NON-PROFIT HOUSING INC. - SA |
| 04-95-030-03-355* | ETA | DINAP | 20-JUL-95 | CUMBERLAND COUNTY ASSOC. FOR INDIAN PEOPLE, INC. - SA |
| 04-95-034-03-355* | ETA | DINAP | 28-SEP-95 | FLORIDA GOVERNOR'S COUNCIL ON INDIANS AFFAIRS, INC. - SA |
| 04-95-020-03-365 | ETA | DFREP | 26-MAY-95 | DELTA HOUSING DEVELOPMENT CORP. - SA |
| 04-95-032-03-365* | ETA | DFREP | 28-SEP-95 | HOMES IN PARTNERSHIP, INC. - SA |
| 04-95-035-03-365* | ETA | DFREP | 30-SEP-95 | MS DELTA COUNCIL OF FARMWORKERS OPPORT. - SA |
| 04-95-016-50-598 | MULTI | AL/DOL | 26-MAY-95 | STATE OF NORTH CAROLINA - SA |
| 04-95-024-50-598 | MULTI | AL/DOL | 01-MAY-95 | STATE OF SOUTH CAROLINA STATEWIDE SINGLE AUDIT - SA |
| 04-95-036-50-598 | MULTI | AL/DOL | 28-SEP-95 | STATE OF GEORGIA - SA |
| 04-95-037-50-598* | MULTI | AL/DOL | 22-SEP-95 | YOUTH SERVICE USA, TENNESSEE - SA |
| 04-95-038-50-598 | MULTI | AL/DOL | 20-JUL-95 | STATE OF TENNESSEE - SA |
| 04-95-040-50-598 | MULTI | AL/DOL | 28-SEP-95 | STATE OF MISSISSIPPI - SA |
| 04-95-042-50-598 | MULTI | AL/DOL | 29-SEP-95 | COMMONWEALTH OF KENTUCKY - SA |
| 04-95-027-98-599* | OT AGY | NO/DOL | 08-JUN-95 | BREVARD COUNTY, FLORIDA - SA |
| 04-95-039-98-599 | OT AGY | NO/DOL | 29-SEP-95 | ORANGE COUNTY, FLORIDA - SA |
| 05-95-112-03-355* | ETA | DINAP | 10-APR-95 | INDIAN CENTER, INC. - SA |
| 05-95-113-03-355* | ETA | DINAP | 17-JUL-95 | INDIANA AMERICAN INDIAN MANPOWER COUNCIL, INC. - SA |
| 05-95-115-03-355 | ETA | DINAP | 13-SEP-95 | AMERICAN INDIAN COUNCIL, INC. - SA |
| 05-95-212-03-355 | ETA | DINAP | 03-APR-95 | MILLE LACS BAND OF CHIPPEWA INDIANS - SA |
| 05-95-213-03-355 | ETA | DINAP | 26-APR-95 | INTER-TRIBAL COUNCIL OF MICHIGAN - SA |
| 05-95-214-03-355 | ETA | DINAP | 27-APR-95 | WISCONSIN WINNEBAGO NATION - SA |
| 05-95-217-03-355 | ETA | DINAP | 19-JUL-95 | STOCKBRIDGE-MUNSEE COMMUNITY - SA |
| 05-95-218-03-355 | ETA | DINAP | 20-JUL-95 | FOND DU LAC RESERVATION - SA |
| 05-95-219-03-355 | ETA | DINAP | 24-JUL-95 | BOIS FORTE RESERVATION TRIBAL COUNCIL - SA |
| 05-95-222-03-355 | ETA | DINAP | 26-JUL-95 | SAC & FOX TRIBE OF THE MISSISSIPPI IN IOWA - SA |
| 05-95-223-03-355 | ETA | DINAP | 27-JUL-95 | MENOMINEE INDIAN TRIBE OF WISCONSIN - SA |
| 05-95-224-03-355 | ETA | DINAP | 28-JUL-95 | WHITE EARTH RESERVATION - SA |
| 05-95-226-03-355 | ETA | DINAP | 14-AUG-95 | GRAND TRAVERSE BAND OF OTTAWA & CHIPPEWA INDIANS - SA |
| 05-95-220-03-360 | ETA | DOWP | 24-JUL-95 | INDIANA FAMILY & SOCIAL SERVICES ADMINISTRATION - SA |
| 05-95-114-03-365* | ETA | DFREP | 19-JUL-95 | NAF MULTICULTURAL HUMAN DEVELOPMENT CORPORATION - SA |
| 05-95-116-03-365* | ETA | DFREP | 21-SEP-95 | HOMES/CASAS, INC. - SA |
