

Semi-Annual Report of the Inspector General



October 1, 1978 - March 31, 1979

U.S. Department of Labor
Ray Marshall, Secretary
Office of Inspector General

Made Pursuant to Section 5 of Public Law 95-452,
Inspector General Act of 1978

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

JUN 1 1979

Honorable Walter F. Mondale
President of the Senate
United States Senate
Washington, D. C. 20510

Dear Mr. President:

I am pleased to transmit to the Congress the enclosed first semi-annual report of the Inspector General of the Department of Labor, covering the period October 1, 1978 through March 31, 1979, as required by section 5 of the Inspector General Act of 1978.

I have read this report carefully, and I believe it provides an extensive overview of the activities of our Inspector General's Office during the period covered. The activities of the Inspector General's Office and its reports to the Department and to the Congress will be an excellent vehicle for identifying and resolving management problems and will be a useful yardstick for measuring our progress in eliminating waste, fraud and inefficiency in Departmental programs.

Many of the areas highlighted in the report have previously been brought to my attention, and last year, in order to address these problems, I established the Office of Special Investigation (OSI), the Department's predecessor to the Office of the Inspector General. OSI was charged with performing the Department's audit and investigation activities, both internal and external, coordinating and administering our Organized Crime Strike Force activity, our anti-fraud programs and the Department's ADP review functions. Establishment of OSI enabled us to concentrate resources on our programs which were experiencing the most difficulty. This office became the core of our Office of the Inspector General (OIG), established by law in October 1978.

I am pleased to be able to add to the report the fact that as of May 16, 1979, President Carter's nominee as our Inspector General, Marjorie Fine Knowles, has been confirmed by the Senate and sworn into her new duties here. I welcome her and have great confidence in her integrity and ability, which she has demonstrated in her duties as Assistant General Counsel (Inspector General Division) at HEW. I look forward to working with her in a concerted effort to improve all of our program areas. We will have shortly filled all of the authorized positions which we have devoted to the Office of the Inspector General, so that the resource problems of the last 6 months will be in large part eliminated. I think we all recognize that resources alone will not determine the success of this program. Success will be dependent on the quality and experience of the staff, the direction they receive, and the priorities that we set.

Most importantly, our success will be determined by how well we correct the deficiencies in program structure and management that lead to fraud and abuse. Our emphasis must be on prevention.

In order to further improve program management, the Department is taking additional steps. New legislation and regulations in many of our program areas are making the requirements clearer, so that the inadvertent misuse of funds is reduced. The law and regulations strengthen our power to step in and act quickly where real problems are found. We are also requiring better recordkeeping in all of our programs, so that problems can be spotted more quickly and more accurately. It is clear, for example, that bad recordkeeping accounts for a substantial portion of our auditors' questioned costs. I would also like to place the issue of questioned costs in the proper context. Between October 1, 1978 and March 31, 1979, we

issued final audit reports covering over \$3 billion in grantee/contractor funds, and only 1.3 percent of these costs were characterized as questioned costs. Our balance of unresolved audit costs is steadily being reduced, and since March 1977, the total questioned costs have been reduced from \$507 million to \$200 million.

The OIG report addresses several areas in this Department where management improvements would alleviate certain identified problems. I would like now to indicate some of the actions this Department has taken to improve those situations found by the OIG.

First, in the area of audit resolution, I have established a Departmental Audit Review Committee to examine and monitor audit resolution and debt collection practices, and to recommend improvements. The Inspector General is represented on that Committee. Because the significant percentage of this Department's grant and contract funds involve our Employment and Training Administration (ETA), that agency is taking active measures to improve its own resolution of unresolved audit findings. Our new CETA regulations and the grant regulations which we will issue shortly should make a substantial improvement in the management of this program.

In the area of our fraud and employee integrity program, I am very encouraged by the Fraud and Abuse Prevention Survey (FAPS) program, under which we work with programs we fund to identify and correct conditions which would provide the opportunity for fraud or abuse. These surveys should focus the attention of program managers on appropriate methods for preventing unwarranted diversion of their grant funds and give us the opportunity to work cooperatively with these programs to establish the best possible prevention methods to eliminate management problems.

As a further means of encouraging and promoting proper handling of our program funds, we have also established independent monitoring units within each of the more than 450 CETA prime sponsors. In this way, greater assistance can be given to the program units so that they can exert their own controls on their own funds before problems develop.

I feel sure that the progress we have already made will be increased as our Office of the Inspector General begins to operate at its full resource level under the direction of Marjorie Fine Knowles. We look forward to working within the Administration and with the Congress to achieve the purposes of the Inspector General Act.

Sincerely,

A handwritten signature in cursive script that reads "Ray Marshall".

Secretary of Labor

Enclosure

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



Reply to the Attention of:

April 30, 1979

ACTION

MEMORANDUM FOR: THE SECRETARY *R*
FROM: R. C. DeMARCO
Inspector General - Acting
SUBJECT: Semi-Annual Report of the Inspector General
PRIORITY: Important

In accordance with Public Law 95-452, the Inspector General Act of 1978, I am pleased to transmit to you the first Semi-Annual Report of the Department of Labor's Office of Inspector General.

As you know, the Act states that you are to transmit the Semi-Annual Report with any comments you deem appropriate to the appropriate committees or subcommittees of the Congress within 30 days.

The Act also states that within 60 days of the date you transmit the Semi-Annual Report to the Congress, you are to make copies available to the public upon request and at a reasonable cost.

Enclosure

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EXECUTIVE SUMMARY

The Inspector General Act of 1978 passed by Congress in October 1978, established by statute the Office of Inspector General (OIG) in the Department of Labor (DOL). Consolidated within the OIG are all DOL audit and investigative activities, including the Department's external and internal audit functions, the Department's fraud and employee integrity investigative activities, the Department's Organized Crime Strike Force activity as well as its ADP review function. This executive summary briefly identifies the more significant accomplishments of the OIG's major functional components during the October 1, 1978 - March 31, 1979 reporting period. The report provides detailed discussions of each component's history, methods and accomplishments.

A. Audit

- 176 final audit reports have been issued during the reporting period, which question \$43.8 million in costs.
- 23 final audit reports disclosed significant findings and questioned costs.
- The most frequent and significant problems identified by these audits were ineligible participants in DOL programs, improper expenditures, and insufficient documentation of expenditures.
- DOL has been making significant improvements in audit resolution and debt collection problems, particularly in the area of pre-CETA categorical programs. Open categorical reports have been reduced 46 percent and associated unresolved questioned costs have been reduced 30 percent. The number of ETA National Program open reports has also been substantially reduced by 26 percent.

B. Fraud and Employee Integrity Investigations

- 11 field offices were established during this reporting period to implement the Department's fraud investigation responsibility.
- 645 cases are open as of March 31, 1979.
- 80 cases have been referred for prosecution during this reporting period.
- 67 indictments have been returned.
- 53 convictions have been obtained in cases in which OIG has participated.

DEPARTMENT OF LABOR OFFICE OF INSPECTOR GENERAL
SEMI-ANNUAL REPORT
OCTOBER 1, 1978 - MARCH 31, 1979

INTRODUCTION

In this, the first Semi-Annual Report issued by the Office of the Inspector General (OIG) of the Department of Labor, a brief history of the organization and descriptions of OIG functional components are presented. The report is organized in two basic sections, with detailed information included in appendices. Section I contains a broad overview of the OIG, including its history and current status. Section II is divided into four parts, each discussing the methods and accomplishments of the major functional components of the OIG in the Department of Labor.

I. PROGRAM OVERVIEW

History and Purpose of OIG

The Inspector General Act of 1978, passed by Congress in October 1978, established by statute the Office of Inspector General in the Department of Labor. The Office of Special Investigations (OSI), which had been established by the Secretary of Labor in April 1978, formed the nucleus of the new OIG organization.

OSI had been created as an outgrowth of a task force chartered to provide timely responses to allegations of fraud and abuse in the CETA program. The evolution of the task force into OSI brought together all Department of Labor (DOL) audit and investigative activities, including the Department's external and internal audit functions, the Department's fraud and employee integrity activity, the Department's Organized Crime Strike Force activity, as well as its ADP review function. This unified structure enabled the Department to better plan and coordinate its audit and investigative activities while avoiding duplication. Since OSI reported directly to the Secretary, its independence and objectivity was also enhanced.

Since the OIG was established in October 1978, Rocco C. DeMarco has served as the Acting Inspector General. Prior to that, from April through October 1978, Mr. DeMarco served as the Director of the Office of Special Investigations.

In March 1979, President Carter nominated Marjorie Fine Knowles, currently the Assistant General Counsel for the Inspector General of the Department of Health, Education and Welfare, to be the Inspector General of the Department of Labor. Ms. Knowles confirmation is pending.

In addition to work performed by the audit staff, OIG has relied on substantial contract funds to conduct a large portion of its required audits in FY 1979. In FY 1979 the OIG received \$1 million in its own budget for contracting for audit services, and is receiving an additional \$8 million from the Employment and Training Administration (ETA) for contract audits performed in the CETA program. The bulk of these funds are being used to hire Independent Public Accountants (IPAs) with a much smaller amount provided to State and local audit agencies. The Department has given some assurance to OIG that it will be receiving a comparable level of financial assistance in FY 1980 for such audit contracts.

Broad Functional Structure

The OIG's program objectives are implemented through its four major functional components: Audit, Investigations, Strike Force Activity and ADP Review. While each of the first three components operates independently of the others, their work can and does interrelate as necessary or appropriate during the course of specific audits and investigations. ADP Review, in addition to having its own evaluation responsibilities, provides software and technical support to the OIG. Each of the previously cited components and their specific functions are discussed in detail in this report.

II. REVIEW OF WORK PROGRAMS BY OIG COMPONENT

A. AUDIT

Overview, Personnel and Responsibilities

The major objectives of the OIG's audit program are to review and audit DOL programs and funds to ensure fiscal integrity, regulatory compliance, efficient operations and program results. OIG has 10 audit offices in the Department's regional cities for implementing the OIG audit objectives.

The majority of audits conducted by or for the OIG are external audits of DOL grantees, subgrantees and contractors. Generally, these are financial and compliance audits performed in accordance with annually updated audit guides which are specifically designed according to requirements of each DOL program. Internal audits of the Department's activities are also conducted. These are mainly economy, efficiency and program effectiveness audits, although where appropriate, financial and compliance audits are also conducted. In addition, special impact studies are conducted on a nationwide basis of selected external and internal programs (or specific aspects of such programs) which are believed to require the special attention of Departmental management. These audits usually address areas of compliance, efficiency and economy.

Application of Resources to Audit Universe

The audit program has been authorized a total of 158 positions for FY 1979 and FY 1980, consisting of 128 professional and 30 clerical support staff. Nine million dollars (\$1 million in Departmental Management funds and \$8 million from the Secretary's CETA discretionary funds) are available for procuring IPA services in FY 1979. The CETA funds may only be used for CETA audits, while Departmental Management funds are used to procure all other audits. Neither staff nor financial resources are adequate to provide the desirable audit coverage.

To achieve balanced audit coverage, OIG has developed and maintains as a part of the OIG Management Information System, a DOL audit universe listing which identifies the grant, contract and internal DOL entities which require audit coverage. The audit universe listing includes an historical record of actual audits conducted during the preceding 2-3 year period to aid in identifying the entities which need to be scheduled for audit in the current year, (i.e., the annual universe). The goal of the audit program has been to comply with the provisions of CETA and Inspector General legislation, to conduct financial and compliance audits of all CETA State and local prime sponsors at least once every two years, of National Program sponsors and contractors every year, and to conduct audits of all major DOL organizations and functional areas at least once every three years.

Shortfall of Audit Coverage

In FY 1978, Audit fell short of covering its annual audit universe. For example, 25 percent of the CETA prime sponsors which were required to be audited during FY 1978 were not audited. More than 40 percent of the SESA audits and more than 65 percent of the OSHA audits were not accomplished. Finally, more than 80 percent of the internal audits were not performed, nor were any Mine Safety and Health Administration (MSHA) or Federal Employees Compensation Act (FECA) audits conducted.

During FY 1979 Audit has diverted some resources to participate in Fraud and Abuse Prevention Surveys (FAPS). As this participation increases, some planned audits may not be performed. OIG anticipates an additional diversion of its audit resources to provide technical support to the investigations program. In FY 1979 OIG plans to allocate 10 percent of audit resources to support investigations.

OIG's staffing and contract resources are the same in FY 1979 as in FY 1978, while audit responsibilities have increased. Therefore, it is assumed that universe coverage will not significantly increase over FY 1978 levels. Table 2 compares OIG's audit responsibilities with the actual number of audits that have been conducted with existing resources.

- Two Fraud and Abuse Prevention Surveys (FAPS) have been conducted in programs which have a high potential for fraud and abuse. This new tool for detecting and deterring fraud and abuse is still in the formative stages and will be used more frequently in the future.

C. Strike Force Activity

- 14 DOL Offices were established in Department of Justice Designated Strike Force cities during this reporting period.
- 213 cases are open as of March 31, 1979.
- 16 individuals have been indicted.

D. ADP Review

- Seven final ADP reviews were issued.
- Four of the reports identified significant problems or deficiencies and made recommendations for correcting the situations.

Management Information System

The OIG's Management Information system has three major audit elements, the previously discussed audit universe listing, the quarterly review and analysis (R&A) system, and the automated statistical system.

The R&A system requires audit offices to submit a quarterly report indicating their accomplishments to date against their annual workplan. These data are reviewed and analyzed to determine the current status of the audit program, to identify problem areas, to develop subsequent annual audit plans, and to support budget and staffing requests.

Through the automated statistical system, audit field offices submit statistical data concerning final reports issued. The system generates summary statistics and status listings on audit reports which are used to inform OIG and DOL management of the resolution status of audit reports in each program area.

Systems Improvements

In an effort to provide more timely and meaningful information, the OIG is developing a comprehensive management information system. The new MIS is being developed on a subsystem-by-subsystem basis because of budget limitations. While this increases the developmental time, it spreads the costs and workload over a four-year period. The subsystems which are being developed include those for audit tracking, case tracking, and project control. Standard report producing and demand query capabilities will exist.

The Audit Tracking Subsystem is currently in program testing, and implementation is planned for the first quarter of FY 1980. Audit Tracking output will be in the form of report listings, status reports, statistical summaries, and profiles that will be available to OIG management to:

- meet the reporting requirements of the Inspector General Act of 1978;
- identify the resolution status of audits and measure program agency responsiveness to audits;
- identify statistics or profiles relating to compliance, funding or program abuse problems in the administration of DOL programs at Federal, State and local levels; and
- identify quality control history of audit contractors.

CURRENT AUDIT METHODS AND RESULTS

During the current reporting period OIG issued 176 final audit reports which questioned \$43.8 million in costs. 1/ A listing of these reports is contained in Appendix A.

To obtain these results OIG utilizes a variety of methods and tools. Methods are tailored to the complex structure of programs administered by the Department. Current methods and results are addressed below:

1. State and Local Program Audits
2. National Programs Audits
3. Special Impact/Internal Audits

1. State and Local Program Audits:

To ensure that funds of State and local employment and training programs are properly spent, OIG has continued application of the integrated audit concept. Under the integrated audit concept, the Department has primary responsibility for auditing grant-level sponsors, while grantees have primary responsibility for funding and accomplishing the audits of their subsponsors. The utilization of the audit resources of State and local agencies is actively pursued at both prime sponsor and subsponsor levels. OIG has also continued application of a quality control system consisting of a quality and significance review of each non-Federal audit report prior to its time of issuance, and a workpaper and on-site quality review of a sample of these audits. Although OIG has pursued a two year audit cycle, past application of the integrated audit program has resulted in approximately a three-year external audit cycle for State and local programs. During this reporting period OIG issued 70 CETA prime sponsor final audit reports. A summary of the major audit findings is contained in Appendix B.

State and Local Program Audits - Significant Results of Current Period

Final audit reports of 22 State and local programs were issued during the current reporting period that OIG has identified as significant. OIG's defined criteria of significance for this report are: (1) audits resulting in questioned costs exceeding \$250,000 or (2) audits where significant problems resulted in either an adverse opinion or a disclaimer of opinion by the auditors.

1/ As the name implies, "questioned" costs are simply costs incurred by DOL grantees that the auditors have some questions about. Some of those questions have very legitimate answers; others may represent an improper expenditure of funds which OIG is concerned about.

