

THE INSPECTOR GENERAL'S MESSAGE

This semiannual report of the Office of Inspector General (OIG) details some of our most significant accomplishments for the period April 1 - September 30, 1998. During this period, the OIG focused its audit and investigative resources on activities that support accomplishment of the goals established in our strategic plan. These goals reflect the OIG vision to provide the Department of Labor (DOL) and Congress with quality information, recommendations, and technical assistance. Particularly noteworthy during this reporting period have been our accomplishments in:

- identifying and effecting the return to the Government of \$6.1 million in employment and training funds improperly held by a grantee;
- identifying an effective mechanism to increase the distribution of millions of dollars in back wages owed to workers that are held in trust by the Department;
- identifying ways to enhance the Mine Safety and Health Administration's regional coal mine safety and health inspections program;
- identifying and calling attention to the problems faced early next year by the Unemployment Insurance System as a result of the Year 2000 problem;
- providing consultation assistance to DOL agencies in their implementation of the Government Performance and Results Act and the Information Technology Management and Reform Act;
- uncovering fraud against DOL's unemployment and disability compensation programs;
- combating labor racketeering in unions and the workplace through successful indictments and convictions in the areas of employee benefit plans, labor-management relations, and internal union affairs; and
- calling attention to legislative changes needed to improve aspects of the Department's pension, workers' compensation, and program evaluation functions.

My staff and I are committed to effecting positive change, reducing vulnerabilities, and contributing to the Department's achievement of its own strategic goals. I look forward to continuing to work effectively with the Secretary and DOL staff at all levels in our common goal of ensuring the effectiveness, efficiency, and integrity of the programs that serve and protect American workers and retirees.

Charles C. Masten
Inspector General

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SIGNIFICANT CONCERNS

UI SYSTEM AT-RISK FOR Y2K COMPLI- CATIONS

The Unemployment Insurance (UI) System processes about \$22 billion in benefit payments annually in 53 jurisdictions nationwide. UI benefits are provided to approximately 7 million people through a Federal-State partnership with each state's State Employment Security Agency (SESA) office. The OIG is concerned with the effect the Y2K problem will have on the benefit component of the UI system because it has to be compliant by January 1, 1999. When initiating an unemployment insurance claim, a benefit year is established for 1 year forward from the date when the claim is filed. Therefore, if a claim is filed on January 4, 1999, the system will calculate a benefit year ending date of January 4, 2000. Consequently, a system could deny benefits and/or eligibility to a claimant who files after January 1, 1999, if it is not Y2K compliant. There are seven states and territories struggling to maintain sufficient Y2K progress. They include: Arkansas, Delaware, the District of Columbia, Montana, New Mexico, Puerto Rico, and the Virgin Islands. These jurisdictions make about \$140 million in benefit payments to 195,000 claimants quarterly. Each of these have their own unique UI system architecture, applications, and associated problems that could cause Y2K difficulties. In addition to the seven "at-risk" states and territories, other states were placed on a "watch list" due to previous performance problems relating to system development efforts. These states include: Illinois, Louisiana, Maine, and Nevada.

DOL officials are focusing on the problem and formed a technical assessment and assistance team that recently met with representatives from Puerto Rico. However, Y2K UI solutions must be found and implemented before January 1999 to ensure a smooth transition and continuation of benefits for individuals who must temporarily rely on UI as a source of income.

**LACK OF
COVERAGE OF DOL
INFORMATION
TECHNOLOGY
ACTIVITIES**

Information Technology is a high-cost, critically important function, providing essential data and information to the Congress, the public, and the Department itself. DOL program officials use information residing in DOL computers to pay benefits, target enforcement efforts, compile labor statistics and make other decisions that affect the health, safety, and economic security of Americans. In addition, Congress depends on this information to assess the results and impact of DOL programs.

Because of the high cost and importance to DOL's mission, investments in information technology related to large mission-critical systems pose great risks. The risks need to be identified and mitigated to avoid inflated budgets, cost overruns, and delays. Auditing the life-cycles of these system development efforts is critical to ensuring they meet their intended objectives at acceptable costs. Recent developments, including the Year 2000 problem and widely publicized breaches of Government computer security and personal privacy, have focused further attention on this issue.