| 05-95-117-03-365* | ETA | DFREP | 29-SEP-95 | ILLINOIS MIGRANT COUNCIL - SA |
| 05-95-007-03-370 | ETA | OJC | 19-MAY-95 | JOB CORPS CAN WORK! VIDEO |
| 05-95-009-03-370 | ETA | OJC | 29-SEP-95 | JOB CORPS PROGRAM REPORT OF STUDENT OUTCOMES |
| 05-95-221-06-601 | MSHA | GRTEES | 25-JUL-95 | ILLINOIS DEPARTMENT OF MINES AND MINERALS - SA |
| 05-95-215-50-598 | MULTI | AL/DOL | 05-JUN-95 | IOWA, STATE OF - SA |
| 05-95-216-50-598 | MULTI | AL/DOL | 07-JUL-95 | MISSOURI, STATE OF - SA |
| 05-95-225-50-598 | MULTI | AL/DOL | 11-AUG-95 | ONEIDA TRIBE OF INDIANS OF WISCONSIN - SA |
| 05-95-227-50-598 | MULTI | AL/DOL | 25-AUG-95 | OHIO, STATE OF - SA |
| 05-95-228-50-598 | MULTI | AL/DOL | 30-AUG-95 | WISCONSIN, STATE OF - SA |

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| Audit Report Number | Agency | Program | Date Sent to Program Agency | Name of Audit/Auditee |
|----------------------------|---------------|----------------|------------------------------------|---|
| 05-95-229-50-598 | MULTI | AL/DOL | 08-SEP-95 | NEBRASKA, STATE OF - SA |
| 05-95-230-50-598 | MULTI | AL/DOL | 13-SEP-95 | ILLINOIS DEPT. OF COMMERCE AND COMMUNITY AFFAIRS - SA |
| 06-95-114-03-355* | ETA | DINAP | 15-JUN-95 | FOUR TRIBES CONSORTIUM OF OKLAHOMA - SA |
| 06-95-246-03-355 | ETA | DINAP | 10-MAY-95 | SANTO DOMINGO TRIBE - SA |
| 06-95-247-03-355 | ETA | DINAP | 10-MAY-95 | OTOE-MISSOURIA TRIBE - SA |
| 06-95-248-03-355 | ETA | DINAP | 19-MAY-95 | CENTRAL TRIBES OF THE SHAWNEE AREA, INC. - SA |
| 06-95-249-03-355 | ETA | DINAP | 30-MAY-95 | EIGHT NORTHERN INDIAN PUEBLOS COUNCIL - SA |
| 06-95-250-03-355 | ETA | DINAP | 31-MAY-95 | SANTO DOMINGO TRIBE - SA |
| 06-95-251-03-355 | ETA | DINAP | 13-JUN-95 | ALAMO NAVAJO SCHOOL BOARD, INC. - SA |
| 06-95-252-03-355 | ETA | DINAP | 13-JUL-95 | PUEBLO OF ZUNI - SA |
| 06-95-253-03-355 | ETA | DINAP | 13-JUL-95 | CITIZEN BAND OF POTAWATOMI INDIANS - SA |
| 06-95-255-03-355 | ETA | DINAP | 18-JUL-95 | SOUTHERN UTE INDIAN TRIBE - SA |
| 06-95-256-03-355 | ETA | DINAP | 18-JUL-95 | TAOS PUEBLO CENTRAL MANAGEMENT SYSTEM - SA |
| 06-95-257-03-355 | ETA | DINAP | 03-AUG-95 | PUEBLO OF ACOMA - SA |
| 06-95-258-03-355 | ETA | DINAP | 22-AUG-95 | MUSCOGEE (CREEK) NATION - SA |
| 06-95-261-03-355 | ETA | DINAP | 19-SEP-95 | INTER-TRIBAL COUNCIL, INC. - SA |
| 06-95-262-03-355 | ETA | DINAP | 21-SEP-95 | LOWER BRULE SIOUX TRIBE - SA |
| 06-95-243-03-360 | ETA | DOWP | 11-APR-95 | WYOMING DEPARTMENT OF HEALTH - SA |
| 06-95-244-03-360 | ETA | DOWP | 12-APR-95 | ARKANSAS DEPARTMENT OF HUMAN SERVICES - SA |
| 06-95-254-03-360 | ETA | DOWP | 13-JUL-95 | NEW MEXICO STATE AGENCY ON AGING - SA |
| 06-95-115-03-365* | ETA | DFREP | 09-AUG-95 | HOME EDUCATION LIVELIHOOD PROGRAM, INC. - SA |