The following major problems and recommendations, identified from this reporting period's significant financial and compliance audits of CETA State and local prime sponsors, are listed below in descending order of frequency. (See Appendix C for a synopsis of 19 CETA prime sponsor and three SESA significant final audit reports.)

Frequency Of Problems In 19 Significant CETA Prime Sponsors Audit Reports

PROBLEMS INVOLVING QUESTIONED COSTS:

Frequency Problems and Recommendations

12 PARTICIPANT INELIGIBILITY: An ineligible is an individual participating in a program who fails to meet one or more of the eligibility requirements for that particular program. Eligibility requirements, which vary from Title to Title and often between programs within a Title, pertain to aspects of residency, family income, employment status, length of unemployment, welfare status, etc. They are spelled out in great detail in the regulations pertaining to each program.

Eligibility will be questioned in an audit if any of these requirements are not met, or if there is insufficient information on file to determine whether that individual is eligible.

Recommendations varied with the specific reason for the audit exception, but usually pertained to the corrective measure to be taken in the intake process including, on a sample basis, verification of the information provided by the applicant. A general recommendation, which OIG feels would alleviate most of the problems heretofore encountered, was for ETA to design an application form and make its use mandatory for all CETA programs. This form would provide all information necessary to determine an individual's eligibility for any CETA program. It would be signed and dated by the applicant, certifying that the information thereon is correct to the applicant's best knowledge and belief.

11 IMPROPER EXPENDITURES: An improper expenditure is one which violates statutory or regulatory requirements, special conditions of grants or contracts, or sound management principles governing economy, efficiency, and prudence in the operation of a grant, contract or program.

PROBLEMS INVOLVING QUESTIONED COSTS (CONT'D):

<u>Frequency</u>	<u>Problems and Recommendations</u>
	Recommendations made pertained to the measures deemed necessary to correct the problem found, and to ensure that all expenditures are in compliance with applicable laws and regulations.
9	<u>INSUFFICIENT DOCUMENTATION:</u> Insufficient documentation is the lack of documentary support for an expenditure or claimed status. Recommendations are made to provide the necessary information, attempt to locate missing files, or to reconstruct lost or destroyed documents.
3	<u>IMPROPER ALLOCATION:</u> This condition is reported when it is found that costs are not distributed on an equitable basis between DOL and other grants or contracts operated by a grantee. Recommendations are to develop a cost allocation plan and submit it to the cognizant Federal agency for approval.
2	<u>UNRESOLVED QUESTIONED COSTS IN SUBSPONSOR AUDITS:</u> Prime sponsors are responsible for the audit of their subspponsors and for resolving the costs questioned in these audits. If such questioned costs are not resolved by the time the prime sponsor is audited, these questioned costs will be carried into the prime sponsor's audit report and shown there as unresolved subsponsor questioned costs. The recommendation is for the prime sponsors to make proper and timely determinations relating to questioned costs in its subspponsors.

PROBLEMS INVOLVING ADMINISTRATIVE CONTROLS:

<u>Frequency</u>	<u>Problems and Recommendations</u>
10	<u>DISCLAIMER OF OPINION:</u> An auditor states that on the basis of an examination, an opinion as to the fairness of the financial statements or the effectiveness of the accounting system and internal controls cannot be rendered. Such a disclaimer may be based on unavailability or insufficiency of records, limitation in the scope of the audit, or other circumstances.

PROBLEMS INVOLVING ADMINISTRATIVE CONTROLS (CONT'D):

<u>Frequency</u>	<u>Problems and Recommendations</u>
7 .	<p><u>ADVERSE OPINION:</u> An auditor states and cites reasons for the opinion that the financial statements do not present fairly the financial condition of the grant, or that the accounting system and internal controls are not adequate to safeguard the Federal funds entrusted to the grantee. An adverse opinion is required if any of three circumstances exist:</p> <ul style="list-style-type: none">-- Departure from generally accepted accounting principles of such materiality as to result in unfair presentation;-- Material misstatement in the statements; or-- Omission of a material disclosure.
7	<p><u>REPORTS NOT RECONCILABLE TO RECORDS:</u> This condition is reported when inadequacies in the auditee's financial systems preclude linkage of the Financial Status Reports and Reports of Federal Cash Transactions with the accounting records.</p> <p>The recommendation is to implement an accounting system which will provide the necessary linkage between the records and the reports.</p>
7	<p><u>WEAK FINANCIAL MANAGEMENT AND INTERNAL CONTROLS:</u> This condition is reported when the accounting system or the system of internal controls do not provide reasonable assurance as to the safeguarding of assets and reliability and fairness of financial statements.</p> <p>The recommendation is to develop a financial management system or internal controls which will provide the above assurances.</p>
4	<p><u>LACK OF COST ALLOCATION PLAN:</u> A grantee is responsible for developing plans which show the grantee's distribution of indirect costs (overhead costs) to the grants or contracts operated by the grantee during the period that the costs were incurred. This condition is reported if such a plan was not developed by the grantee.</p> <p>The recommendation is to develop a cost allocation plan and submit it to the cognizant Federal agency for approval.</p>
2	<p><u>INSUFFICIENT SUB-AUDITS:</u> A grantee is responsible for the audit of subgrantees and contractors. If a major</p>

PROBLEMS INVOLVING ADMINISTRATIVE CONTROLS (CONT'D):

Frequency

Problems and Recommendations

portion of a grantees funds are passed through to sub-grantees and contractors, an opinion on the grant can be formulated only if a sufficient amount of the flow-through funds have been audited. The subgrantee reports are accepted in lieu of Federal audits, and are made available to the auditor examining the prime sponsor. If this is not the case (i.e., if there are "insufficient sub-audits"), the auditor will probably issue a disclaimer of opinion on the prime sponsor.

The recommendation is to implement a comprehensive subsponsor audit program.

2

UNAUDITABLE RECORDS: Records are considered to be unauditible when the grantees fail to maintain sufficient accounting records, reports and supporting documentation in a manner which will enable an auditor to verify the majority of costs claimed by a grantee.

The recommendation is that a grantee should not be refunded until records are properly constructed.

State and Local Program Audits - Subsponsor Results

As a result of the 3,840 CETA subsponsor reports reviewed during the current period, 219 significant reports with a total of \$18.3 million of questioned costs were referred to ETA. The criteria for subsponsor audit significance are defined as potential fraud, gross mismanagement and questioned costs that are significant in terms of the total grant or contract.

2. National Program Audits:

OIG has annually contracted with a small number of IPA firms to audit ETA . National Programs, including Native American, Migrant and Job Corps programs. Each firm is responsible for auditing all sponsors of a specific program within a defined geographical area utilizing audit guides provided by OIG. This approach to contracting increases audit economy and the expertise of individual IPA firms in using Federal audit guides and meeting Federal audit standards.

a. Summary of Native American Program Audit Activity

OIG has issued 61 final Native American audit reports during this reporting period. The overall audit objective was to determine to what extent the prime sponsors have complied with CETA legislation and regulations and OMB and Federal management circulars. The audits found \$4.3 million in questioned costs.

In addition to questioning the allowability of costs, the audits disclosed the following major problems:

1. A general lack of understanding of CETA regulations.
2. Inadequate intake process resulting in: (a) ineligible participants employed in the program; and (b) participants whose eligibility could not be determined because of incomplete or missing intake forms.
3. Inadequate financial systems that: (a) precluded the Financial Status Reports and Federal Cash Transactions Reports from being linked to the accounting records; (b) failed to maintain supporting documentation for grant expenditures; and (c) allocated administrative costs without an approved or reasonable cost allocation plan.

Of the Native American final audit reports issued in this reporting period, four were considered significant because of questioned costs exceeding \$250,000. But more significantly, adverse opinions were given in 31 of the 61 Native American audits. As a result of this condition OIG is preparing an executive summary which will be submitted to top management.

b. Summary of Migrant and Seasonal Farmworkers Programs Audit Activity

Two final audit reports of Migrant and Seasonal Farmworker sponsors were issued during the reporting period. The small number was due to contracting problems with one of the two IPA firms under contract with the Department to perform Migrant audits during 1978. The contracting problems have been resolved and OIG expects full coverage of the Migrant program by the close of FY 1979. However, the audits that were performed are synopsisized in Part I of Appendix D, and include the following significant findings:

- The closing of the Greater California Educational Project, Inc. (GCEP) Fresno, California, and recovery of a Bank America building that GCEP had purchased with the DOL funds.

- An adverse opinion rendered on the migrant program operated by the Campesinos Unidos, Inc. Brawley, California.
- An adverse opinion rendered on the California Human Development Corporation, Santa Rosa, California.
- A DOL decision not to provide further funding to the Associated City-County Economic Development Corporation (ACCEDC), Hidalgo County Texas.

c. Summary of Job Corps and Other National Programs Audit Activity

Job Corps audit guides were developed for both Contract Centers and Civilian Conservation Centers in FY 1977. They were tested and revised during FY 1978. Contracts were awarded to IPA firms in July and October of 1978 to provide for the audit of 33 Contract Centers and 17 Civilian Conservation Centers operated by the U.S. Forest Service.

Audits of 20 different grants were started at 10 Contract Centers during the current reporting period. Though no final reports have been issued, seven draft reports have been issued. All 33 Contract Centers will be audited by October 1979. Seventeen Department of Agriculture Civilian Conservation Centers are also expected to be audited by October 1979. No reports (final or draft) have been issued to date on these centers. During the current reporting period a survey of the U.S. Forest Service voucher payment system was completed and the final audit report issued in January 1979.

A significant National program audit completed during this reporting period involved the National Council on Aging. Because questioned costs exceeded \$250,000, the final audit report has been synopsised in Part II of Appendix D.

3. Special Impact/Internal Audits:

OIG utilizes another audit technique known as special impact auditing. Special impact audits usually involve audit tests at a sample of external program sponsors or internal organizational components. The audits result in internal recommendations directed to a DOL Agency to strengthen program controls and/or regulations. The audits are conducted at various sites and statistical sampling is used to allow nationwide projection of findings. Internal audits involve audit tests of organizations or functions within DOL and culminate in internal recommendations directed to a DOL Agency for strengthening the operation of one of its activities.

One special impact audit of the centralized Job Corps payment system and one internal audit of an imprest fund were completed during the current reporting period and are synopsised in Appendix E. Appendix F describes five special impact/internal audits that are currently underway, as well as 12 significant special impact/internal audits conducted during FY 1978 and FY 1977.

AUDIT METHODOLOGIES UNDER DEVELOPMENT

Audit methods being developed or improved include: (1) Unified Audits authorized by the new CETA legislation, (2) Surveillance Audits, (3) Audit Cognizance, and (4) ADP Software.

1. Unified Audits

A relatively new external audit concept, a unified audit of a single prime sponsor and its subsponsors, resulting in an overall audit opinion on the operation of a prime sponsor's program, is being tested in two regions. GAO has accepted an invitation to observe the test. With the aid of the current CETA Audit Guide, which relies heavily on the audit techniques of statistical sampling and third party confirmation, and a statistical sampling consultant, OIG expects more efficient and economical audits with more effective coverage.

The pilot project, in operation in Philadelphia for the last year, has been very successful and promises a vast improvement in the quality and timeliness of audit reports. Another pilot has just begun in Massachusetts. Congress authorized the unified audit concept in the 1978 CETA Amendments. Implementing the concept at the 20-30 initial locations which were proposed based on considerations of size and the likelihood of problems, would require considerably greater funds than are presently available to the OIG. However, it is important to note that most prime sponsor audit costs would be reduced, and that the unified audit would provide a continuous and up-to-date picture of grantee operations. This would greatly enhance the value of the audit as a management tool.

2. Surveillance Audits

Another audit method and guide being developed relates to "surveillance auditing". The purpose of surveillance audits is to detect inside concealed theft, as opposed to financial audits, whose primary purpose is to express an opinion on the fairness of financial statements. Inside concealed theft is defined as theft of funds through fraudulent journal entries or other manipulation of the accounting records, as opposed to overt theft such as stealing supplies or equipment without concealment in the accounting records. The auditing profession has done little or no surveillance auditing. Because surveillance audits would be essentially analytical, rather than a general diagnostic survey of accounts, the surveillance auditor would have to have both aptitude and special training to perform this role. OIG plans to have a surveillance audit guide ready for testing by June 1979.

3. Audit Cognizance

OIG believes the most effective way to audit many multi-funded organizations (such as Native American and Migrant programs) is to have all Federal funds audited by a single audit organization. This is consistent with the desire

of the President to eliminate duplication and wasteful effort in the overall Federal audit program (See Appendix G: President's September 9, 1977 memorandum re: Sharing Federal Audit Plans). OIG has therefore requested audit cognizance over the Native American CETA sponsors from OMB, and is in the process of developing a similar request for Migrant CETA sponsors.

The audit cognizance concept would provide for a single financial and compliance audit of a primary recipient covering all the recipient's Federal funds. The cognizant audit agency should be reimbursed by the other agencies whose grants dollars have been audited. Although DOL has not officially been given audit cognizance over the Native American prime sponsors, the Department has received requests for audit services and \$600,000 in funding from the Bureau of Indian Affairs. Other Federal agencies have indicated an interest in this approach, but have cited a lack of funds for audit purposes as being the reason for their non-participation.

4. ADP Software

STRATA is an ADP tool currently available to both the audit and investigative units of OIG. STRATA is a group of computer programs developed by the accounting firm of Touche Ross and enhanced by the OIG ADP Division, which allows a large number of data processing requirements to be satisfied without additional programming. STRATA provides a means of examining computer files in conjunction with an audit. STRATA is exportable to local audit sites, as well as being available for on-line execution at the Departmental Computer Center.

An interesting example of how STRATA is used to improve audit efficiency is in the Job Corps program. All Job Corps allowance payments to Corpsmembers at centers across the country are paid by the U.S. Army Finance Center at Fort Benjamin Harrison. From Army computer files, OIG created a data base accessible by STRATA. Using STRATA, OIG auditors draw statistical samples from the universe of payments for a particular Job Corps Center, and then provide the sample to the IPA firm responsible for auditing that center.

AUDIT RESOLUTION

On October 25, 1978, GAO released its report entitled "More Effective Action is Needed on Auditors's Findings (Millions Can be Collected or Saved)". The report was the result of a study of the practices of 34 Federal agencies in the resolution of audit exceptions (i.e., questioned costs); DOL was one of the six major agencies audited.

The major findings of the GAO study were that Federal agencies are much too slow in resolving audit exceptions, forgive too many properly questioned expenditures, and collect only a portion of what is eventually disallowed. Even though OMB policy calls for prompt action on audit reports, GAO found

that audit exceptions take years to resolve (DOL average is 25 months). GAO had severe doubts about the propriety of most of the costs which were allowed by contracting officers after being questioned by auditors, and found that less than half of what is finally disallowed is ever actually collected (in DOL, less than 15 percent). In the report and the cover letter to the Secretary of Labor, GAO recommended that DOL strengthen controls in its resolution of audit findings process.

1. Current Audit Process: Issuance Through Resolution

Upon completion of OIG audits, draft reports are sent to the sponsor and the program office with an invitation to submit written comments within 30 days. This period permits the sponsor to present new information which may answer questioned costs in the draft. The auditor evaluates that information for possible revision of the report and publishes the sponsor's reply and the auditor's conclusions in the final audit report.

The program office is to respond within 60 days of issuance of the final report on all reported deficiencies. This response is the vehicle for establishing findings and determinations on the auditor's recommendations, and is the basis for establishing debts for recovery. It is clear that the auditor's proper role is advisory to the manager, who must then make determinations within the law and see that appropriate remedial actions are taken.

It is at this determination point that the problem develops most fully. In the past, low priority assigned to audit resolution, and inadequate tracking and collection systems have caused backlogs of unresolved audit findings and uncollected debts.

2. Resolution Improvements Efforts

Over the past months DOL and OIG management have been moving strongly to correct audit resolution and debt collection shortcomings which were identified in the GAO Report and related hearings. Data systems for tracking audits, accounts receivables, and debt collection are being revised.

The bulk of DOL's grant/contract assistance money flows through ETA. OIG and ETA have assigned a higher priority to audit resolution and debt collection processes, and resources have been applied to the resolution of unresolved audit findings. The following steps are being taken to improve audit resolution systems and controls:

- (1) ETA is establishing timeframes for audit resolution.
- (2) ETA has published and distributed a comprehensive debt collection manual.