As the Department becomes more dependent on the use of IT to carry out its mission, the OIG has developed a 5-year audit plan identifying and prioritizing IT issues for oversight. However, we are concerned that competing priorities and increased statutory mandates have diffused the OIG's ability to provide adequate coverage of IT issues in the Department. Without the ability to oversee DOL's management of its IT functions, the OIG cannot provide assurances that the Department is producing accurate data, with appropriate data security, within the requirements of applicable laws. An even greater risk lies in the potential disruption of services, benefits, and information on which Americans depend.

**CONTINUED
PROLIFERATION OF
UI FRAUD SCHEMES**

OIG oversight of the UI program has identified system weaknesses including a significant increase in the number of fictitious and fraudulent employer schemes, internal embezzlement schemes, and the fraudulent collection of UI benefits by illegal aliens using counterfeit or unissued social security numbers. As a result of OIG's shifting of resources to investigate UI fraud, we have uncovered a substantial increase in multi-state fictitious and fraudulent employer schemes. These investigations have identified schemes which have resulted in substantial

losses to the UI trust fund. Additionally, in several investigations the perpetrators possessed documents that would enable them to expand their fraudulent filings by introducing fictitious employers and claimants into state UI programs. Our investigations have disclosed that the ability to file electronic and mail claims presented these individuals with the opportunity to defraud multiple states from a single location. In addition, individuals were able to create unlimited false identities through the use of fraudulent or unissued social security numbers thereby creating an unlimited potential for filing false claims. The OIG is very concerned about the continued proliferation of these types of schemes against the UI program.

**ABUSES BY
PENSION PLAN
SERVICE
PROVIDERS**

Private pension plans, with an estimated \$3.5 trillion in assets serve as an attractive target to organized criminal elements, corrupt pension plan officials, and individuals who influence the investment activity of the pension assets. Recently, labor racketeering investigations involving the investment of pension plan monies that are jointly administered by labor union representatives and management representatives (Taft-Hartley plans), have elevated the OIG's concern over the security of the assets in this segment of the pension plan universe.

OIG investigations have uncovered many criminal enterprises perpetrated by financial and investment service providers to the Nation's pension plans. These investigations have revealed abuses by sophisticated investment advisors and pension plan administrators who have the opportunity and ability to structure complex financial schemes to conceal their criminal activity. The OIG is concerned that abuses by financial investment service providers can result in great dollar losses because they typically provide investment or financial advice to more than one plan.

Based on recent investigative results and the fact that service providers typically control the investment of hundreds of millions of dollars of pension monies, the OIG has identified this area of the pension arena as especially vulnerable to organized crime activity and abuse.

**WORKFORCE
DEVELOPMENT
LEGISLATION
PRESENTS
CHALLENGES FOR
COST SHARING
AND PROGRAM
REPORTING**

The Workforce Investment Act of 1998 (WIA) was signed into law on August 7, 1998. The Act authorizes workforce development activities to be carried out through statewide and local workforce investment systems to increase the employment, occupational skills attainment, retention and earnings of participants, in turn reducing welfare dependency and improving the productivity of the Nation's workforce. WIA repeals the Job Training Partnership Act, DOL's principal employment and training program, effective July 1, 2000, and promotes coordination among programs in the workforce development arena. The Employment and Training Administration (ETA) plans to publish an interim final rule in February 1999 to implement the WIA programs under its jurisdiction.

A significant feature of WIA is the establishment of one-stop delivery systems within each local workforce investment area. WIA designates certain entities -- including WIA Title I Workforce Investment System providers, welfare-to-work systems, Wagner-Peyser Act programs, vocational rehabilitation operators and others -- as required one-stop partners. The one-stop delivery system may include additional partners, such as Food Stamps programs, at local discretion. WIA requires that each local workforce investment board enter into memoranda of understanding with the partners to define how the one-stop system will operate in the local area.

Included in the required memoranda of understanding is how the costs of the system and the services provided will be funded. However, cost funding and cost sharing present special problems in a one-stop environment. Even before the passage of WIA, states and local governments moving toward integrated service delivery were faced with the challenge of allocating costs among the participating agencies. Because funding was received under multiple Federal, state and local programs, the early attempts at integration were often confronted with disparate rules and limitations regarding which costs were allowable, and to what extent, under each funding stream. Individual Federal programs were subject to different cost principles depending on the type of entity receiving the funds; JTPA was not directly subject to any Federal cost principles, but rather, to "substantially equivalent" principles, as prescribed by the Secretary of Labor.