| 06-95-116-03-365* | ETA | DFREP | 25-AUG-95 | MOTIVATION, EDUCATION & TRAINING, INC. - SA |
| 06-95-001-06-001 | MSHA | ADMIN | 14-JUN-95 | MSHA PERF. REVIEW OF OVERVIEW & SUPPLEMENTAL INFO. |
| 06-95-245-50-598 | MULTI | AL/DOL | 09-MAY-95 | STATE OF UTAH - SA |
| 06-95-259-50-598 | MULTI | AL/DOL | 01-SEP-95 | STATE OF TEXAS - SA |
| 06-95-260-50-598 | MULTI | AL/DOL | 05-SEP-95 | STATE OF LOUISIANA - SA |
| 09-95-558-03-320* | ETA | USES | 30-MAY-95 | COOPERATIVE PERSONNEL SERVICES - SA |
| 09-95-578-03-340 | ETA | JTPA | 20-JUL-95 | FEDERATED STATES OF MICRONESIA - SA |
| 09-95-548-03-355 | ETA | DINAP | 05-MAY-95 | THE NAVAJO NATION - SA |
| 09-95-550-03-355 | ETA | DINAP | 23-MAY-95 | METLAKATLA INDIAN COMMUNITY - SA |
| 09-95-551-03-355 | ETA | DINAP | 05-MAY-95 | TULE RIVER TRIBAL COUNCIL - SA |
| 09-95-553-03-355 | ETA | DINAP | 23-MAY-95 | PASCUA YAQUI TRIBE - SA |
| 09-95-554-03-355* | ETA | DINAP | 23-MAY-95 | MANILAQ MANPOWER - SA |
| 09-95-559-03-355* | ETA | DINAP | 30-MAY-95 | CALIFORNIA INDIAN MANPOWER CONSORTIUM - SA |
| 09-95-562-03-355 | ETA | DINAP | 31-MAY-95 | KOOTENAI TRIBE OF IDAHO - SA |
| 09-95-566-03-355 | ETA | DINAP | 31-MAY-95 | ALEUTIAN/PRIBILOF ISLANDS ASSOCIATION, INC. - SA |
| 09-95-567-03-355 | ETA | DINAP | 31-MAY-95 | KODIAK AREA NATIVE ASSOCIATION - SA |
| 09-95-568-03-355 | ETA | DINAP | 13-JUN-95 | COLORADO RIVER INDIAN TRIBES - SA |
| 09-95-570-03-355 | ETA | DINAP | 13-JUL-95 | ALEUTIAN/PRIBILOF ISLANDS - SA |
| 09-95-571-03-355 | ETA | DINAP | 13-JUL-95 | ALEUTIAN/PRIBILOF ISLANDS - SA |
| 09-95-572-03-355 | ETA | DINAP | 13-JUL-95 | ALEUTIAN/PRIBILOF ISLANDS - SA |
| 09-95-573-03-355* | ETA | DINAP | 13-JUL-95 | UNITED INDIAN NATIONS, INC. |
| 09-95-574-03-355* | ETA | DINAP | 13-JUL-95 | UNITED INDIAN NATIONS, INC. |
| 09-95-575-03-355* | ETA | DINAP | 13-JUL-95 | UNITED INDIAN NATIONS, INC. |
| 09-95-576-03-355* | ETA | DINAP | 13-JUL-95 | UNITED INDIAN NATIONS, INC. - SA |
| 09-95-577-03-355* | ETA | DINAP | 13-JUL-95 | PHOENIX INDIAN CENTER - SA |
| 09-95-580-03-355 | ETA | DINAP | 20-JUL-95 | COOK INLET TRIBAL COUNCIL - SA |
| 09-95-582-03-355 | ETA | DINAP | 07-AUG-95 | ALU LIKE, INC. - SA |
| 09-95-583-03-355* | ETA | DINAP | 14-AUG-95 | LAS VEGAS INDIAN CENTER - SA |
| 09-95-555-03-365* | ETA | DFREP | 23-MAY-95 | PROTEUS, INC. - SA |
| 09-95-556-03-365* | ETA | DFREP | 12-JUL-95 | PORTABLE PRACTICAL EDUCATIONAL PREPARATION - SA |
| 09-95-564-03-365 | ETA | DFREP | 31-MAY-95 | RURAL COMMUNITY ASSISTANCE CORPORATION - SA |
| 09-95-565-03-365 | ETA | DFREP | 31-MAY-95 | RURAL COMMUNITY ASSISTANCE CORPORATION - SA |
| 09-95-569-03-365 | ETA | DFREP | 12-JUL-95 | IDAHO MIGRANT COUNCIL - SA |