- (3) Policy guidance and training is being made available to ETA contracting officers to promote quicker, consistent, and more informed decisions regarding audit resolution and debt collection. (Eventually, training will be extended to grantee staff regarding subsponsor audits).
- (4) OIG will periodically review accounts receivable systems.
- (5) ETA is attempting to develop a system to provide necessary accounts receivable data and information for monitoring and controlling collection efforts.
- (6) OIG is well into its efforts to completely upgrade its audit tracking system. The new system will track audit resolution to the point at which a questioned cost is either allowed or disallowed and any debt (i.e., receivable) is established. The audit tracking system will also enable OIG to track program agency responsiveness to defined administrative findings identified in OIG and GAO audits.
- (7) The Secretary has established an Audit Review Committee to examine the audit resolution and debt collection processes, and recommend improvements. OIG is actively involved in this effort. (See Appendix H: Secretary of Labor's November 6, 1978 memorandum re: Audit Program Review.)

3. Results of Audit Resolution Efforts

Two tables are included to display the results of current audit resolution efforts: Table 4 depicts audit resolution activity in the current reporting period, and Table 5 depicts the age of unresolved audits as of March 31, 1979.

Table 4 illustrates the level of audit resolution activity currently underway, and what has happened in pre-CETA categorical programs during the current period. As of the end of FY 1978 there were 636 categorical open reports amounting to \$73.4 million in questioned costs. At the end of the second quarter these numbers had been reduced to 345 open reports with \$51.3 million in unresolved questioned costs, a reduction of 46 percent and 30 percent respectively.

It should be noted that while the total number of reports open has decreased by 21 percent, the total amount of unresolved questioned costs has decreased only three percent. This can be attributed to the small dollar amounts which characterized pre-CETA categorical programs.

TABLE 4

Audit Resolution Activity 1/
October 1, 1978 - March 31, 1979

AGENCY/PROGRAM	October 1, 1978		AUDIT REPORTS		March 31, 1979	
	Balance Unresolved	Reports	Issued (Increases)	Resolved (Decreases)	Balance Unresolved	Reports
	Dollars		Dollars	Dollars	Dollars	Dollars
<u>Employment & Training Administration</u>						
CEIA Sponsors:						
State & Local Primes	\$59,566,456	229	\$31,869,870	\$18,582,307	\$72,854,019	221
Native American Primes	28,808,768	215	4,256,885	130,166	32,935,487	265
Migrant & Seasonal Primes	4,519,100	91	2,585,289	15,112	7,089,277	85
Other National Program Sponsors	14,910,272	157	636,604	6,815,782	8,731,094	117
Pre-CEIA Categorical Sponsors	73,464,028	636	43,203	22,159,375	91,347,856	345
SESA Sponsors	19,586,038	46	4,270,936	688,387	23,168,587	48
Miscellaneous Contractors	1,784,838	46	40,183	690,377	1,134,644	30
<u>Occupational Safety & Health Admin.</u>						
OSHA Sponsors	596,856	22	110,180	415,212	291,824	22
<u>Bureau of Labor Statistics</u>						
BLS Contractors	83,503	4	9,861	9,861	83,503	4
<u>Office of Asst. Secy for Admin. & Mgmt.</u>						
DASAM Contractors	2,663,034	42	0	250,377	2,412,657	40
GRAND TOTAL	\$205,982,893	1,488	\$43,823,011	\$49,756,956	\$200,048,948	1,177

1/ For purposes of this table, audit resolution is defined to mean: The grantor agency contracting official has issued a determination to the grantee as to the appropriate disposition of questioned items of cost, and the auditor has no disagreement with the determination.

Table 5 reflects the age of unresolved audit reports and the unresolved questioned costs associated with those reports. As reported to OMB at the end of FY 1978, the estimated dollar value of unresolved findings dating prior to October 1, 1977 was \$139,920,954 involving 1,218 open reports. The balance of unresolved audits dating prior to October 1, 1977 is now \$97,544,297 and 750 open reports. This represents substantial decreases primarily in the area of pre-CETA categorical audits.

TABLE 3

Status of Aging of Unresolved Audits as of March 31, 1979 1/

AGENCY/PROGRAM	March 31, 1979 Total Unresolved 2/		Unresolved 1-6 Months		Unresolved 6-18 Months		Unresolved Over 18 Months	
	Reports	Dollars	Reports	Dollars	Reports	Dollars	Reports	Dollars
<u>Employment & Training Admin.</u>								
CETA Sponsors								
State & Local Primes	221	\$72,854,019	57	\$31,652,791	93	\$22,958,573	71	\$18,242,655
Native American Primes	265	32,935,487	59	4,256,885	80	24,441,831	126	4,236,771
Migrant & Seasonal Primes Sponsors	85	7,089,277	2	2,585,289	39	2,309,260	44	2,194,728
	117	8,731,094	9	636,604	38	2,831,596	70	5,262,894
Pre-CETA								
Categorical Contractors	345	51,347,856	-	-	6	202,971	339	51,144,885
SESA Sponsors	48	23,168,587	5	4,270,936	7	5,368,528	36	13,529,123
Miscellaneous Contractors	30	1,134,644	4	40,183	9	320,907	17	773,554
<u>Occupational Safety and Health Administration</u>								
OSHA Sponsors	22	291,824	5	101,585	3	19,753	14	170,486
<u>Bureau of Labor Statistics</u>								
BLS Contractors	4	83,503	-	-	-	-	4	83,503
<u>Administration and Management</u>								
OASAM Contractors	40	2,412,657	-	-	11	506,959	29	1,905,698
GRAND TOTAL	1,177	\$200,048,948	141	\$43,544,273	286	\$58,960,378	750	\$97,544,297

1/ For purposes of this table an unresolved audit is defined to mean: The grantor agency contracting official has not issued a determination addressing the appropriate disposition of all items of questioned costs.

2/ Column 1 is the sum of Columns 2, 3 and 4 for number of reports and dollar amounts.

B. INVESTIGATIONS (FRAUD & EMPLOYEE INTEGRITY)

Overview and Personnel

The major objective of OIG fraud and employee integrity investigation programs is to ensure that violators of criminal statutes or statutes administered directly by the Department are brought before the proper judicial or administrative authorities. An additional objective is to provide deterrents to criminal activity in DOL programs and agencies.

OIG has established field offices in 11 locations whose purpose is to detect and deter criminal fraud and program abuse in Departmental programs. In FY 1979 OIG has authorized 75 positions for fraud and employee integrity investigations. In the current reporting period, approximately 99 percent of investigative resources were applied to reactive investigations related to cases derived from allegations, complaints, tips, etc. Direct investigative time was distributed as follows: Employee Integrity (6 percent), Workers' Compensation (18 percent), Grant Fraud (76 percent).

OIG also conducts pro-active investigations in selected high risk program areas and locations. Pro-active investigations are those undertaken where no specific complaint has been received. Grantees and individuals will be unaware of when a pro-active investigation may be initiated. The application of this concept can serve as a deterrent to fraud. In the current period OIG allocated only one percent of its investigative resources to pro-active investigations, however, plans are to increase this allocation to five percent in the coming months.

Fraud and Employee Integrity Investigation Workload

As of March 31, 1979, Investigations had 645 open fraud and employee integrity cases. These cases are being worked by 55 investigators, many of whom have recently been hired. Table 6 reflects the total number of cases open by each type of case. Additionally, Table 6 shows the number of open cases that are not able to be actively investigated. It is this latter number that OIG considers to be the fraud and employee integrity investigations backlog.

TABLE 6

Fraud and Employee Integrity Cases For Which No Investigative Effort
Has Been Expended Pending Availability of Resources
March 31, 1979

<u>Case Type</u>	<u>Cases Open</u>	<u>Cases Not Being Investigated</u>
Employee Integrity	14	2
Grant Fraud	285	135
Workers' Compensation	340	258
Other Fraud	6	0
TOTALS	645	395

Cases are frequently not investigated in the order they are opened. Because of staffing limitations, investigators seek to maximize their effectiveness by concurrently working related cases from which several prosecutions are expected to result from a single investigation. Deadlines imposed by statutes of limitation, however, often require full time effort on a single case. The addition of anticipated new staff in FY 1980 should result in a significant reduction in the current backlog of cases. Appendix I provides a flowchart depicting how OIG processes complaints from receipt until final disposition.

Fraud and Employee Integrity Prosecutions, Indictments and Convictions

Through March 31, 1979, the efforts of fraud and employee integrity investigators have resulted in the following actions:

TABLE 7

Numerical Summary of Fraud and Employee Integrity Activities ^{1/}

	<u>October 1, 1978 to March 31, 1979</u>	<u>Prior to October 1, 1978</u>	<u>Total</u>
Referred to Prosecution	80	104	184
Accepted Prosecution	69	33	102
Prosecution Declined	9	68	77 ^{2/}
Prosecution Decision Pending	2	3	5
Indictment/Information	67	32	99
Conviction/Plea	53	20	73
Acquittals & Dismissals	0	2	2

Highlights of Significant Fraud and Employee Integrity Investigation Cases:

- An investigation begun prior to this reporting period led to the indictment of 11 individuals for embezzling CETA funds from a prime sponsor. Of these 11 separate cases, five subjects pled guilty, three were tried and convicted, two have fled to avoid prosecution, and one indictment was dismissed.
- A joint OIG/FBI investigation resulted in four indictments and convictions involving misapplication and embezzlement of CETA funds by a Program Director, Business Manager and two supervisory employees of both a prime and a sub-sponsor.

^{1/} Table 7 includes cases where OIG investigators worked independently or worked jointly with or assisted other State and Federal investigative agencies.

^{2/} A large number of declinations involve Office of Workers' Compensation Program (OWCP) cases, that in the opinion of U.S. Attorneys, did not warrant prosecution because of lack of prosecutive interest.

Fraud and Employee Integrity Prosecutions, Indictments and Convictions (cont'd):

- As a result of an intensive investigation, a CETA sub-grantee Program Director and his associate were indicted under State statutes for misuse of CETA funds.
- As a result of an investigation underway prior to this reporting period, a union business manager and CETA staff employee were indicted and convicted for embezzling CETA funds.
- Two former naval shipyard workers were indicted for obtaining FECA benefits totaling more than \$70,000 by fraudulently concealing full-time jobs they held while collecting workers' compensation benefits for total disability. To date, one of the shipyard workers has been convicted.

INVESTIGATIVE METHODS AND SYSTEMS

1. Questionable Activity Report System

Questionable Activities Reports (QARs) are prepared by OIG auditors and IPA firms under contract with the OIG when potential cases of fraud or criminal malfeasance, misapplication of funds, or gross mismanagement in DOL funded programs are identified.

Ninety-nine QARS have been received by the National Office since the procedure was implemented ten months ago. The following table summarizes the types of questionable activities that have been reported:

TABLE 8

Summary of Questionable Activity Reports

<u>Type of Questionable Activity</u>	<u>Frequency</u>
Possible Fraud	23
Possible Misappropriation of Funds	16
Inadequate Accounting	13
Questionable Administrative Procedures	10
Other (e.g., Forging Checks, Padding Time Sheets, Nepotism, etc.)	37
	—
TOTAL	99

Fifty-two cases open as of March 31, 1979, were opened as the result of a QAR. On March 22, 1979, the Secretary of Labor instituted a new system called Incident Reports which replaces the QAR for reporting potential abuse. The new report has a much broader application for the reporting of problems, and appears in Appendix J.

2. Fraud and Abuse Prevention Surveys (FAPS)

In November 1978, the Department of Labor initiated a new approach to deter fraud and administrative abuses in Departmental programs through early identification of crime conducive conditions. Using Fraud and Abuse Prevention Surveys (FAPS), OIG is attempting to identify and correct these conditions in high-risk DOL programs before fraud and abuse occurs.

The investigative efforts of the Department of Labor and most other Federal agencies are primarily "reactive", with most investigations triggered by specific complaints. The emphasis on FAPS, however, is prevention. Under FAPS, three-person teams (including an investigator, an auditor and an analyst familiar with the program) are assigned to survey a high-risk DOL program or grantee, check for the existence of necessary management systems and controls, identify systems weaknesses and recommend changes in procedures. Grantees have 60 days to respond to a FAPS report. Follow-up investigations will assure that changes are implemented.

Fraud and Abuse Prevention Surveys require approximately 60 workdays to complete and supplement OIG's regular program investigations. While FAPS teams search for conditions which make fraud possible, actual cases of detected or suspected fraud will be discussed with the U.S. Attorney. Further investigation may take place at the U.S. Attorney's direction.

The first two sites chosen for FAPS were the CETA prime sponsor in Mobile, Alabama and the Cherokee Nation of Oklahoma. Other FAPS are being planned. While most of the initial FAPS will involve the CETA program, other programs, such as Workers' Compensation, will also be surveyed.

3. Investigations Management Information System

Data relating to the Investigations programs are currently tabulated through an interim automated management information system. Investigative offices submit monthly data which are entered directly into the system. These data enable greater precision in planning the annual investigations program, as well as managing the present investigative workload. The data are also used for budget formulation and staffing plans. As noted earlier in this report, OIG's plans for a comprehensive management information system will interface both the investigative and audit tracking subsystems. This will facilitate the use and interchange of information developed by each OIG activity.

4. Unemployment Insurance (UI) and Workers' Compensation (WC) Clustering Operations

In its efforts to reduce fraud and abuse within the Unemployment Insurance (UI) program, OIG has instituted a new method whereby similar UI cases are clustered together for investigation and prosecution. This method is necessary, because in the past prosecutors have been reluctant to devote the time necessary to prepare and to prosecute isolated incidents of UI fraud. It is their belief that the limited monetary value of individual violations is not commensurate with the time required for an attorney to gain the necessary understanding of the intricacies of UI laws and regulations and prepare a case for court.

The OIG should realize two significant benefits from the clustering operation concept: (1) an increase in the number of indictments, and (2) increased publicity of OIG fraud prevention efforts. Together they should serve as a deterrent to others who might be inclined to engage in fraudulent UI activities. The clustering technique is also being used in the prosecution of Workers' Compensation (WC) fraud, and in instances where individuals are receiving workers' compensation benefits as well as unemployment benefits. In a case currently being investigated in California, 23 recipients of both benefits have been clustered and the U.S. Attorney has expressed interest in the case.

U.S. Attorneys have also declined to prosecute a large number of Office of Workers' Compensation Program (OWCP) cases. To strengthen the caliber of OWCP cases referred for prosecution, a complete administrative review of OWCP cases was conducted by National Office personnel via staff visits to field offices. All open cases were inventoried and a preliminary investigation conducted. As a result of the review, 114 cases were closed without referral for prosecution. OWCP then took action where appropriate to determine accurate wage earning capacity and recover overpayments. The 114 cases were closed for three major reasons: (1) subsequent OWCP action had corrected faulty internal procedures; (2) allegations were disproved; or (3) no criminal violation had occurred.

5. Loss Prevention Activity in Workers' Compensation Programs

The deterrent effect of OIG investigative activity in the Workers' Compensation Program will result in the prevention of future losses to the Federal Government.

Though investigative findings in some cases do not support criminal proceedings, the investigative activity does result in significant reductions in future overpayments of compensation. For example, future overpayments of more than \$700,000 were prevented in two cases recently referred for prosecution in Alaska. While one case was declined for prosecution and the other was accepted, both investigations developed sufficient evidence to support the termination of future payments. A conservative estimate

of the future cost to the Government of an average workers' compensation total disability case is \$180,620. By investigating the 319 Workers' Compensation cases now open, OIG is scrutinizing approximately \$57.6 million in potential future overpayments.

GAO REPORT ON FRAUD AND ABUSE

In September 1978 GAO issued a report dealing with fraud and abuse in several Government agencies ("Federal Agencies Can, And Should, Do More To Combat Fraud in Government Programs"). The report made five specific recommendations to the Department of Labor for improving its system to prevent and detect fraud and abuse in Departmental programs and practices. Since the report was prepared in early 1978, it pre-dated the establishment of the Office of the Inspector General, which itself represented a major step in resolving some of the problems identified by GAO. These problems included the need to fix organizational responsibility for the identification of fraud, and the elevation of fraud identification to a high agency priority. Other recommendations included: (1) developing a management information system that will identify the types and methods of fraud most likely to occur; (2) making employees more aware of the potential for fraud and providing them with a mechanism for reporting it; (3) hiring skilled personnel with backgrounds appropriate to fraud detection work, and (4) providing fraud investigators with appropriate training.

OIG has begun to take action on each of these recommendations. These actions include the development of a new management information system, institution of an incident reporting system for DOL employees to report program abuse, fraud or other suspected criminal violations, recruitment and selection of experienced investigative personnel, and training of investigators and auditors in fraud and white collar crime detection.