These complexities greatly increased the administrative burden of accounting for costs and benefits in an environment where it was increasingly difficult to discern to which program the participants belonged and who should be paying the cost of their services. Moreover, a fundamental principle of Federal grant accounting -- that costs may be charged to a Federal program only to the extent that benefits are received by that program -- created potential hazards for the participating agencies. For example, where a particular item of shared cost was not allowable under one set of program regulations, a disproportionate amount may have been borne by the other participating funding sources, contrary to Federal cost principles.

To assist the early one-stops in addressing these issues, ETA published a technical assistance guide, *Sharing Resources to Provide Integrated Services - A Guide to Activity-Based Cost Allocation*, in April 1996. The guide proposed alternative cost allocation methodologies focusing on bottom line measures of benefits based on outcomes achieved (supportive services, training completions and job placements, for example), as opposed to more traditional approaches that emphasized processes and inputs (time, effort, space, etc.). Because of the new methodology's potential for reducing the administrative burden associated with grant cost accounting, the Office of Management and Budget approved the guide for application on a pilot basis by a limited number of one-stop operators during Fiscal Years 1997 and 1998.

We encourage ETA to continue its efforts to reduce the administrative burden of cost sharing in an increasingly integrated environment. We believe such efforts will enhance the ability of the WIA system to provide meaningful accounting for program costs by benefits received. Moreover, ETA's initiative furthers the objectives of the Chief Financial Officers Act and the Government Performance and Results Act by moving the system toward measuring the full costs of results achieved under the Nation's workforce development programs.

We note that the same difficulties confronting cost sharing under the new workforce development system will also affect program results reporting, as the various organizations attempt to portray the achievements associated with their respective investments.

The potentially fluid nature of how participants will move into and out of the various programs' domains, further complicated by differing definitions of program inputs and outcomes, will tax the system to come up with ways to fairly present their programmatic results. We encourage ETA to address these issues through the policy development and rule making process.

**DOL FINANCIAL
SYSTEMS'
COMPLIANCE WITH
NEW FEDERAL
REQUIREMENTS**

As noted in our last semiannual report, the Department has made great strides in financial management and has positioned itself to prepare timely and accurate annual financial statements, as required by the CFO Act and the Government Management Reform Act. This is most notably evidenced by the fact that the Department received its first ever clean opinion on its financial statements for FY 1997. However, despite this progress, DOL still faces several significant deficiencies in its day-to-day accounting operations, primarily related to needed improvements in financial management system design.

The OIG is required by the Federal Financial Management Improvement Act (FFMIA) to assess the Department's financial management systems for compliance with a number of financial management and accounting requirements. We have determined that seven DOL systems do not substantially meet one or more of these requirements. These systems pertain to the accounting for back wages, ETA grant-related receivables, MSHA and OSHA penalties, and Job Corps' investment in real and personal property. FFMIA gives the Department 3 years to correct the noted deficiencies. The Department is now entering year 2 of the 3-year period. The Department should employ every effort to ensure these system deficiencies are corrected within the required time frame. We will assess the Department's progress during our audit of the FY 1998 financial statements.

SELECTED STATISTICS

Office Of Audit

Reports Issued On DOL Activities	47
Total Questioned Costs	\$20.8 million
Dollars Resolved	\$9.3 million
Allowed	\$1.0 million
Disallowed	\$8.3 million
Recommendations That Funds Be Put To Better Use	\$2.3 million
Other Monetary Impact	\$5.2 million

Office Of Investigations

Cases Opened	313
Cases Closed	224
Cases Referred For Prosecution	227
Cases Referred For Administrative/Civil Action	175
Indictments	195
Convictions	144
Debarments	27

Recoveries, Cost Efficiencies, Restitutions, Fines/Penalties, Forfeitures, And Civil Monetary Action	\$29,214,485
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NOTE: The Office of Investigations conducts criminal investigations of individuals which can lead to prosecutions ("convictions") by criminal complaints, warrants, informations, indictments, or pre-trial diversion agreements. Successful prosecutions may carry sentences such as fines, restitutions, forfeitures, or other monetary penalties. The Office of Investigations' financial accomplishments also include administrative and civil actions which are further detailed and defined can be found on page 90 of this report.