| 09-95-560-06-601* | MSHA | GRTEES | 31-MAY-95 | IDAHO DEPART. OF LABOR & INDUSTRIAL SERVICES - SA |

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|----------------------------|---------------|----------------|------------------------------------|--|
| 09-95-003-07-751 | OASAM | OFMS | 26-APR-95 | OASAM IMPREST FUND AUDIT - SF |
| 09-95-006-12-121 | PWBA | ENFORC | 22-JUN-95 | PWBA FY 94 PERFORMANCE MEASURES |
| 09-95-549-50-598 | MULTI | AL/DOL | 05-MAY-95 | STATE OF CALIFORNIA - SA |
| 09-95-552-50-598 | MULTI | AL/DOL | 05-MAY-95 | STATE OF OREGON - SA |
| 09-95-561-50-598 | MULTI | AL/DOL | 31-MAY-95 | REPUBLIC OF THE MARSHALL ISLANDS - SA |
| 09-95-563-50-598 | MULTI | AL/DOL | 09-JUN-95 | STATE OF WASHINGTON - SA |
| 09-95-581-50-598 | MULTI | AL/DOL | 08-AUG-95 | STATE OF ALASKA - SA |
| 09-95-584-50-598 | MULTI | AL/DOL | 29-AUG-95 | STATE OF NEVADA - SA |
| 09-95-585-50-598* | MULTI | AL/DOL | 25-AUG-95 | IDAHO DEPARTMENT OF EMPLOYMENT - SA |
| 12-95-008-03-315 | ETA | UIS | 14-AUG-95 | UNEMPLOYMENT TRUST FUND FS FY 1994 |
| 12-95-012-03-370 | ETA | OJC | 24-APR-95 | JOB CORPS SPAMIS SYSTEM |
| 12-95-013-03-370 | ETA | OJC | 15-JUN-95 | IMPLEMENTATION OF JOB CORPS ZERO TOLERANCE POLICY |
| 12-95-001-04-432 | ESA | DLHWC | 07-JUN-95 | FY 94 LSHW FINANCIAL STATEMENTS |
| 12-95-003-04-432 | ESA | DLHWC | 07-JUN-95 | FY 94 DC WORKMEN'S COMPENSATION FINANCIAL STATEMENT |
| 12-95-004-07-001 | OASAM | ADMIN | 15-JUN-95 | FY 94 DOL CONSOLIDATED FINANCIAL STATEMENTS |
| 17-95-011-03-320 | ETA | USES | 31-JUL-95 | LIMITED REVIEW OF AMERICA'S JOB BANK |
| 17-95-007-04-430 | ESA | OWCP | 30-SEP-95 | AUDIT OF FECA PERFORMANCE MEASURES |
| 17-95-008-04-430 | ESA | OWCP | 30-SEP-95 | AUDIT OF BLACK LUNG PERFORMANCE MEASURES |
| 18-95-016-03-001 | ETA | ADMIN | 18-JUL-95 | AGUIRRE INTERNATIONAL |
| 18-95-024-03-001 | ETA | ADMIN | 12-SEP-95 | ABT ASSOCIATES |
| 18-95-022-03-355 | ETA | DINAP | 12-SEP-95 | NEBRASKA INDIAN INTER-TRIBAL DEVELOPMENT CORPORATION |
| 18-95-023-03-355 | ETA | DINAP | 12-SEP-95 | OGLALA SIOUX TRIBE |
| 18-95-015-03-365 | ETA | DFREP | 18-JUL-95 | AMERICAS CORPORATION |
| 18-95-017-03-380 | ETA | SPPD | 18-AUG-95 | PREP, INC. |
| 18-95-020-03-380 | ETA | SPPD | 15-SEP-95 | MANPOWER DEMONSTRATION RESEARCH CORPORATION |
| 18-95-014-07-735 | OASAM | OPGM | 20-JUL-95 | CENTRAL VALLEY OPPORTUNITY CENTER |
| 18-95-018-07-735 | OASAM | OPGM | 18-AUG-95 | NATIONAL COUNCIL ON THE AGING, INC. |
| 18-95-021-07-735 | OASAM | OPGM | 17-AUG-95 | KRA CORPORATION |
| 18-95-025-07-735 | OASAM | OPGM | 20-SEP-95 | ASOCIACION NACIONAL PRO PERSONAS MAYORES |

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