C. INVESTIGATIONS (STRIKE FORCE ACTIVITY)

Overview and Personnel

The DOL Organized Crime Strike Force Activity (SFA) was established in coordination with the Department of Justice Strike Force to participate in investigations relating to labor unions and labor laws administered by the Department of Labor. The 14 SFA offices are located in major cities targeted by the Justice Department for their Strike Force. All investigations are conducted under the guidance of the Justice Department's Strike Force Attorney.

When Congress approved the Labor Department appropriation for FY 1979, it instructed the Department to assign 90 investigators to the Strike Force Activity. Congress also instructed the Justice Department to provide any required clerical support for these investigators.

SFA Workload

As of March 31, 1979, SFA had 213 open organized crime cases. These cases are being worked by 60 investigators, many of whom have recently been hired. Of the 213 open cases, 53 are not being actively investigated at this time. OIG considers the number not being investigated as the SFA backlog.

As in fraud investigations, if an SFA investigation leads to several related cases, then the cluster of cases will be actively pursued while the single isolated case will most likely be relegated to the backlog. Ultimately, it is the Strike Force Attorney's decision as to which cases are to be actively investigated and which are to be closed. Considering the limited staff available earlier in FY 1979, the current backlog should not be considered excessive.

SFA Prosecutions, Indictments and Convictions

The average organized crime case is significantly more complex than the average program fraud case. Because of the link to organized crime, involvement in one SFA investigation frequently identifies additional activities which must be investigated. Merely prosecuting one individual will not guarantee the permanent elimination of the criminal element in the infiltrated local or international union. The Organized Crime Strike Force (SFA) investigators develop and investigate all related criminal activities, so that if possible, all individuals involved can be indicted and prosecuted together. While this procedure lengthens the investigation time prior to indictment, it strengthens the subsequent efforts to obtain convictions. The decision to pursue cases in this manner is left up to the Department of Justice Strike Force Attorney controlling the case.

The following table reflects the number of SFA cases in which indictments have been obtained through March 31, 1979.

TABLE 9

Numerical Summary of Strike Force Activities

October 1, 1978 to
March 31, 1979

Indictment/Information	16
Indictment/Decision Pending	0
Conviction/Plea	0
Acquittals & Dismissals	0

Highlights of Significant Organized Crime Cases:

- Indictments were returned against the International Secretary/Treasurer and two International Vice Presidents of the Hotel and Restaurant Employees International Labor organization for embezzling union funds, conspiracy and maintaining false records.
- Prominent officials of a large Teamster local in New Jersey have been indicted for racketeering.

D. ADP REVIEW RESPONSIBILITIES AND FUNCTIONS

The ADP evaluations and reviews conducted by the OIG's ADP Division constitute the Department's evaluation program for computer facilities and systems. Due to the differences in skill requirements from the other OIG functions, and a requirement to provide software and technical ADP support to all OIG staff and line functions, the ADP unit has been maintained as a discrete group. Nine positions have been authorized for FY 1979, eight professional and one clerical position. The following are brief descriptions of the types of ADP reviews conducted:

- Application Evaluations - An evaluation of a computer system from three perspectives: (1) whether or not the system was designed according to management direction and meets legal requirements, (2) whether the system is effective, efficient and economical; and (3) whether the system has proper operational controls and is auditable.
- Security Evaluations - An evaluation of the security of software and operating systems, primarily from the perspective of unauthorized access to critical data files.
- Operational Evaluations - An evaluation of the complete operation of a data processing activity in terms of viability, efficiency and economy.
- Centralization Reviews - A review to determine the relative system life cycle cost of centralized versus existing and other modes of ADP operation from the perspective of cost to Federal grant programs.
- ADP Cost Determination Reviews - A review to ensure that incurred costs are reasonable, allowable and equitably recovered.

Description of ADP Review Universe

The universe of data processing installations either totally or partially funded by the Department of Labor includes 52 State Employment Security Agencies (approximately 25 of which utilize centralized state facilities),

CETA State and local primes sponsors with DOL-funded computer installations, and four installations utilized by the Department of Labor. There are approximately 50 application systems, operated at the four Departmental installations which are of particular interest to OIG. These systems are of interest because they: (1) are national in scope, (2) are of significantly high cost, (3) play a significant role in the management decision process, or (4) affect disbursement or control of resources.

Significant Current Period ADP Review Findings

During the current reporting period, OIG has issued seven final ADP reviews (See Appendix K for listing). Of these reviews, four identified significant problems or deficiencies and are synopsisized below:

- During the centralization review of Minnesota's proposal to consolidate computer operations, it was found that the Minnesota State Information Division (MSID) had amassed over \$4.3 million in retained earnings resulting from charges to the computer center users. OIG estimated that between 25-30 percent of that amount came from Federal grantees and recommended that such monies be returned. The Department of Health, Education and Welfare is in the process of effecting recovery.
- An application survey of the Black Lung ADP system found that management controls and definitions were lacking, planning was deficient, and existing equipment and software were not adequate. Among other things, it was recommended that a senior technical manager be assigned to the project, and that the equipment in place be upgraded. The Employment Standards Administration (ESA) is in the process of implementing these recommendations.
- An application survey of the Federal Employees' Compensation Act (FECA) ADP system found that the system had been reduced from planned capabilities. The review also disclosed ESA management had not effectively controlled and directed the ADP operations of the FECA program, and had not adequately addressed the total costing of its FECA ADP operations.

OIG recommended that Departmental management require an impact analysis balancing capital, development, and future operational costs against current operational costs before approving any additional funding of FECA ADP system development.

- The OIG's ADP security review of the Colorado Division of Employment and Training (CDET) found that the Unemployment Insurance (UI) system was vulnerable to embezzlement of large amounts of money and to damage (without detection of the perpetrator), and that the wage and tax subsystems were unauditible. OIG recommended various methods to minimize the specific risks that were identified, and that unauditible subsystems

be documented. The Colorado Division of Employment and Training has implemented, or is in the process of implementing, many of the specific recommendations. Rather than document the existing tax subsystem, CDET is in the process of acquiring the fully documented Unemployment Insurance System Design Center (UISDC) tax system.

APPENDICES TO OIG SEMI-ANNUAL REPORT

- A. Listing of All Final Audit Reports Issued October 1, 1978 - March 31, 1979.
- B. Summary of All CETA State and Local Prime Sponsor Final Audit Reports Issued October 1, 1978 - March 31, 1979.
- C. Synopses of Findings and Recommendations of Significant Final Audit Report of State and Local Programs Issued October 1, 1978 - March 31, 1979.
- D. Synopsis of Findings and Recommendations of Significant ETA National Program Final Audit Report Issued October 1, 1978 - March 31, 1979.
- E. Synopsis of Findings and Recommendations of Special Impact/Internal Audits Completed October 1, 1978 - March 31, 1979.
- F. Synopsis of Significant Special Impact/Internal Audits Currently Underway (Part I), Completed in FY 1978 (Part II), Completed in FY 1977 (Part III).
- G. President's September 9, 1977 Memorandum re: Sharing Federal Audit Plans, and OMB Circular A-73.
- H. Secretary of Labor's November 6, 1978 Memorandum re: Audit Program Review.
- I. Diagram of the Normal Course of a CETA Investigation.
- J. Secretary of Labor's March 22, 1979 Memorandum re: Incident Report.
- K. Listing of Final ADP Review Reports October 1, 1978 - March 31, 1979.

APPENDIX A: LISTING OF ALL FINAL AUDIT REPORTS ISSUED
OCTOBER 1, 1978 - MARCH 31, 1979.

<u>REGION</u>	<u>STATE</u>	<u>AGENCY/PROGRAM</u> <u>LOCATION</u>	<u>COSTS</u> <u>AUDITED</u>	<u>COSTS</u> <u>QUESTIONED</u>	<u>QUESTIONED</u> <u>COSTS</u> <u>UNRESOLVED</u>
<u>I - BOSTON REGION</u>					
	<u>MASSACHUSETTS</u>	<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
		Brockton Consortium	\$14,145,370	\$ 81,706	\$ 81,706
		Lowell Prime	\$19,870,130	\$ 29,897	\$ 29,897
		New Bedford Consortium	\$15,716,548	\$ 464,950	\$ 464,950
		<u>ETA/SESA (STATE EMPLOYMENT SECURITY AGENCY)</u>			
		Massachusetts Unemployment Insurance	N/A	N/A	N/A
	<u>MAINE</u>	<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
		Penobscot Consortium	\$ 1,872,645	\$ 55,594	\$ 55,594
		York County Prime	N/A	N/A	N/A
		<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
		Tribal Governors Inc.	\$ 349,309	\$ 88,309	\$ 88,309
		<u>ETA/SESA (STATE EMPLOYMENT SECURITY AGENCY)</u>			
		Maine Dept. of Employment Security	\$92,960,080	\$ 29,302	\$ 29,302
	<u>RHODE ISLAND</u>	<u>ETA/OTHER NATIONAL PROGRAM SPONSOR</u>			
		Providence Advance Commission on Apprenticeship	\$ 79,771	-	-
<u>II - NEW YORK REGION</u>					
	<u>NEW JERSEY</u>	<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
		Gloucester County Prime	\$ 7,277,029	\$ 500,567	\$ 500,567

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	<u>COSTS AUDITED</u>	<u>COSTS QUESTIONED</u>	<u>QUESTIONED COSTS UNRESOLVED</u>
<u>II - NEW YORK REGION (continued)</u>			
<u>NEW JERSEY (continued)</u>			
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
N.J. Dept. of Labor and Industry	\$ 609,840	\$ 6,360	\$ 6,360
<u>ETA/OTHER NATIONAL PROGRAM SPONSOR</u>			
Monmoth Adult Education Commission	\$ 114,887	-	-
N.J. Dept. of Labor and Industry	\$ 127,343	\$ 3,815	\$ 3,815
<u>NEW YORK</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Nassau Consortium	\$35,307,903	\$ 957,238	\$ 957,238
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Seneca Nation of Indians	\$ 1,237,609	\$ 220,344	\$ 220,344
St. Regis Mohawk Tribes	\$ 432,310	\$ 156,017	\$ 156,017
<u>ETA/OTHER NATIONAL PROGRAM SPONSOR</u>			
National Urban League	\$ 7,263,357	\$ 37,731	\$ 37,731
Recruitment and Training Program	\$ 4,036,913	\$ 1,215	\$ 1,215
<u>ETA/MISCELLANEOUS CONTRACTORS</u>			
VERA Institute of Justice	\$ 623,263	\$ 28,295	\$ 28,295
<u>III - PHILADELPHIA REGION</u>			
<u>DELAWARE</u>			
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Delaware Intergovernmental Manpower Services	\$ 23,356	-	-
<u>ETA/SESA (STATE EMPLOYMENT SECURITY AGENCY)</u>			
Delaware Employment Security Commission	\$27,907,050	\$ 472,261	\$ 472,261
<u>DISTRICT OF COLUMBIA</u>			
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
National Congress of American Indians	\$ 3,460	\$ 1,164	\$ 1,164

	<u>COSTS AUDITED</u>	<u>COSTS QUESTIONED</u>	<u>QUESTIONED COSTS UNRESOLVED</u>
<u>III - PHILADELPHIA REGION (continued)</u>			
<u>DISTRICT OF COLUMBIA (continued)</u>			
<u>ETA/OTHER NATIONAL PROGRAM SPONSOR</u>			
National Council on Aging	\$13,224,590	\$ 536,177	\$ 536,177
<u>ETA/MISCELLANEOUS CONTRACTORS</u>			
Bureau of Social Science	\$ 1,124,967	\$ 10,137	\$ 10,137
<u>MARYLAND</u>			
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Piscataway-Conoy Indians	\$ 41,288	\$ 41,288	\$ 41,288
<u>PENNSYLVANIA</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Berks County Employment and Training - (2 reports)	\$ 9,516,513	\$ 40,299	\$ 40,299
City of Erie	\$ 7,199,303	\$ 26,890	\$ 26,890
City of Erie Dept. of Employment & Training	\$ 3,069,448	\$ 65,041	\$ 65,041
Franklin County - (2 reports)	\$ 3,059,250	\$ 111,382	\$ 111,382
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Council of Three Rivers	\$ 111,909	\$ 19,409	\$ 19,409
United American Indians of Delaware Valley	\$ 124,660	\$ 13,680	\$ 13,680
<u>OSHA/OSHA SPONSOR</u>			
Erie	\$ 170,338	\$ 1,729	\$ 1,729
<u>VIRGINIA</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Roanoke Consortium	\$ 3,363,752	\$ 213,722	\$ 213,722
<u>ETA/NATIVE AMERICAN PRIME SPONSOR</u>			
Charles City - New Kent Community Action Agency	\$ 170,649	\$ 65,138	\$ 65,138

	<u>COSTS AUDITED</u>	<u>COSTS QUESTIONED</u>	<u>QUESTIONED COSTS UNRESOLVED</u>
<u>III - PHILADELPHIA REGION (continued)</u>			
<u>VIRGINIA (continued)</u>			
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Governors Manpower Services	\$ 231,521	\$ 2,619	\$ 2,619
<u>ETA/SESA (STATE EMPLOYMENT SECURITY AGENCY)</u>			
Virginia Employment Commission	\$367,175,576	\$ 473,770	\$ 473,770
<u>IV - ATLANTA REGION</u>			
<u>FLORIDA</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Orange County/Orlando Consortium	\$ 28,318,250	\$ 201,276	\$ 201,276
Tampa/Hillsborough County Consortium	\$ 40,891,073	\$ 40,343	\$ 40,343
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
American Indian Association of Florida	\$ 52,602	\$ 5,046	\$ 5,046
Community Action Program Committee Inc.	\$ 46,076	\$ 4,971	\$ 4,971
Miccosukee Tribe (-3 reports)	\$ 258,362	\$ 89,891	\$ 89,891
Multi-County Community Action Against Poverty, Inc.	\$ 19,311	\$ 1,493	\$ 1,493
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Seminole Tribe of Florida	\$ 18,231	\$ 11,507	\$ 11,507
<u>GEORGIA</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Central Savannah River Area Employment & Training Consortium	\$ 17,811,570	\$ 30,927	\$ 30,927
Cobb County Board of Commissioners	\$ 12,391,019	-	-
DeKalb County Board of Commissioners	\$ 15,385,468	\$ 193,895	\$ 193,895
Fulton County Prime Sponsor	\$ 6,933,724	\$ 218,987	\$ 218,987

	<u>COSTS AUDITED</u>	<u>COSTS QUESTIONED</u>	<u>QUESTIONED COSTS UNRESOLVED</u>
<u>IV - ATLANTA REGION (continued)</u>			
<u>GEORGIA (continued)</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Georgia Department of Labor	\$145,593,423	\$ 54,267	\$ 54,267
Gwinnett County Board of Commissioners	\$ 931,079	-	-
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Lower Muscogee Creek Indian Manpower Program	\$ 56,450	\$ 56,450	\$ 56,450
<u>KENTUCKY</u>			
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Kentucky Indian Manpower Program	\$ 26,503	\$ 16,495	\$ 16,495
<u>MISSISSIPPI</u>			
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
(Many) Tribes Inc.	\$ 65,546	\$ 17,231	\$ 17,231
<u>ETA/SESA (STATE EMPLOYMENT SECURITY AGENCY)</u>			
Mississippi Employment Security Commission, Jackson, Mississippi	\$163,385,105	-	-
<u>NORTH CAROLINA</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Onslow County Board of Commissioners	\$ 3,495,806	\$ 414,640	\$ 414,640
Raleigh Consortium	\$15,215,961	\$ 208,239	\$ 208,239
Wake County Board of Commissioners	\$ 2,419,611	\$ 209,100	\$ 209,100
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Eastern Band Cherokee Indians	\$ 956,230	\$ 9,253	\$ 9,253
Lumbee Regional Development Association Inc.	\$ 2,135,210	\$ 71,795	\$ 71,795
<u>SOUTH CAROLINA</u>			
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Catawba Indian Nation	\$ 25,798	\$ 5,873	\$ 5,873