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EMPLOYMENT AND TRAINING

OIG Goal: Optimize the use of funds appropriated for training and employment programs by enhancing program performance and accountability

The Department of Labor is charged with providing employment and training services for the unemployed and underemployed, employment security for workers, and for administering programs that are directed to the employment needs of U.S. workers and the workforce needs of employers. The Department's Employment and Training Administration (ETA) administers a number of statutes related to this function. This function is accomplished through grants to states and through National programs.

This continues to be a critical time in DOL's history with respect to employment and training because DOL's programs are an important factor in the implementation of welfare reform. The Department's ability to provide effective training and employment services to help individuals transition from dependency on public assistance to self-sufficiency is key to the success of welfare reform. Of equal importance is the fact that with the passage of GPRA, Congress and the Administration are mandating that programs be effective, have a positive impact, and produce a positive return on the taxpayers' investment.

Because of the importance of DOL's employment and training activities, the OIG has a goal under its 6-year GPRA Strategic Plan. Accordingly, the OIG is utilizing its extensive, in-house experience with these programs to provide information to the Department and Congress regarding key programs.

During this reporting period, the OIG devoted significant resources toward achieving our employment and training strategic goal. The OIG completed audits relating to various key programs that identified performance problems and financial compliance weaknesses. Illustrations of our audit activities follow. The Job Training Partnership Act (JTPA) is the largest training program administered by ETA. The purpose of JTPA is to prepare youths and adults facing serious barriers to employment

for participation in the labor force, by providing them with training and other services that will result in increased employment and earnings.

JOB TRAINING PARTNERSHIP ACT

We performed an audit of the JTPA Title II-A program's efforts to serve the Aid to Families with Dependent Children (AFDC) population by evaluating services received and outcomes obtained for AFDC recipients who terminated from the JTPA program during the period July 1, 1995 through June 30, 1996. Our purpose was to establish some benchmarks which could be used to evaluate future programs' progress in serving AFDC participants.

Audit of JTPA Services to AFDC Population

While JTPA provided occupational skills training to only 32,238 of 76,246 participants in the program year covered in our audit, the audit revealed that those participants who received occupational skills training had higher placement rates with employers, higher earnings in the year following termination from the program, and were more attached to a single employer than those who did not receive occupational skills training. Furthermore, while only a small percentage of those with math/reading skill deficiencies received non-occupational skills training to address those needs, those who received such training had higher earnings than those who did not receive training.

Of the 76,246 AFDC recipients served under JTPA during our audit:

- 42,488 (**56 percent**) received JTPA-funded training
- 19,005 (**25 percent**) appeared to have received some type of training from other funding sources (e.g., JOBS, Pell grants)
- 14,753 (**19 percent**) received no training from any source
 - 774 received some JTPA-funded supportive services
 - 13,979 received only objective assessment

JTPA outcomes for AFDC recipients:

- **AFDC Status:** 52,238 participants (69 percent) were not receiving AFDC at the time of our audit fieldwork. However, the reason these participants' AFDC was stopped does not appear to be because of the participants' post-JTPA earnings: 15 percent had no earnings, and 44 percent had no earnings or earnings of less than \$5,000 for the four quarters following the quarter of termination from the JTPA program.
- **Earnings capacity:** For the 4 quarters following the JTPA program termination quarter, 23 percent of all AFDC recipients had no earnings, 40 percent had no earnings or earned less than \$2,500, and 54 percent had no earnings or earned less than \$5,000. Participants who received JTPA-funded occupational skills training tended to have more earnings in the year following the quarter of termination from the JTPA program than those participants who received only non-occupational training or objective assessment. Furthermore, participants who received non-occupational skills training to address reading and math skills deficiencies earned more than those who did not receive the training.
- **Participants' attachment to the labor market:** For the year following their program termination, 29,875 participants (39 percent) had wages in all four quarters. Of these participants, 19,685 (66 percent) had wages with only one or two employers. Of the 19,685, 73.5 percent received occupational training while in JTPA.
- **Placement rates into unsubsidized employment:** The Service Delivery Areas (SDA) reported placements for 38,364 participants (50 percent). We found that 69 percent of the participants who received occupational skills training were placed, 39 percent of those who received only non-occupational skills training were placed, and only 4 percent of those who received no training were placed.