	<u>COSTS AUDITED</u>	<u>COSTS QUESTIONED</u>	<u>QUESTIONED COSTS UNRESOLVED</u>
<u>IV - ATLANTA REGION (continued)</u>			
<u>SOUTH CAROLINA (continued)</u>			
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR (continued)</u>			
Four Holes Indian Nation	\$ 63,748	\$ 4,668	\$ 4,668
<u>ETA/SESA (STATE EMPLOYMENT SECURITY AGENCY)</u>			
South Carolina Employment Security Commission Columbia, South Carolina	\$141,146,188	-	-
<u>TENNESSEE</u>			
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
United Southeastern Tribes (2 reports)	\$ 1,201,786	\$ 740,750	\$ 740,750
<u>ETA/OTHER NATIONAL PROGRAM SPONSOR</u>			
Memphis Apprenticeship Council	\$ 119,698	\$ 978	\$ 978
<u>VI - ILLINOIS REGION</u>			
<u>ILLINOIS</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Balance of State	\$72,835,051	\$ 8,890	\$ 8,890
St. Clair County Consortium	\$15,687,310	\$ 6,261	\$ 6,261
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
American Indian Business Association	\$ 523,523	\$ 17,475	\$ 17,475
<u>ETA/SESA (STATE EMPLOYMENT SECURITY AGENCY)</u>			
State of Illinois	\$825,251,000	\$ -	-
<u>ETA/OTHER NATIONAL PROGRAM SPONSOR</u>			
Brotherhood of Railway, Airline & Steamship Clerks, Freight Handlers and Express Station Employees	\$ 1,104,715	\$ 56,688	\$ 56,688
College of Dupage	\$ 101,330	-	-
<u>ETA/MISCELLANEOUS CONTRACTORS</u>			
Mayor's Council of Manpower & Economic Advisors	\$ 100,658	-	-

	<u>COSTS AUDITED</u>	<u>COSTS QUESTIONED</u>	<u>QUESTIONED COSTS UNRESOLVED</u>
V - ILLINOIS REGION (continued)			
<u>INDIANA</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Balance of State	\$92,033,473	\$ 444,359	\$ 444,359
Civil City of Gary	\$24,386,928	\$ 198,819	-
Lake County Prime Sponsor	\$14,460,863	\$ 177,799	\$ 177,799
City of South Bend (2 reports)	\$11,358,772	\$ 381,147	\$ 381,147
Southwest Indiana MA Consortium	\$11,209,530	\$ 223,676	\$ 223,676
Vigo County Board of Commissioners	\$ 217,001	\$ 182,746	\$ 182,746
<u>MICHIGAN</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Region II - Manpower Consortium	\$16,500,418	\$ 226,752	\$ 226,752
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
American Indian Fellowship	\$ 61,271	\$ 16,358	\$ 16,358
<u>MINNESOTA</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
City of Duluth	\$ 8,220,665	\$ 1,721	-
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Fond Du Lac Reservation Business Co.	\$ 147,035	\$ 52,959	\$ 52,959
Leech Lake Reservation Business Committee	\$ 522,184	\$ 300,228	\$ 300,228
<u>OHIO</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Allen County	\$ 3,733,153	\$ 1,536	\$ 1,536
Butler County	\$ 6,208,420	\$ 19,851	\$ 19,851
Columbus-Franklin	\$14,213,400	\$ 58,739	\$ 58,739

	<u>COSTS AUDITED</u>	<u>COSTS QUESTIONED</u>	<u>QUESTIONED COSTS UNRESOLVED</u>
<u>V - ILLINOIS REGION (continued)</u>			
<u>OHIO (continued)</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR (continued)</u>			
Northeastern Ohio Manpower Consortium (2 reports)	\$18,065,511	\$ 103,299	\$ 103,299
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Cleveland American Indian Center	\$ 196,140	\$ 83,836	\$ 83,836
<u>WISCONSIN</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Balance of State	-	-	-
Milwaukee County	\$62,005,774	\$ 884	-
Outagamie County	\$ 2,180,283	\$ 7,378	-
<u>ETA/ OTHER NATIONAL PROGRAM SPONSOR</u>			
University of Wisconsin (6 reports)	\$ 801,708	-	-
<u>BLS/BLS Contractor</u>			
DILHR - State of Wisconsin	\$ 661,115	\$ 9,861	-
<u>VI - TEXAS REGION</u>			
<u>LOUISIANA</u>			
<u>OSHA/OSHA SPONSOR</u>			
Louisiana Department of Labor	\$ 251,702	\$ 8,004	-
<u>NEW MEXICO</u>			
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
National Indian Youth Council	\$ 459,596	\$ 59,721	\$ 59,721
Pueblo of Zuni, Zuni Tribe	\$ 764,647	\$ 43,006	\$ 43,006
<u>OKLAHOMA</u>			
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
American Indian Nurses Association (2 reports)	\$ 312,868	\$118,496	\$118,496
Osage Tribal Council	\$ 288,108	\$ 71,268	\$ 71,268
Seminole Nation of Oklahoma	\$ 318,455	\$ 4,186	\$ 4,186

	<u>COSTS AUDITED</u>	<u>COSTS QUESTIONED</u>	<u>QUESTIONED COSTS UNRESOLVED</u>
<u>VI - TEXAS REGION (continued)</u>			
<u>OKLAHOMA (continued)</u>			
<u>OSHA/OSHA SPONSOR</u>			
Oklahoma Department of Labor	\$ 147,961	\$ 883	\$ 592
<u>TEXAS</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Cameron County	\$13,898,043	\$ 493,877	\$ 493,877
Coastal Bend Manpower Consortium	\$23,327,718	\$ 180,166	\$ 180,166
Webb County Manpower Program	\$12,345,968	-	-
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Dallas Inter-Tribal Council	\$ 427,737	\$ 129,704	\$ 129,704
Indian Employment & Training Services Inc.	\$ 716,059	\$ 87,764	\$ 87,764
<u>ETA/ OTHER NATIONAL PROGRAM SPONSOR</u>			
Insyte Technology Corporation	\$ 329,674	-	-
<u>ETA/MISCELLANEOUS CONTRACTORS</u>			
Texas A&M Research Foundation	\$ 7,077	-	-
<u>OSHA/OSHA SPONSOR</u>			
Texas Department of Health	\$ 842,001	-	-
<u>VII - KANSAS CITY REGION</u>			
<u>IOWA</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Blackhawk County	\$ 4,158,655	\$ 7,812	-
Linn County	\$ 4,891,086	\$ 9,113	\$ 9,113
<u>KANSAS</u>			
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
United Tribes of Kansas and S.E. Nebraska	\$ 377,916	\$ 3,032	\$ 3,032

	<u>COSTS AUDITED</u>	<u>COSTS QUESTIONED</u>	<u>QUESTIONED COSTS UNRESOLVED</u>
VII - KANSAS CITY REGION (continued)			
<u>NEBRASKA</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Balance of State	\$13,480,744	\$ 465	-
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Santee Sioux Tribe	\$ 149,644	\$ 47,141	\$ 47,141
<u>MISSOURI</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Balance of State	\$73,780,015	-	-
City of Independence	\$ 6,551,663	\$ 68,040	\$ 68,040
Jackson County	\$ 3,895,720	\$ 111,357	\$ 11,357
City of St. Louis	\$83,846,347	\$ 2,654,055	\$ 2,654,055
<u>SOUTH DAKOTA</u>			
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Three Affiliated Tribes	\$ 411,992	\$ 11,919	\$ 11,919
Yankton Sioux Tribe	\$ 259,749	\$ 130,333	\$ 130,333
VIII - DENVER REGION			
<u>COLORADO</u>			
<u>ETA/OTHER NATIONAL PROGRAM SPONSOR</u>			
YWCA - Denver	\$ 98,554	-	-
<u>OSHA/OSHA SPONSOR</u>			
Colorado Department of Labor	\$ 3,957,758	\$ 10,980	\$ 10,980
<u>MONTANA</u>			
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Assiniboine & Sioux Tribe of the Fort Peck Reservation	\$ 628,301	\$ 70,887	\$ 70,887
Confederated Salish & Kootenai Tribe	\$ 564,953	-	-

	<u>COSTS AUDITED</u>	<u>COSTS QUESTIONED</u>	<u>QUESTIONED COSTS UNRESOLVED</u>
<u>VIII - DENVER REGION (continued)</u>			
<u>MONTANA (continued)</u>			
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR (continued)</u>			
Crow Tribe of Montana	\$ 500,202	\$ 500,202	\$ 500,202
<u>WYOMING</u>			
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Shoshone & Arapahoe Joint Business Council	\$ 658,032	\$ 45,127	\$ 45,127
<u>IX - SAN FRANCISCO REGION</u>			
<u>ARIZONA</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Balance of State	\$ 1,830,148	\$ 1,548	\$ 1,548
Maricopa County	\$38,174,729	\$ 34,534	\$ 34,534
City of Phoenix	\$60,795,524	\$ 7,343	\$ 7,343
Tucson-Pima Consortium	\$36,753,365	\$ 127,503	\$ 127,503
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Gila River Indian Commission (2 reports)	\$ 2,004,055	\$ 438,742	\$ 438,742
Phoenix Indian Center	\$ 313,787	\$ 38,063	\$ 38,063
White Mountain Apache Tribe	\$ 1,011,172	\$ 91,212	\$ 91,212
<u>ETA/SESA (STATE EMPLOYMENT SECURITY AGENCY)</u>			
Arizona Dept. of Employment Security	\$ 91,000,000	\$ 3,285,440	\$ 3,285,440
<u>CALIFORNIA</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Fresno Employment & Training Commission	\$ 67,674	\$ 67,674	\$ 67,674
County of Imperial	\$ 5,756,639	\$ 1,087,529	\$ 1,087,529
Sacramento-Yolo ETA	\$ 31,249,754	\$ 2,601,017	\$ 2,601,017

	<u>COSTS AUDITED</u>	<u>COSTS QUESTIONED</u>	<u>QUESTIONED COSTS UNRESOLVED</u>
<u>IX - SAN FRANCISCO REGION (continued)</u>			
<u>CALIFORNIA (continued)</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR (continued)</u>			
Solano County			
	\$ 9,326,231	\$ 844	\$ 844
Ventura County			
	\$ 17,604,876	\$ 17,604,876	\$ 17,604,876
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
American Indian Future & Traditions Inc.			
	\$ 250,170	\$ 67,798	\$ 67,798
Orange County Indian Center			
	\$ 189,695	\$ 3,284	\$ 3,284
Sacramento Indian Center			
	\$ 137,932	\$ 41,124	\$ 41,124
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
San Jose Indian Center			
	\$ 208,642	\$ 17,773	\$ 17,773
<u>ETA/CETA MIGRANT & SEASONAL PRIME SPONSOR</u>			
California Human Development Corporation			
	\$ 5,569,230	\$ 2,154,802	\$ 2,154,802
Campesinos Unidos Inc., Browley, Calif.			
	\$ 2,813,261	\$ 430,487	\$ 430,487
<u>ETA/MISCELLANEOUS CONTRACTOR</u>			
Urban Management Consultants			
	\$ 172,315	\$ 1,751	\$ 1,751
<u>HAWAII</u>			
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Hawaii Dept. of Labor & Industrial Relations			
	\$ 114,410	\$ 2,786	\$ 2,786
<u>NEVADA</u>			
<u>OSHA/OSHA SPONSOR</u>			
Nevada Industrial Commission			
	\$ 1,117,276	\$ 300	-
<u>X - SEATTLE REGION</u>			
<u>ALASKA</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Municipality of Anchorage			
	\$10,800,840	\$ 11,119	\$ 11,119

	<u>COSTS AUDITED</u>	<u>COSTS QUESTIONED</u>	<u>QUESTIONED COSTS UNRESOLVED</u>
<u>X - SEATTLE REGION (continued)</u>			
<u>IDAHO</u>			
<u>ETA/SESA (STATE EMPLOYMENT SECURITY AGENCY)</u>			
Idaho Dept. of Employment Security	\$44,971,278	\$ 10,163	\$ 10,163
<u>OREGON</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Balance of State	\$92,107,527	\$ 126,664	\$ 126,664
Jackson/Josephine Consortium	\$ 5,861,515	\$ 10,202	\$ 10,202
<u>WASHINGTON</u>			
<u>ETA/CETA STATE & LOCAL PRIME SPONSOR</u>			
Clark County Board of Commissioners	\$ 5,906,539	\$ 27,742	\$ 27,742
Pierce County	\$ 415,871	\$ 415,871	\$ 415,871
Spokane City-County Consortium	\$57,138,233	-	-
City of Tacoma	\$12,285,009	\$ 57,662	\$ 57,662
<u>ETA/CETA NATIVE AMERICAN PRIME SPONSOR</u>			
Che-Ho-Qui-Sho Consortium	\$ 523,817	\$ 23,931	\$ 23,931
Small Tribes of Western Washington	\$ 1,199,820	\$ 88,779	\$ 88,779
<u>OSHA/OSHA SPONSOR</u>			
Washington State Dept. of Labor & Industry	\$ 126,588	\$ 1,135	\$ 1,135
Washington State Dept. of Labor & Industry	\$ 6,996,559	\$ 87,149	\$ 87,149

APPENDIX B: SUMMARY OF ALL CETA STATE AND LOCAL PRIME SPONSOR FINAL AUDIT REPORTS ISSUED IN THE FIRST HALF OF FY 1979

During the period October 1, 1978 - March 31, 1979, OIG issued 70 CETA prime sponsor final audit reports: 29 were conducted by OIG auditors, 26 by state and local government audit organizations under cooperative agreements with DOL, and 15 by IPAs under contract. All are included in Appendix A: Listing of all final external audit reports completed October 1, 1978 - March 31, 1979.

The prime sponsors had expended \$1,645 million during the audit period. In the transactions actually examined (i.e., in the sample taken from the \$1,540 million), \$31.8 million of expenditures were questioned by the auditors.

In the 70 reports, the auditors rendered 7 adverse opinions and 17 disclaimer of opinions on either the fairness of the financial statements or the effectiveness of the internal controls to safeguard Federal funds. The majority of costs were questioned for the same reasons identified in the aforementioned significant reports.

TABLE 3

Summary of Major Audit Findings From 70 CETA Prime Sponsors

<u>Audit Exception</u>	<u>Frequency</u>	<u>Amounts Questioned</u>
Ineligible Participants.	35	\$ 2.5 million
Insufficient Documentation	26	3.7 million
Improper Allocations and Administrative Charges	21	1.1 million
Exceeding Budget	13	1.1 million
Improper Expenditures	22	.6 million
Unresolved Sub Audit Exceptions	3	1.8 million
Unauditable Records	4	19.1 million
Other	-	1.9 million
TOTAL		\$31.8 million

Administrative findings, in order of frequency, were:

Weak Financial Management and Internal Controls	39
Inadequate Accounting System	24
Lack of Allocation Plan	17
Reports Not Reconcilable to Records	14
Weak Operational Control over Subsponsor Activities	8
Weak Property Management	4
Inadequate Audit Coverage of Subsponsors and Contractors	3
Weak Cash Management	3
Weak Contracting Procedures	2

APPENDIX C: SYNOPSES OF FINDINGS AND RECOMMENDATIONS OF
SIGNIFICANT FINAL AUDIT REPORTS OF STATE AND LOCAL
PROGRAMS ISSUED OCTOBER 1, 1978 - MARCH 31, 1979.

Prime Sponsor: NEW BEDFORD CONSORTIUM, MASS.
Audit Report No. 01-8-183-G-010-016

The audit covered several grants of Titles I, II, III, and VI of varying periods between July 1975 and September 1977. The total amount audited was \$15 million.

Auditors questioned approximately \$464,000 in costs, mainly for ineligible participants, improper expenditures, and insufficient documentation. \$460,000 of this represent wages and fringe benefits paid to participants of the 1975 Title III Summer Program. The prime sponsor's records were apparently destroyed during a prime sponsor move from one location to another. Auditors also found that the prime sponsor's policy does not require participants to sign their time sheets (for Titles II and VI).

Recommendations were made for corrective action on each adverse finding. The final report was forwarded to ETA on February 7, 1979.

Prime Sponsor: PENOBSCOT COUNTY COMMISSION, MAINE
Audit Report No. 01-9-295-L-007-011

The audit covered 5 grants of Titles I, II, III, and VI of varying periods between April 1975 and December 1976. The total amount audited was \$1.8 million.

Auditors questioned approximately \$55,000 in costs, mainly for improper allocation.

The prime sponsor's financial records for FY 1977 and eight months of FY 1978 were unauditible. The Report of Federal Cash Transactions (RFCT) could not be reconciled to the books of account and associated records. Auditors also found insufficient audits of subgrants.

Recommendations were made for corrective action on each adverse finding. The final report was forwarded to ETA on February 8, 1979.