Characteristics of AFDC recipients:

- The typical AFDC recipient who enrolled in the JTPA program was an unemployed, single mother under 30 years of age with one dependent. The participant had little or no previous work history, a 12th grade education or GED, and received between \$250 and \$500 per month in AFDC benefits.
- The vast majority (76 percent) of JTPA's AFDC recipients had a high school diploma/GED education or higher, although the reading and math skills for these participants did not reflect the higher level of education (i.e., of the high school graduate/GED education level participants, 45 percent had math skills and 14 percent had reading skills below the 9th grade level).
- Further, 9 percent of the participants had no barriers to employment, and 71 percent had two or fewer barriers to employment documented in the Standardized Program Information Report (SPIR) or SDAs' management information systems.

This report was intended for informational purposes and did not include any recommendations. (Report No. 06-98-002-03-340; issued May 7, 1998)

Audit of Florida's Performance Based Incentive Funding Program

The OIG audited Florida's Performance Based Incentive Funding (PBIF) program. Community colleges and adult vocational schools that participated in the PBIF program received fixed-fee "incentive payments" when JTPA eligible students enrolled in prescribed courses, received another fee after a JTPA student completed training, and received a final incentive payment when a JTPA student found a job. The fees were loosely based upon the schools' average per-student-instructional costs for the previous year. The fees were recalculated annually. Florida's legislature required that PBIF funds be used for such purposes as upgrading equipment and expanding educational programs.

We reviewed PBIF program activities that occurred during the period March 1, 1995 through June 9, 1998. As a part of our audit, we selected a random sample of 18 community colleges

and school districts and a sample of 270 JTPA participants for whom the schools had received "incentive payments" to determine what services had been received. Most of the students had been referred to the schools by Regional Workforce Development Boards (RWDBs), which also receive JTPA and other Federal monies.

In our sample, RWDBs paid for 92 percent of JTPA students' tuition and fees from Federal sources (predominately JTPA funds). Hence, the "incentive payments" received by the schools were in addition to tuition and fees already paid with JTPA funds for students referred by the RWDBs.

Interviews with school officials and students alike revealed that JTPA students were required to meet the same entrance criteria, had to satisfy the same academic requirements, and received the same placement assistance as the general student population. School officials indicated they did not provide JTPA students with any services that were not available to the general student population.

Our audit concluded that the fees paid the schools were not justified. For JTPA expenditures to be allowable, they must be necessary and reasonable, provide activities which are in addition to those already available in an area, and not be a general expense required to carry out responsibilities of state or local governments.

We concluded that the PBIF program is a funding mechanism that uses JTPA monies as a means of supplanting Florida's adult educational costs. There is no distinction between the services provided JTPA students, for whom the schools received additional fees (incentive payments), and the services provided to the general student population. Had JTPA funds not been available, state and local funds would have been required to enhance adult vocational programs.

We recommended that ETA recover \$11,419,499 of JTPA funds that Florida misspent on the PBIF program and any additional JTPA funds misspent on the program subsequent to our audit

period. We also recommended that ETA closely monitor Florida's grant activities to ensure that programs are consistent with the JTPA.

In its response, Florida indicated that the PBIF program was never intended to fund special services to any sub-set of its student clientele. The response also indicates that without financial inducements, the schools are under no obligation to re-focus their programs on high skills/high wage programs or expand their capacity to serve more students, particularly those from "designated populations."

We disagree. The PBIF program operated outside the parameters allowed by the JTPA's provisions. JTPA monies are provided expressly for the purpose of assisting certain target group members. As Florida residents, JTPA participants are entitled to have a portion of their educational costs borne by the State, as occurs for other students. However, the PBIF program did not use JTPA funds to provide additional services or assistance to JTPA students. (Report Number 04-98-005-03-340; issued September 25, 1998)

Audit of JobMatch Grant

We performed a financial/compliance and program results audit of JobMatch, one of 13 DOL-funded demonstration projects comprising the Health Care Workers Retraining Program administered under JTPA Title III. JobMatch was jointly operated by the Service Employees International Union and San Francisco State University to serve 100 "at risk" employees of San Francisco's Department of Public Health. The audit covered the grant period June 30, 1995 through December 31, 1996.

We concluded that ETA could not rely on the financial or program results reported by JobMatch. The *Grantee's Detailed Statement of Costs* did not accurately reflect allowable expenditures made by JobMatch in accordance with the grant agreement. In addition, the program results reported by JobMatch were not reliable or complete.

For the audit period, JobMatch reported and claimed costs of \$471,810. Due to the weaknesses in internal controls and lack of supporting documentation for certain costs, we questioned \$243,078, or over half of the total claimed. We also found that

JobMatch had not accurately reported program results or fulfilled summary reporting requirements.