Prime Sponsor: NASSAU CO., N.Y.
Audit Report No. 02-9-012-G-004

The audit covered 5 grants of Titles I, II, III and VI of varying periods between July 1974 and September 1976. The total amount audited was \$35 million.

Auditors questioned approximately \$958,000 in costs, mainly for ineligible participants, improper expenditures, and insufficient documentation. Auditors also found inadequately kept records and inaccurate data reported to DOL.

Recommendations were made for corrective action on each adverse finding. The final report was forwarded to ETA on October 26, 1978.

Prime Sponsor: GLOUCESTER CO., N.J.
Audit Report No. 02-9-001-C-001

The audit covered 4 grants of Titles I, II, III, and VI, of varying periods between June 1974 and February 1977. The total amount audited was \$7.2 million.

Auditors questioned approximately \$500,000 in costs, mainly for ineligible participants, and insufficient documentation. Auditors also found inadequate books and records, unexplained journal entries, and incorrect reporting.

Recommendations were made for corrective action on each adverse finding. The final report was forwarded to ETA on October 10, 1978.

Prime Sponsor: FRANKLIN CO., Pennsylvania
Audit Report No. 03-8-528/9-G-138/139-011

The audit covered 4 grants, Titles I, II, III, and VI of varying periods from July 1975 to September 1977. The total amount audited was \$3.1 million in two reports.

Since 99% of these funds were in the hands of subgrantees, and sufficient subgrantee documentation was not available for the audit, the auditors disclaimed an opinion in the first report. In the second report the auditors cited an adverse opinion since the financial reports did not agree with the records.

Auditors questioned approximately \$110,000 in costs, mainly for ineligible participants, improper administrative charges, and missing time and attendance records. Auditors further noted a lack of written accounting procedures, and that reports were not in agreement with accounting records.

Recommendations for corrective actions were provided for each adverse finding. The final report was issued to ETA on November 27, 1978.

Prime Sponsor: FULTON COUNTY, GEORGIA
Audit Report No. 04-8-2836-L-0033-G-0001

The audit covered 7 grants of Titles I, II, III, and VI of varying periods between June 1974 and September 1977. The total amount audited was \$7 million.

Auditors questioned approximately \$219,000 in costs, mainly for ineligible participants and improper expenditures. Auditors also found weaknesses in financial management, and conflicting information in participant files.

Recommendations were made for corrective action on each adverse finding. The final report was forwarded to ETA on December 11, 1978.

Prime Sponsor: ONSLOW COUNTY BOARD OF COMMISSIONERS
 JACKSONVILLE, N.C.
 Audit Report No. 04-8-2835-L-0053-G-0001

The audit covered 8 grants of varying periods between January 1974 and May 1978. The total amount audited was \$3.4 million.

Auditors questioned nearly \$415,000 in costs, mainly for 78 ineligible participants, improper expenditures, or cost incurred in excess of the grant amount. Auditors determined that the financial management system contains substantial weaknesses and is not adequate for the administration of the CETA program.

Recommendations were made for corrective actions on all findings. The final report was released to ETA on March 16, 1979.

Prime Sponsor: SOUTH BEND, INDIANA
 Audit Report No. 059-78-03-MB2-033

The audit covered a grant of Title III, between June 1975 and June 1976. The total amount audited was \$11.3 million in two reports.

IPA auditors questioned \$381,000 in costs, mainly for ineligible participants, improper expenditures, and insufficient documentation.

Auditors could not verify participant eligibility for 844 of the 1,029 participants. Client files were placed on microfilm, but due to a machine malfunction, all clients with last names beginning with "Cue" and after alphabetically did not copy. The original files were destroyed before the malfunction was noticed.

Recommendations were made to the prime sponsor to attempt reconstruction of the records. The final report was forwarded to ETA on November 21, 1978.

Prime Sponsor: NORTH-EASTERN OHIO E&T CONSORTIUM
 Audit Report No. 05-8-0915-L-081

The audit covered 4 grants of Titles I, II, III and VI of varying periods between September 1974 and September 1977. The total amount audited was \$18 million in two reports.

Auditors questioned approximately \$103,299 in costs, mainly for ineligible participants, improper expenditures and insufficient documentation. Auditors also found incorrect financial status reports, excessive cash balances, no allocation of administrative costs, and a difference of over \$300,000 between reported and recorded costs.

Recommendations were made for corrective action on each adverse finding. The final report was forwarded to ETA on January 22, 1979.

Prime Sponsor: INDIANA BALANCE OF STATE
 Audit Report No. 05-8-1142-L-002

The audit covered 19 grants of Titles I, II, III, and VI of varying periods between September 1974 and September 1978. The total amount audited was \$92 million.

Auditors questioned a total of \$444,000 in costs, mainly for unresolved questioned costs in sub-audits. Auditors also found weak internal controls, weak operational control of subgrantee activities, weak cash management, and weak property management.

Recommendations were made for corrective action on each adverse finding. The final report was forwarded to ETA on January 1, 1979.

Prime Sponsor: CAMERON COUNTY, TEXAS
 Audit Report No. 06-9-045-L-002-013

The audit covered 7 grants of Titles I, II, III, and VI of varying periods between October 1976 and December 1977; the total amount audited was \$14 million.

Auditors questioned approximately \$494,000 in costs, mainly for ineligible participants, improper expenditures, and insufficient documentation. Auditors also found that Reports of Federal Cash Transactions were not reconciled to Financial Status Reports, statistical reports could not be traced to source documents and that comprehensive written procedures are needed covering accounting operations, procurement, and travel.

Recommendations were made for corrective action on each adverse finding. The final report was forwarded to ETA on December 12, 1978.

Prime Sponsor: INDEPENDENCE, MISSOURI
 Audit Report No. 07-9-L-007

The audit covered 13 grants of Titles I, II, III, and VI of varying periods between July 1975 and December 1978. The total amount audited was \$6.5 million.

Auditors questioned approximately \$68,000 in costs, mainly for ineligible participants, improper expenditures, and insufficient documentation. Auditors also found that the September 30, 1976 Financial Status Report does not agree with agency accounting records, and that insufficient subgrantee audits have been performed.

Recommendations were made for corrective action on each adverse finding. The final report was forwarded to ETA on February 14, 1979.

Prime Sponsor: ST. LOUIS, MISSOURI
Audit Report No. 07-9-L-003

The audit covered 9 grants of Titles I, II, II and VI of varying periods between April 1975 and September 1978. The total amount audited was \$83.8 million.

Auditors questioned a total of \$2.6 million in costs, mainly for unresolved questioned costs in sub-audits, and unauditible subgrants. Auditors also found lack of documentation in leasing of an office building and an improper method of allocation.

Recommendations were made for corrective action on each adverse finding. The final report was forwarded to ETA on January 1, 1979.

Prime Sponsor: VENTURA COUNTY, CALIFORNIA
Audit Report No. 09-79-G-103-P1

The audit covered 8 grants of Titles I, II, III, and VI of varying periods between September 1974 and September 1977. The total amount audited was \$17.6 million.

Auditors questioned all expenditures under the grants because of unauditible records. A massive reconstruction job was required and is now underway. Auditors also found that insufficient subgrants audits have been performed.

Recommendations were made for corrective action on each adverse finding. The final report was forwarded to ETA on October 26, 1978.

Prime Sponsor: SACRAMENTO-YOLO ETA
Audit Report No. 09-79-C-087-P1

The audit covered 6 grants of Titles I, II, II, & VI of varying periods between June 1974 and September 1976. The total amount audited was \$31 million.

Auditors questioned \$2.6 million in costs, mainly for ineligible participants, improper expenditures, and insufficient documentation. Auditors also found that reported costs were not traceable to books of entry, and that the prime sponsor failed to adequately monitor subsponsors' financial systems.

Recommendations were made for corrective action on each adverse finding. The final report was forwarded to ETA on November 21, 1978.

Prime Sponsor: COUNTY OF IMPERIAL, CALIFORNIA
Audit Report No. 09-79-C-061-P1

The audit covered 5 grants of Titles I, II, III, and VI of varying periods between February 1974 and September 1976. The total amount audited was \$5.7 million.

Auditors questioned \$1 million in costs, mainly for improper expenditures, budget overruns, and improper allocation. Nearly \$600,000 of prime sponsor questioned costs represent unresolved questioned costs in subgrantee audits. Auditors also found that reports submitted to DOL could not be reconciled to the General Ledger, financial controls were inadequate, and the prime sponsor's accounting system did not provide accurate and complete data for the preparation of the Financial Status Reports.

Recommendations were made for corrective action of each adverse finding. The final report was forwarded to ETA on December 12, 1978.

Prime Sponsor: SPOKANE ETA, WASHINGTON
Audit Report No. 10-79-S-022-001

The audit covered 7 grants of Titles I, II, III, and VI of varying periods between June 1974 and September 1977. The total amount audited was \$57 million.

Auditors disclaimed an opinion on the financial statement because interest accounting and administrative control systems are not in compliance with DOL requirements. Auditors also found that no General Ledger system of accounts has been established, no cost allocation plan has been designed, cash drawdowns far exceed current needs, and no prime sponsor program exists to conduct the required number of subgrantee audits.

Recommendations were made for corrective action on each adverse finding. The final report was forwarded to ETA on December 8, 1978.

Prime Sponsor: PIERCE COUNTY, WASHINGTON
Audit Report No. 10-79-L-021-004

This special audit covered Public Service Employment grants of varying periods between June 1974 and September 1977.

Auditors questioned \$416,000 in costs, mainly for ineligible participants and insufficient documentation. Auditors also found that participant enrollment statistics were overstated.

Recommendations were made for corrective action on each adverse finding. The final report was forwarded to ETA on December 11, 1978.

Prime Sponsor: CLARK COUNTY BOARD OF COMMISSIONERS,
WASHINGTON
Audit Report No. 10-79-S-023-001

The audit covered 7 grants of Titles I, II, III, and VI of varying periods between July 1974 and September 1978. The total amount audited was \$5.9 million.

Auditors questioned \$27,000 in costs, mainly for maintenance of effort and nepotism. Auditors also found that accounting information for FY 1976 was not verifiable, and that the Board used a non-standard accounting system resulting in the lack of an audit trail and unreconcilable expenditure variances between original expenditure reports and accounting records.

Recommendations were made for corrective action on each adverse finding. The final report was forwarded to ETA on October 10, 1979.

State Employment Security Agency: VIRGINIA EMPLOYMENT COMMISSION
Audit Report No. 03-9-126-L-001

The audit covered \$367 million received by the Virginia Employment Commission between July 1975 and September 1977 for the administration of its employment security and related programs, and the payment of Federal and State unemployment benefits.

Auditors questioned over \$473,000 in costs, mainly for the wages of hourly employees retained in excess of one year, terminal leave overpayments, and payments for computer services in excess of the approved ceiling. Auditors also found weaknesses in personnel administration and controls, financial management and accounting, and in unemployment benefit payment activities.

Recommendations were made for corrective action on each adverse finding. The final report was forwarded to the ETA on January 10, 1979.

State Employment Security Agency: DELAWARE DEPARTMENT OF LABOR
Audit Report No. 03-8-664-L-014

The audit covered \$28 million received by the Delaware Department of Labor between July 1974 and September 1977 for the administration of its employment security and related programs, and the payment of Federal unemployment benefits.

Auditors questioned \$472,000 in costs, mainly for resources on order not supported by firm orders, lack of an approved formal agreement for State central data processing services, non-essential bank services, unauthorized overtime, legal services not in accordance with an approved agreement, and failure to solicit bids for keypunch services.

Auditors found a lack of control over the acquisition of data processing equipment, ADP services provided to other State agencies without charge, a State-wide job freeze hampered employment security operations (particularly data processing), an inequitable distribution of the State Secretary of Labor's salary to employment security operations, and a need to strengthen the financial management system, benefit recordkeeping, overpayment detection and collection procedures in the unemployment benefits program.

Auditors also noted that there was need for an actuarial review of Delaware's unemployment insurance tax structure, and recommended that the State legislature be advised of the results. As of September 30, 1977 the State agency had borrowed \$36.6 million from the Federal unemployment account, because unemployment benefits paid exceeded taxes collected from employers by \$64 million during Fiscal Years 1973 through 1977.

Recommendations were made for corrective action on each of 28 adverse findings. The final report was forwarded to ETA on January 18, 1979.

State Employment Security Agency: ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Audit Report No. 09-79-L-201

The audit covered \$91 million received by the Arizona Department of Economic Security between July 1975 and September 1977 for the administration of its employment security and related programs, and the payment of Federal unemployment benefits.

Auditors questioned \$3.3 million in costs, mainly for improper space rental charges, the improper allocation of leave costs, and the questionable use of Federal funds to pay interest expenses amounting to about \$1.4 million. The matter of interest expense is being reviewed by OMB. Auditors also found that office space was rented without required approval and that discrepancies existed in each record.

Recommendations were made for corrective action on each adverse finding. The final report was forwarded to ETA on January 22, 1979.

APPENDIX D: SYNOPSES OF FINDINGS AND RECOMMENDATIONS OF ETA
NATIONAL PROGRAM FINAL AUDIT REPORTS ISSUED
OCTOBER 1, 1978 - MARCH 31, 1979.

I. MIGRANT PROGRAM

-- Greater California Educational Project, Inc. (GCEP)

Examination of the reports and records of the Greater California Educational Project, Inc. (GCEP) Fresno, California resulted in the closing of the GCEP program and the recovery of a Bank of America building that had been purchased with Department of Labor funds.

Because of the magnitude of the questioned costs (\$1 million out of \$3.6 million) and the materiality of the non-compliance findings, the audit was expanded to include a complete transactional analysis of GCEP and its subcontractors for calendar years 1975, 1976 and 1977. Similar audit coverage was arranged for five other California Migrant grantees and subcontractors because of their close inter-relationship with GCEP.

A final report covering the audit of GCEP has not been issued since it was used by the Department of Justice as the basis for investigation into certain GCEP activities. Reports covering Campesino Unidos, Inc. and the California Human Development Corporation have been issued.

-- Campesinos Unidos, Inc.

The audit of Campesinos Unidos, Inc., Brawley, California covered eight grants amounting to approximately \$3 million funded by the U.S. Department of Labor, the U.S. Department of Health, Education and Welfare, the U.S. Community Services Administration, the California Department of Education, the California Office of Economic Opportunity, and the Riverside County Coordinated Child Care Project.

As a result of the audit sampling and non-compliance findings, the expenditure of \$382,990 in DOL funds was questioned, and an additional \$44,497 of costs were recommended for disallowance. The auditors rendered an adverse opinion on the financial statements of Campesinos Unidos, Inc. because of the materiality of the questioned costs, questionable transactions, and lack of internal controls.

-- California Human Development Corporation

The audit of the California Human Development Corporation, Santa Rosa, California included 26 grants amounting to approximately

\$5.5 million funded by the U.S. Community Services Administration, U.S. Department of Labor, the California Office of Criminal Justice Planning, the California Employment Development Department, and Sonoma, Solano, Mendocino and Napa Counties.

Questioned costs totaled \$2,154,802. An adverse opinion was rendered on the financial statements of California Human Development Corporation because of the materiality of the questioned costs, questionable transactions, and lack of internal controls.

-- Associated City - County Economic Development Corporation (ACCEDC)

A survey of the Associated City - County Economic Development Corporation (ACCEDC), Hidalgo County, Texas disclosed that the entity was bankrupt. As a result of this survey, the Department did not refund ACCEDC.

II. OTHER CETA NATIONAL PROGRAMS

-- National Council on the Aging, Inc.

Auditors questioned approximately \$480,000 in Federal grant expenditures made between June 1974 and June 1977. Questioned costs include unsupported enrollee costs, excess claimed over actual costs, and excess actual costs over maximum allowable costs. Auditors questioned \$57,048 in unsupported non-Federal costs.

The audit also disclosed that the contractor had negotiated sub-contract budgets in excess of the line item budget authorized in the contract with DOL, and that the final invoice for one of the subcontractors did not agree with books and records for enrollee wages and fringe benefits.

Recommendations were made for corrective action on each adverse finding. The final report was forwarded to ETA on January 24, 1979.

APPENDIX E: SYNOPSES OF FINDINGS AND RECOMMENDATIONS OF SPECIAL
IMPACT/INTERNAL AUDITS COMPLETED OCTOBER 1, 1978 -
MARCH 31, 1979.

-- Special Impact Audit: U.S. Army Finance and Accounting
Center (USAFAC)

OIG examined the USAFAC's Job Corps Payment System for the period July 1, 1975 through September 30, 1976. The purpose of the examination was to analyze Job Corps living allowances, allotments, meal tickets, government travel requests (GTRs), petty cash reimbursements, and to analyze USAFAC's administrative costs for allowability and supporting documentation. The examination included visits to 25 Job Corps Centers and all 10 Job Corps Regional Offices to verify supporting documentation.

Auditors questioned USAFAC administration costs of \$364,510 because either no allocation plan was available, no supporting documentation was available, or the allocation plan inconsistently applied the administration costs. In addition, the audit identified 29 additional operational and internal control problems at the Job Corps Centers, the Job Corps Regional Offices, and at USAFAC levels.

ETA waived the \$364,510 in questioned administration costs, but required USAFAC to eliminate the inconsistencies in their computations of administration costs and required that USAFAC retain source documentation of administration costs according to the approved GSA "General Records Schedule".

Of the 29 operational and internal control problems, most were either resolved or corrected with the exception of two major issues (1) internal controls over GTRs and meal tickets, and (2) internal controls over USAFAC Form 37-6, a Corpsmember change notice.

- At the Job Corps Center level: GTRs and meal tickets were being presigned, were not maintained under lock and key, were not all accounted for during the audit examination, and Corpsmembers were not required to sign a receipt upon receiving GTRs or meal tickets.

- At USAFAC: Form 37-6 was not prenumbered, was not retained after being keypunched, and was not routinely authorized or controlled. The forms are used to correct, suspend or change addresses of Corpsmembers allowance and allotment payments, and if not controlled may be used to create "fictitious" Corpsmembers or divert legitimate Corpsmember payments.

The potential for fraud in both of these areas is high. Controls need to be implemented to prevent abuse. OIG will continue to work with ETA to resolve these two remaining issues.

-- Internal Audit: Audit of Imprest Fund

An audit was performed on one of two imprest funds located in the Office of Accounting under the Departmental Comptroller. The audit included a review of internal controls and financial transactions as well as a count of funds on hand. The audit disclosed cash advances outstanding for excessive periods, a lack of cash counts at proper intervals, a lack of separation of unrelated imprest funds, and no action taken on prior audit findings and recommendations. The Treasury Department has subsequently directed that this fund be closed out; therefore, we have withheld recommendations.

APPENDIX F: SYNOPSES OF ADDITIONAL SPECIAL IMPACT/INTERNAL
AUDITS.

I. Special Impact/Internal Audits CURRENTLY UNDERWAY:

-- Review of Federal Employees' Compensation Act Periodic Roll Case Management

An audit of Federal Employees' Compensation Act (FECA) periodic roll case management is being performed at the request of the Assistant Secretary for Employment Standards Administration. A total of 220 case files are being reviewed in five district offices to determine if cases are being managed properly and in accordance with applicable procedures. Emphasis is being placed on determining whether claimants met the initial eligibility criteria for payment of compensation, and whether they continue to be eligible to receive compensation.

-- Audit of Contract/Grant Close Out Procedures in the Department of Labor

A nationwide audit is being conducted of contract and grant closeout procedures used by the Department of Labor to determine if the procedures used are consistent with OMB instructions. OIG will also determine the number of completed or terminated contracts and grants with outstanding advances or unreported costs as of September 30, 1978, and calculate the interest cost to the Treasury to carry the unliquidated advances.

-- Imprest Fund Audit

An audit is being performed of the other imprest fund located in the Office of Accounting under the Departmental Comptroller. The audit consists of a review of internal controls and financial transactions as well as a count of funds on hand.

-- Audit of the Department of Labor's Integrated Payroll and Personnel System

An audit is being performed of the Department of Labor's integrated payroll and personnel system. The audit is designed to test whether the system is operating effectively, efficiently, and in the manner intended by its designers. This audit is to be conducted nationwide by a public accounting firm under contract to the OIG.

-- Audit of the Departmental Property Management System

A nationwide audit of the Departmental Property Management System is being conducted by a public accounting firm under contract to

the OIG. The audit is being performed to determine: (1) the adequacy of controls over input and output documents, and the integrity of processing accountability of property documents; (2) whether access to the computerized system is adequately safeguarded to prevent unauthorized use; and (3) whether there is compliance with applicable procedures.

II. FY 1978 Special Impact/Internal Audits:

-- Public Service Employment (PSE) Eligibility Audit

Public Law 95-29, the Economic Stimulus Appropriations Act, effective May 13, 1977, authorized \$6.8 billion for temporary employment assistance under Title VI of CETA, and \$2.6 billion for employment and training assistance. Both amounts were to remain available until September 30, 1978.

The ETA implemented plans to increase enrollment in Title II and VI from less than 298,000 on May 13, 1977, to 725,000 by the end of February 1978 (Title VI; 600,000; Title II: 125,000).

The then Directorate of Audit and Investigations (later OSI, now OIG) undertook an audit in August of 1977 to determine the degree of prime sponsor compliance with the eligibility requirements for Public Service Employment for the participants hired during the period May 13, 1977, to August 31, 1977.

Field work of the audit was completed in November and the draft report was issued December 23, 1977. The final report was issued April 10, 1978, incorporating ETA's comments to the draft.

A statistical sample was designed which would allow projection of the findings nationwide. It consisted of 1,829 participant folders examined at 200 subgrantee sites involving 46 prime sponsors. In addition to the participant folders, State Employment Agency and welfare records were examined, work history information was checked with former employers, and selected participants were interviewed.

Of the 1,829 participants examined, auditors found 169 ineligible for participation for various reasons and an additional 37 whose eligibility could not be verified because the records did not contain the information necessary to determine their eligibility.

No costs were questioned in this audit. It was pointed out, however, that if these ineligible rates were allowed to continue (9.23% ineligibles, 2.02% undeterminables), between \$389 million and \$842 million of the Economic Stimulus Appropriations may be spent improperly.

This projection was based on a confidence level of 90%, reliability $\pm 3.4\%$.

Recommendations to the ETA included:

1. Measures to assure that CETA applications contain all necessary information to support eligibility.
2. Measures to assure the accuracy of information provided on the application form.

In his reply, the Assistant Secretary for ETA agreed to the need to keep ineligibles to a minimum, but raised the issue of cost effectiveness of foolproof systems. He stated, however, that ETA would take all necessary and appropriate corrective action steps.

-- Review of Selected FECA Chargeback and Statistical Data

The Office of the Inspector General and the United States Postal Service (USPS) conducted a review of selected Federal Employees' Compensation Act (FECA) chargeback and statistical data. The purpose was to determine the accuracy of the bill to the USPS generated by the chargeback system, and to validate injury data furnished to the USPS which USPS uses to compute its long term liability for FECA benefits. Major weaknesses in the chargeback and payment control procedures were identified which resulted in errors in 49 percent of the cases reviewed and an inaccurate USPS bill. Recommendations were made to the Department of Labor which should provide the internal controls necessary for an accurate chargeback and payment system. OIG also recommended that the USPS furnish complete and accurate information to the Department of Labor.

Corrective actions include USPS payment of the balance due to the Department of Labor (almost 70 million dollars), improved cooperation between the USPS and Labor, USPS compensation personnel receiving training on processing FECA claims, quality control units established in district offices to monitor data entering the system, merging the payment process and chargeback system to eliminate errors inherent in the use of multiple documentation, and reconciliation and edit procedures instituted where they did not previously exist.

-- Federal Employees' Compensation Program

Review of 285 periodic roll case files established under the Federal Employees' Compensation Act in five district offices disclosed deficiencies in the adjudication of claimants' initial eligibility as well as in the monitoring of claimants' continuing eligibility. Auditors also noted that some claimants receiving total FECA disability benefits were concurrently receiving unemployment insurance benefits or were working. Our recommendations included requiring improved compliance with procedures in the district offices and for the National Office to improve their

monitoring to ensure compliance; developing a formalized training program; improving their procedures manual; requiring employers to investigate all injuries; improving medical data by using a panel of OWCP approved doctors; and implementing procedures and actions to deter, when applicable, claimants receiving FECA total disability compensation while concurrently collecting unemployment insurance benefits or while working and earning wages.

Corrective actions include assigning a special unit or individual in each district office to process all new and review all old periodic roll cases, reporting the results of the reviews to the National Office; developing and implementing training programs; revising their procedural manual; revising basic forms to improve employers reporting of injury data and physicians reporting of medical data; revising procedures to require prompt Loss of Wage Earning Capacity determinations; reviewing claimant's free choice of physicians and utilization of OWCP designated specialist; and negotiating an agreement with the Internal Revenue Service and the Social Security Administration to obtain wage information.

-- Longshoremen's and Harbor Workers' Compensation Act Special Fund

A financial audit was made of the Longshoremen's and Harbor Workers' Compensation Act and the District of Columbia Act special fund. Our audit disclosed that the accounting system and internal controls were adequate to safeguard the special fund; therefore, we made no recommendation.

-- Payment Procedures for Airline Teleticketing Service

An audit was performed of the procedures used in reimbursing the airline teleticketing service for National Office employees' travel. The audit disclosed limited or no reconciliation of the airline billing for tickets purchased through the service to employees' travel vouchers, and that the majority of airline tickets purchased were not obtained through the teleticketing process. OIG recommended that the billing be reconciled monthly to travel vouchers, and that except in emergencies, airline tickets for official travel be purchased through the teleticketing service. The auditee agency has implemented a reconciliation between the billing and the travel vouchers, and is in the process of rectifying a staffing problem which will greatly improve the use of teleticketing service.

-- Cash Control Audit

An audit was performed of cash controls in the Office of Accounting and in all of the Regional Administrative and Management Offices. The audit included a review of controls over cash receipts, disbursements, discounts and Government Transportation Requests (GTRs). The audit disclosed inadequate use of controls and compliance pertaining to cash receipts, disbursements, GTRs, and imprest fund operations and the loss of discounts. Our recommendations were

to strengthen compliance with internal controls and procedures pertaining to the handling of cash, the imprest fund and disbursements. We also recommended that cash be deposited on a timely basis and that all discounts be taken. The comptroller for the Department stated that the audit report would be discussed with the Regional Financial Management Advisors and that steps would be promptly taken to correct the reported problems.

-- Utilization of Employment Security Automated Reporting System (ESARS) Data

An audit was made to assess the use of statistical information generated by the Employment Security Automated Reporting System (ESARS), and to review a number of ETA sponsored studies and projects relating to issues covered in our audit. The ESARS review indicated that:

- Vast quantities of data in the ESARS tables were not used.
- ESARS table formats and volume of data produced inhibited use of the tables.
- ESARS users were forced to routinely extract and manually re-format data from various tables.
- Manual statistics were still being maintained by 79 percent of local employment offices surveyed.

We recommended the establishment and implementation of a data base system with flexible report generating capabilities for Employment Service operations. As an interim measure, Federal and State officials should consolidate ESARS data. ETA advised us that they were directing their efforts to develop a flexible data base management system with report generating capabilities.

Our review of a number of ETA-sponsored studies and projects related to ESARS disclosed that there was a need for better coordination, monitoring, and control. We recommended that the Assistant Secretary for ETA establish a central point within his office to coordinate and approve studies and projects requested by Federal and State officials. ETA advised us that it had established a committee to monitor and direct all projects being developed by one of its contractors.

III. FY 1977 Special Impact/Internal Audits:

-- State-Wide Job Bank Review

An audit was conducted to evaluate the effectiveness of local and State-wide automated job bank programs, and analyzed 507,000

- Procedures for determining penalty amounts varied among offices; and
- Standards covering conditions most likely to result in death or serious physical harm had not been identified and emphasized during inspections.

To bring about timely improvement of OSHA's enforcement activities, we recommended that: (1) violation classifications be fully documented, (2) more precise direction be provided for computing unadjusted penalties for non-serious violations, (3) standards pertaining to serious violations be identified and (4) compliance officers concentrate on enforcing these standards.

The Assistant Secretary for OSHA concurred with the recommendations and indicated that implementing action was being taken.

-- Administrative Control of Consolidated Working Funds Bureau of Labor Statistics

Working funds are a type of management fund that is established in connection with the special statistical studies made by the Bureau of Labor Statistics (BLS) for government and non-government organizations.

The procedures for administrative control of funds are delineated in OMB Circular A-34, FMC 74-9, Secretary's Order No. 19-73, Administrative Instruction No. 26-73, and the Manual of Administration.

Our review of the BLS Consolidated Working Fund encompassed fiscal years 1975 and 1976 through August 31, 1976. During the period of our review, BLS had received customer orders with an estimated value in excess of \$29 million. Emphasis was placed on testing the manner in which the consolidated working funds were being controlled.

We found that the Bureau's administrative control over the consolidated working fund was inadequate because it did not provide for an adequate accounting system:

- There were no formal accounting procedures within BLS.
- Obligations were being made without allotments.
- The cost estimates for the BLS special statistical projects were not being uniformly developed or applied.

In addition, our review indicated that control over the consolidated working funds could be improved if:

- Project estimates were based on historical costs modified to account for any projected inflation or cost of living increases.

-- Estimates were applied uniformly.

BLS concurred with our comments and undertook steps to correct the problem areas noted.

-- Audit of the Office of National Programs

An audit was performed to determine the effectiveness of the Office of National Programs in managing its programs. The audit disclosed a need for timely processing of contracts and grants, a more effective monitoring system, and improved pre-award grant reviews. It also disclosed some duplication in the monitoring efforts of Regional, National and other Federal agencies, and that it is more economical to monitor from Regional Offices. We recommended actions to enable the timely processing and improved monitoring of contracts and grants; the detailed review of grant applications prior to the issuance of grants; revision of the monitoring system to eliminate duplication; and the decentralization of selected National Office field representatives to the Regions where justified. Reported corrective actions included actions necessary to enable the timely processing and improved monitoring of grants and contracts, the detailed review of each grant application, the investigation of the possibility of developing a monitoring system that will reduce duplication and the development of a plan for the decentralization of selected field representatives to be considered at an appropriate future time.

THE WHITE HOUSE
WASHINGTON

September 9, 1977

MEMORANDUM FOR THE HEADS OF EXECUTIVE

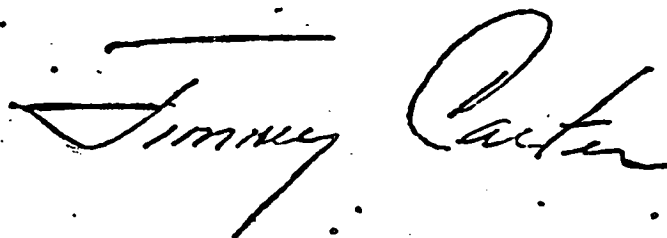
DEPARTMENTS AND AGENCIES

SUBJECT: Sharing Federal Audit Plans

The Administration is committed to forging new ties of cooperation among all levels of government. We want to eliminate the duplication and wasteful effort that too often has accompanied the management of Federal grants to State and local governments.

One area where improvements can be made is in coordinating the audit of these grants. All three levels of government have audit responsibilities, but it does not make sense for them all to audit the same transactions. Therefore, in order to improve coordination, I am ordering all Federal executive agencies to make public the State and local portion of the annual audit plans required by Federal Management Circular 73-2. The plans will be available to State and local governments, to the National and Regional Intergovernmental Audit Forums, and to other interested parties. The plans would also be available to the general public, and would be submitted to OMB prior to the beginning of the fiscal year in which they are to be implemented. They should be updated periodically throughout the year as significant changes are made.

I expect Federal agencies to use their audit plans as a basis for making greater efforts to improve interagency cooperation on audits, to increase Federal coordination with State and local auditors, and to increase reliance on audits made by others.

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in black ink on a white background.

U S DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

NOV 6 1973

MEMORANDUM FOR EXECUTIVE STAFF

FROM: Secretary of Labor, Ray Marshall

SUBJECT: Audit Program Review *Ray Marshall*

Background: A well-managed audit program provides an important tool to program managers to help them assess the effectiveness of program operations and assure the proper expenditure of funds by grantees and contractors. It should also serve as a basic tool for program managers to utilize in planning actions to correct deficiencies and to obtain the recovery of funds which have been improperly expended.

Congress and the GAO have recently criticized the audit program of the Department, including the failure of program managers to take expeditious and appropriate action on audit findings. It is imperative that our audit program be operated in compliance with all Federal requirements and standards; that resources devoted to audit operations be effectively utilized and managed; that timely, accurate and factual audit reports be issued; that differences between the audit staff and program managers be promptly resolved; and that program managers assume full responsibility for expeditious and proper action on audit findings and recommendations.