We recommended the Assistant Secretary for Employment and Training:

- Disallow the \$243,078 in identified questioned costs.
- Require JobMatch to submit a corrected *Grantee's Detailed Statement of Costs* as part of the grant's financial reporting responsibilities.
- Require JobMatch to submit complete documentation on the 56 individuals who received services.
- Require JobMatch to submit a final project report to ETA.

JobMatch agreed that some costs had been duplicated or were not supported and, in response to our audit, they voluntarily returned \$78,565 to DOL. However, JobMatch did not agree with all of the questioned costs in the audit report and subsequently forwarded revised cost figures. (Report No. 09-98-003-03-340; issued September 29, 1998)

FEDERALLY ADMINISTERED PROGRAMS

Under JTPA Title IV, DOL administers a number of Federal programs to provide employment and training services to targeted groups. Programs administered under Title IV include the Native American Program, the Migrant and Seasonal Farmworker Program, and the Job Corps Program. In addition, DOL carries out other "National Activities" to help individuals with special needs.

NATIVE AMERICAN PROGRAMS

Cherokee Nation JTPA Financial and Compliance Audit

In response to a congressional request, the OIG conducted a financial and compliance audit of Job Training Partnership Act (JTPA) grants awarded to the Cherokee Nation of Oklahoma (Cherokee Nation) as follows: Title IV-A, Sec. 401, Native American Programs (July 1, 1994 through June 30, 1997) and Title II-B, Summer Youth Employment and Training Program (SYETP) (October 1, 1994 through September 30, 1997).

We identified significant weaknesses in the internal control structure over Federal funds received by the Cherokee Nation. We determined that their financial management system did not meet administrative requirements applicable to Native American Tribal Government grantees during our 3-year audit period.

The audit identified \$529,272 of direct and indirect questioned costs which resulted from excessive lease costs, employee compensation expenses being overcharged and misclassified to JTPA, unallowable GSA vehicle expenses, unsupported adjustments to the general ledger to shift costs from other programs to JTPA, unallowable travel expenses, and unsupported equipment charges. In addition, we identified \$145,048 in costs that were charged to the wrong program cost category. For example, \$141,620 of employee compensation costs for JTPA administrative tasks were misclassified as training assistance rather than administrative costs.

We recommended that the Assistant Secretary for Employment and Training disallow \$529,272 of reported costs and require the grantee to reallocate \$145,048 of misclassified costs from the training assistance to the administration cost category. We also recommended that the Assistant Secretary require the Cherokee Nation to correct the long-standing inadequacies of its accounting and financial management systems, develop and implement written policies and procedures sufficient to maintain control and accountability over JTPA funds and other assets, implement planned corrective actions relative to past and present audit recommendations, maintain adequate records to support the expenditure of all JTPA funds, discontinue the practice of shifting expenses from other programs to JTPA to overcome other programs' fund deficiencies, and develop and implement internal controls adequate to safeguard and account for JTPA property. The Cherokee Nation responded that their financial management system was undergoing major improvements that should be soon implemented. They disagreed with the questioned costs issues, but did not provide sufficient documentation to change our recommendations. (Report No. 06-98-009-03-340; issued September 25, 1998)

MIGRANT AND SEASONAL FARMWORKER PROGRAMS

The Migrant and Seasonal Farmworker (MSFW) Program is administered nationwide through grants to public and nonprofit organizations. The program aims to address the special training, educational, and employment needs of seasonal farmworkers.

Audit of Portable Practical Educational Preparation, Inc.

We conducted an audit of the Portable Practical Educational Preparation, Inc. (PPEP), covering operations for Program Year (PY) 1996. PPEP operates in Arizona and provides a variety of employment-related services. Overall, we concluded PPEP was properly administering its MSFW program funds. PPEP's financial systems were adequate and program results were adequately reported and properly supported. However, in PY 1996, PPEP reported and claimed costs of \$2,059,677 for two DOL grants. Of this amount, our report questioned costs of \$183,286. We questioned: (a) \$118,434 because the costs of the MSFW program funds were used to pay for nonparticipants, and (b) \$64,852 because of inaccuracies in the costs for PPEP's loan program to small businesses. In response to the draft report, PPEP generally disagreed with our first finding and recommendation, stating that they had followed ETA guidelines. For the second finding, PPEP proposed to change its procedures for allocating costs for their loan program to the MSFW program. (Report No. 09-98-004-03-365; issued September 28, 1998)

JOB CORPS

The Job Corps is a residential training program that helps alleviate severe employment problems faced by economically disadvantaged youth by providing educational and vocational skills training, work experience, counseling, housing and other support services at 114 Job Corps Centers nationwide. More than 1.8 million young people have been served since the program's inception in 1964, and more than 68,000 are served each year.

OIG Questions \$618,776 of Additional Costs by Job Corps Construction Contractor

At ETA's request, the OIG reviewed additional construction costs claimed by Aspinet Construction Company (Aspinet) in a revised Request for Equitable Adjustment (REA). In June 1995, the Job Corps entered into a fixed-price contract with Aspinet to complete the renovation of several buildings of the Job Corps Center in New Haven, Connecticut. This contract was a replacement for a defaulted contract. Through modifications and change orders, the contract amount totaled \$4,266,155.

In February 1996, Aspinet submitted a Request for Equitable Adjustment (REA). Aspinet asserted that the contract completion date had been extended due to numerous changes in construction procedures ordered by Job Corps and that the resulting delay in the contract completion date caused them to incur increased costs for which they were not reimbursed. Aspinet further asserted that the change orders issued by Job Corps, which ultimately resulted in contract modifications, were necessitated by hidden and concealed conditions which surfaced with regularity. Aspinet stated that the situation required their constant presence on the job and precluded it from using its resources on other revenue-producing projects.

In February 1997, Aspinet submitted a "certified" revised REA which claimed \$820,702 in net additional costs and mark-ups. The REA included costs for extended home office overhead, extended field office overhead, subcontractor costs, professional fees, interest, and profit. The OIG report questions, or sets aside for review by the Contracting Officer, \$618,776 (or 75 percent) of the contractor's claim. The primary reason OIG questioned the costs was that Aspinet and its subcontractors failed to comply with the Federal cost reimbursement principles and/or the terms and conditions of the DOL construction contract. (Report (No. 18-98-011-03-370; issued July 28, 1998)

CONSULTATION ACTIVITIES

The Job Corps' National Training Contractors (NTCs) are organizations which have union and/or industry affiliations and are long-standing providers of vocational training services at Job Corps centers nationwide. Nine NTCs are collectively awarded about \$41 million annually to provide vocational training and placement services to Job Corps students, primarily in the construction industry.

JobCorps Workgroup Improves Placement Services

In September 1997, the OIG issued an audit report on the Plasterers and Cement Masons Program. A primary finding of the report was that approximately 76 percent of the students placed in training-related employment remained employed with the initial employer only about 3½ months. Further, the majority of these former students had very low wages reported in state Unemployment Insurance wage records. The OIG found that minimal post-placement follow-up services were being provided to these former

students. Given the significant amount of resources invested in the students' Job Corps training, we recommended that additional post-placement follow-up be provided to improve the students' post-program employment experience.

In the time since the OIG's finding and recommendation, the Office of Job Corps established an "NTC Placement Follow-up Workgroup," comprised of representatives from all nine NTCs, the Office of Job Corps, and the OIG. As a result of initiatives developed by the Workgroup, all nine NTCs have independently implemented post-placement follow-up procedures for their respective organizations. Further, the Office of Job Corps now includes language in each NTC contract requiring that job placement and post-termination follow-up services be provided to student completers for one year from the date they leave the program.

Data submitted by the NTCs for the two quarters after implementation of the follow-up procedures indicate that a significant number of additional placements and job search assistance are being provided to former students. For example, for the two quarters ending June 30, 1998, the Home Builders Institute reported that an additional 1,576 student completers were contacted, that job search assistance was provided to 781 of the completers, and jobs were found for 686 completers. The workgroup plans to continue to meet periodically to share results and provide each organization an opportunity to adopt the most effective procedures for its organization.

Job Corps Placement Contractor Workgroup

In March 1998, the OIG issued an audit report of placement services to terminating Job Corps students. (*Adopting Best Practices Can Improve Placement Services to Students Terminating From the Job Corps Program* - Report No. 03-98-006-03-370). The audit was a cooperative effort with Job Corps which found that, although there have been significant improvements in placement results in recent years, improvements need to be made in delivering and documenting the placement services provided to Job Corps students.