A well-operated audit program will allow us to better meet our program objectives and curb the inflationary impact of inappropriate expenditures and practices.

Action and Purpose: To assure that our audit program is being managed effectively and achieves the desired results, I am directing that a comprehensive review of the audit program be undertaken. This review will evaluate our current procedures, compliance with standards and requirements, quality controls, relations between the audit staff and Departmental program managers, and actions taken on audit findings and recommendations.

Particular attention will be given to the utilization of resources, increasing the number of audits conducted, the quality of our audits, the validity of findings, and the use of management information systems. It is hoped that the examination will allow us to develop specific objectives, pinpoint particular problems and develop a plan to improve our current operations.

The review will be made by inviting various informed individuals from within and outside the Department to provide information on the audit program of the Department and other Federal agencies. DOL audit and program agency personnel, GAO, CPA firms, State and local representatives and other Federal audit program managers will be asked to participate. Presentations by these individuals will be made to a high level panel comprised of top management personnel of the Department. Utilizing the information, the panel will make recommendations to me for action and implementation. The panel composition is:

Alfred G. Albert
Deputy Solicitor

Craig A. Berrington
Executive Assistant to the Under Secretary

Robert Davis
Deputy Assistant Secretary for Administration
and Management

R. C. DeMarco
Inspector General - Acting

Shirley Downs
Assistant to the Deputy Under Secretary
(for Intergovernmental Relations)

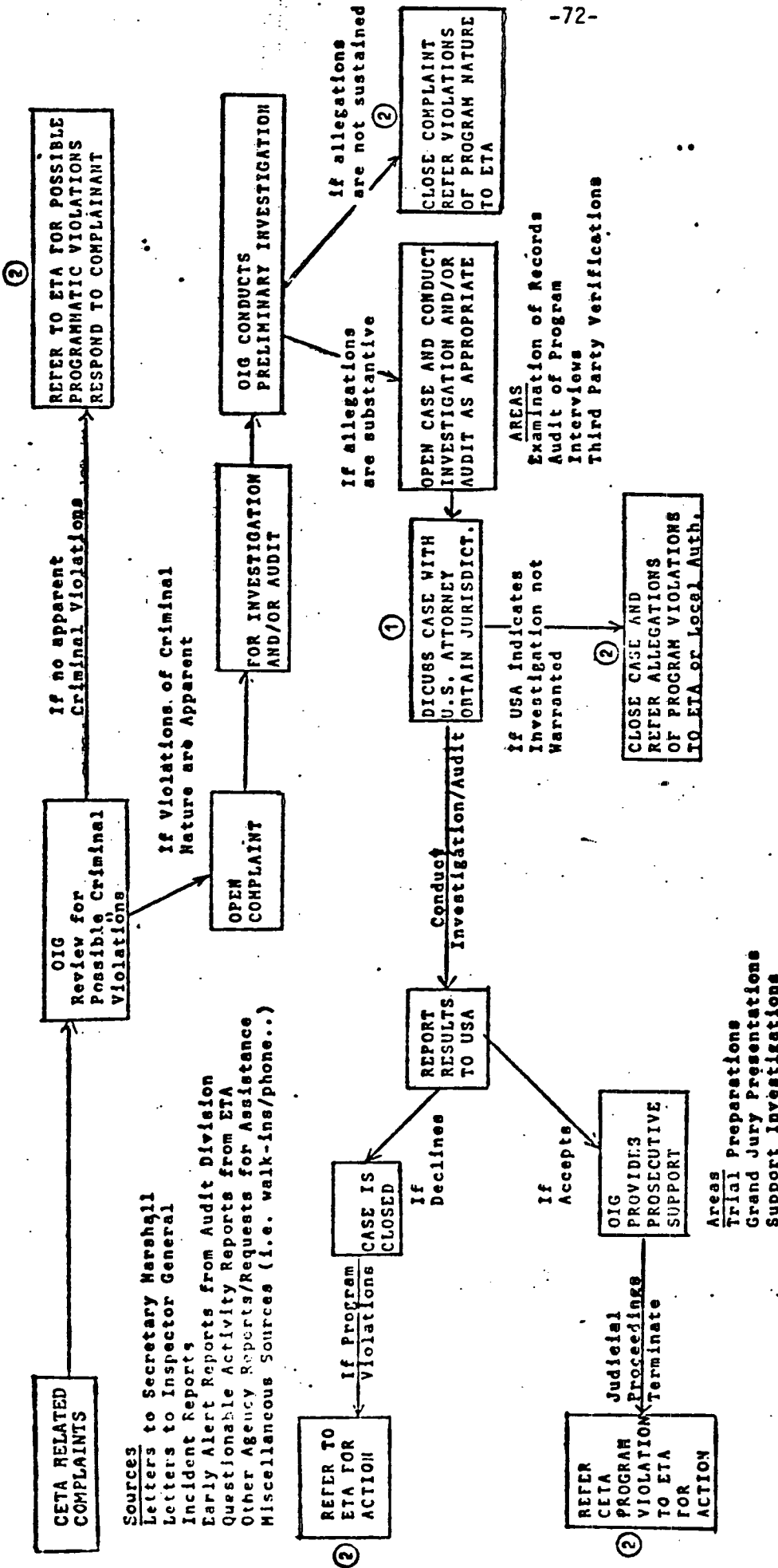
Peter Henle
Deputy Assistant Secretary for Policy,
Evaluation and Research

John Leslie
Director, Office of Information, Publications
and Reports

Walter Shapiro
Special Assistant to the Secretary

Lawrence Weatherford
Deputy Assistant Secretary for Employment
and Training

I have asked Craig Berrington to serve as Chairman of the panel. Craig will be contacting panel members to map out plans for the review.



OFFICE OF INSPECTOR GENERAL Diagram of the normal course of a CETA investigation

NOTE: Though this flowchart refers specifically to CETA complaints, the overall process holds true as well for other types of complaint received by OIG. Early contact is made with the U.S. Attorney (USA) at ① to establish the direction of case investigation. OIG may be assigned sole investigative jurisdiction over a case, or may share investigative jurisdiction with other federal law enforcement agencies. If at any time during the complaint investigation process a decision is made that the case does not fall within the investigatory jurisdiction of OIG, a referral is made to EIA (Points ②) to handle the programmatic issue.

U. S. DEPARTMENT OF LABOR

APPENDIX J

OFFICE OF THE SECRETARY

WASHINGTON

MAR 22 1979

MEMORANDUM FOR: Under Secretary
Assistant Secretaries
Solicitor
Acting Commissioner of Labor
Statistics
Deputy Under Secretaries
Director, Women's Bureau
Acting Inspector General
Director, Office of Information,
Publications and Reports

FROM: Secretary of Labor *Ray Marshall*

SUBJECT: Interim Procedures for Reporting
Known or Suspected Abuses, Criminal
or Programmatic Violations and
Employee Misconduct Affecting
DOL Programs, Operations, and
Employees

As you are aware, our efforts to strengthen our capabilities in the prevention and detection of abuse and fraud within the Department of Labor are of the highest priority. A systematic procedure for reporting instances of suspected or actual fraud, abuse or criminal conduct is a vital link in this overall effort.

To facilitate early implementation of such a system, I am establishing, effective immediately, interim procedures for reporting all instances of known or suspected fraud, program abuse, or criminal conduct by DOL staff, contractors, or grantees. These interim procedures are intended to provide a simple and effective system for reporting such instances to the Office of the Inspector General while permanent procedures are in the lengthy process of finalization and clearance.

All Departmental Agencies are to utilize the enclosed interim procedures and DOL Form 1-156 for reporting to the Office of the Inspector General and their own key management staff. To assure expeditious handling of such information, please designate key officials in your Agency to coordinate the reporting of such incidents to the OIG.

Enclosed is a detailed explanation of the interim procedures and the use and preparation of the Incident Report Form. Any questions you may have can be directed to the Office of the Inspector General.

Enclosure

INCIDENT REPORT	1. DATE OF REPORT	2. AGENCY DESIGNATION CODE (Yr.) (Agency) (Report No.)	-75-	3. FILE NUMBER
				FOR IG U

4. TYPE OF REPORT: Initial Supplemental Final Other (Specify) _____

5. TYPE OF INCIDENT: Conduct Violation Criminal Violation Program Violation

6. ALLEGATION AGAINST: DOL Employee Contractor Grantee Program Participant or Claimant
Other (Specify) _____

7. LOCATION OF INCIDENT:

8. DATE & TIME OF INCIDENT/DISCOVERY:

9. SOURCE OF INFORMATION: Public Contractor Grantee Program Participant
Audit Investigative/Law Enforcement Agency (Specify)
_____ Other (Specify) _____

10. CONTACTS BY LAW ENFORCEMENT AGENCIES:

11. EXPECTED CONCERN TO DOL: Local Regional National
Media Interest Executive Interest GAO/Congressional Interest
Other (Specify) _____

12. DOL PROGRAM INVOLVED: CETA SESA OSHA OWCP LMWP MSHA
Other (Specify) _____ Value of Funds Involved: \$ _____

13. INFORMATION ON PERSON(S) INVOLVED:

NAME	GRADE	POSITION OR JOB TITLE	EMPLOY- MENT ¹	LOCAL ADDRESS (Street, city, OR ORGANIZATION IF EMPL

NOTE: ¹ ENTER ONE OF THESE CODES: U-Unemployed; G-Grantee; C-Contractor; D-DOL Employee; F-Other Federal Employee; P-Program Participant or Claimant.

14. SYNOPSIS OF INCIDENT:

-76-

15. TYPED NAME & TITLE OF RESPONSIBLE OFFICIAL

16. SIGNATURE OF RESPONSIBLE OFFICIAL

17. COPIES FURNISHED TO:

18. ATTACHMENTS: (LIST)

Use and Preparation of DL Form 1-156, Incident Report

A. Purpose. Form DL 1-156 is to be used for reporting to the Office of Inspector General incidents of program abuse, fraud or other criminal violations involving DOL programs and operations.

B. Responsibilities of Managers and Supervisors.

In the normal course of their work, DOL managers and supervisors frequently become aware of instances of actual, potential, or suspected fraud and abuse in the programs and operations of their Agencies or in grantees and contractors working in these areas. Instances of violations of the standards of conduct of DOL employees, instances of actual or suspected criminal violations, and instances of gross program mismanagement, violations of regulations, or misuse of federal funds may also come to their attention.

DOL Managers and supervisors are responsible for reporting all such actual or suspected violations to the Office of Inspector General (OIG) using the Incident Report, DL 1-156. While such information may be phoned directly to the OIG at 523-7499, phoned reports should in all cases be supplemented by submission of the Incident Report within 72 hours.

C. Use of the Incident Report, Form DL 1-156.

1. As an Initial Report

The DL 1-156 is designed primarily as an initial report of actual or suspected violations to inform the OIG that a violation has occurred. It should also be used to initially inform OIG of cases involving DOL employees, programs, and operations being investigated by or reported to other investigative agencies.

2. As a Supplemental Report

The DL 1-156 should also be used to submit supplemental information not available at the time the original or final report was submitted.

3. As a Final Report

Form DL 1-156 should be used when:

- (a) An incident is solved, resolved, or otherwise settled.
- (b) It is determined that the matter cannot be resolved at the agency level and the case is administratively closed.
- (c) Upon final adjudication or imposition of administrative/disciplinary action against the person or organization involved. Final reports will be submitted without awaiting the results of adjudication. When adjudication results become known, a supplement to the final report will be sent to OIG indicating the results.

D. Completion of the Incident Report

Form DL 1-156, will be completed as follows:

Block 1. Enter the date the form is actually signed by the responsible agency official.

Block 2. Enter the calendar year in which the report is being submitted, the agency code designation, and a number to indicate the chronological sequence of the report, e.g. 77-A-1 would show that the report was the first one submitted in calendar year 1977 by the Office of the Assistant Secretary for Administration and Management.

Block 3. Leave blank. For use by OIG only.

Block 4. Indicate the type of report being submitted by checking the appropriate block. If the report is both an "Initial" and a "Final" report, then place a check in both the initial and final blocks.

Block 5. Check appropriate block.

Block 6. Check appropriate block

Block 7. Enter the location where the incident occurred. A general geographic (city, town,) location or mail address may be used.

Block 8. Enter the date and time that the incident occurred. If positive information is lacking then enter the best estimate of the date and time of occurrence. If it is not possible to render a "best estimate", enter the date and time of discovery of the incident.

-3-

Block 9. Check appropriate block.

Block 10. Any information requested by any law enforcement agency should be reported here. Identify the officer and/or agency who made the request. In Block 14, describe what information was requested from and offered to the outside agency.

Block 11. Indicate the type of interest/publicity that the incident may generate, or actually has generated, by placing a check in the appropriate block. If necessary, a brief statement of explanation may be included in Block 14.

Block 12. Check appropriate block.

Block 13. Complete as necessary. If additional space is needed, use Block 14.

Block 14. Synopsis - This is a clear concise statement of the incident which should include:

(a) (Where). Identify the time and date when the incident occurred; when it was discovered; when it was reported to supervisory personnel, OIG, or other law enforcement agency; and whether an inventory was conducted to determine extent of loss.

(b) (What). Describe the complete incident in as much detail as is available and necessary to give a complete picture of what happened. Cost/value figures will be shown in the appropriate place in Block 12.

(c) (Who). Enter the names of those principal personnel who are listed in Block 9 and Block 13 as well as other personnel whose identities are necessary to complete the narrative and give the reader a complete picture of what happened. Include, when applicable, complete identities of persons/agencies to whom the incident is reported or referred. If needed for purpose of clarification, include the reason(s) why nonprincipal personnel were involved, e.g., fire department personnel who made pertinent determinations in a suspected arson incident.

(d) (Where). Clearly specify the location where the incident occurred, e.g., a certain building, an area/room within a building, a particular contractor, grantee location. If the direction and distance from an identifiable point of reference (e.g., building, street intersection, bridge) is known this should be indicated.

(e) (Why). Frequently the motive for an incident is not readily discernible (e.g., a suicide or property destruction) or it must be deduced from the existing facts and circumstances. If the "why" for an incident is known or suspected it will be reported. When a suspected motive is reported, the basis/rational for the suspicion will be noted.

(f) (How). Report the manner/method by which an incident actually or probably was committed and discovered. "How" an incident was discovered and committed should be reported in sufficient detail to assist proper authorities in the development of preventive measures.

Block 15. Self-explanatory.

Block 16. Self-explanatory.

Block 17. Self-explanatory.

Block 18. Self-explanatory.

Continuation: Entries requiring additional space may be continued at the end of the synopsis entry in Block 14 or on a separate sheet(s) of bond paper. Each continuation sheet will be headed "Continuation" and indicate the Activity Identification Code from Block 2.

E. Supporting Documentation. All documentation (e.g., photographs, drawings) pertinent/relevant to the incident or necessary to clarify the attendant facts will be forwarded with the DL 1-156 if the OIG has not already been provided such supporting documentation.

F. Copies of Reports. The original Incident Report will be forwarded to OIG with a copy to the key Agency Official responsible for coordinating incident reporting. A duplicate copy will be retained in the files of the originating office.

G. Transmission of Reports.

(a) Within NDOL, reports should be transmitted within two working days in a sealed envelope addressed to: Inspector General; Room S1303. Forward simultaneous copy to the appropriate key management official of the reporting agency.

(b) Outside NDOL, mail the Incident Report to Inspector General; P.O. Box 1924; Washington, D. C. 20013. Forward simultaneous copy to appropriate key management official of the reporting agency.

(c) Electrically transmitted incident reports must include all elements (blocks) of information noted on the DL 1-156.

APPENDIX K: ADP REVIEW FINAL REPORTS ISSUED OCTOBER 1, 1978 -
MARCH 31, 1979.

<u>Name of Review Entity</u>	<u>Type of Review</u>
1. Minnesota State Information Systems and Minnesota Department of Employment Services	ADP Centralization - Reports
2. Florida Department of Commerce, Caldwell Data Center	ADP Cost Determination - Report
3. Employment Standards Administration Office of Workers' Compensation Pgm. Division of Coal Mine Workers	Black Lung Application- Survey Report
4. Employment Standards Administration Office of Workers' Compensation Pgm. Division of Federal Employees Compensation	FECA Application - Survey Report
5. Colorado Division of Employment and Training Division of Automated Data Processing	Security - Report
6. National ADP Cost Determination	Cost Determination - Survey Report
7. U.S. Department of Labor Computer Center	Security - Management Letter