The Director of Job Corps created a workgroup to address the report recommendations. The workgroup consisted of representatives from Job Corps' national and regional offices, place-

ment contractors, and the OIG. The overall purpose of the workgroup was to develop the products needed to implement the audit report recommendations. Specifically, the tasks required the workgroup to develop policy changes, an instrument to document placement contractors' student assessment and the action plan for placing the student, a monitoring guide to be used by Job Corps regional office staff to monitor placement contractors, and a memorandum to communicate the best practices to all placement contractors. The workgroup completed all the assigned tasks and the results were provided to the Director of Job Corps on May 1, 1998. Job Corps is in the process of implementing the workgroup recommendations.

NATIONAL ACTIVITIES

Audit of the Arc of the United States Disability Program Grant

We conducted a financial, compliance, and performance audit of the noncompetitive Title IV Disability Program Grant of The Arc of the United States for the period July 1, 1995, through June 30, 1997. The grant was administered by The Arc's National Employment Training Program (NETP) division. The purpose of the grant was to provide on-the-job training (OJT) opportunities to individuals with IQs of 70 or below to enhance their opportunities to enter the labor market. We found the grantee's costs to be allowable and supported and the grantee's program outcomes to be positive.

Generally, we found that of the participants for whom employers received some OJT costs reimbursement, 76 percent were reported by The Arc as placed in unsubsidized employment after program completion or termination. Our independent analysis of three quarters of post-program wages for a sample of 300 participants supports The Arc's claimed 76 percent placement rate. In fact, we found 81 percent of our sample had some wages in one or more of the three quarters following the quarter they completed or were terminated from the OJT program. Furthermore, 36 percent of those participants with post-program earnings had wages with one or more non-OJT employers, 47 percent had wages in all three quarters, and 81 percent had wages in at least two quarters.

Based on the average three quarters of earnings for the 300 participants evaluated, annualized earnings for these participants were approximately \$3,600. While the annualized earnings may

not appear to be significant, these earnings are for individuals with IQs of 70 and below who are working part-time, and who, without this program, may not have had the opportunity to earn any income. Consequently, the investment of \$1,068 per enrollee appears to be reasonable for the program outcomes, both earnings and attachment to the labor market. (Report No. 06-98-008-03-340; issued September 14, 1998)

SCHOOL TO WORK

The School-to-Work Opportunities Act of 1994 provides the opportunity for states to establish School-to-Work (STW) systems using Federal funding provided and administered jointly by the U.S. Departments of Education and Labor. Federal funds are to be used as venture capital to underwrite the initial costs of establishing statewide STW systems that will eventually be maintained with other Federal, state, and local resources. Consistent with our commitment to provide technical assistance to the Department, the OIG worked with the National School-to-Work Opportunities Office to develop those elements that are indicative of a sustainable STW system.

Iowa School-to-Work Program Can Be Enhanced

The School-to-Work (STW) Opportunities Act of 1994 provides opportunities for states and localities to establish STW systems using Federal funding provided and administered jointly by the U.S. Departments of Education and Labor. Federal funds are to be used as venture capital to underwrite the initial costs of establishing statewide STW systems that eventually will be maintained with other Federal, state, and local resources. Consistent with our commitment to provide technical assistance to the Department, the OIG previously worked with the National School-to-Work Opportunities Office and the Department of Education OIG to develop those elements that are indicative of a sustainable STW system.

The State of Iowa received Federal funding to establish a statewide STW system. The OIG conducted a performance audit on the sustainability of Iowa's STW initiative. Specifically, our objective was to determine if Iowa had institutionalized the elements identified as indicative of a sustainable STW system. Iowa's STW system is administered by the Iowa Department of Economic Development, the Iowa Department of Education, and Iowa Workforce Development.

Our audit disclosed that Iowa had initiated numerous actions that, when fully implemented, should ensure the sustainability of the statewide STW initiative after the expiration of STW Federal funding, slated for September 30, 2000. Some notable examples include: the enactment of State law, the establishment of supportive policies and strategies, and the active interdepartmental participation and leadership of State government.

However, our audit identified three potential limitations where enhancements may be needed to ensure the sustainability of the Iowa's STW system. We recommended that ETA collaborate with the State to address the following:

- Student participation in STW activities is not a statewide graduation requirement.
- State certification requirements for teachers and guidance counselors lack mandatory STW training.
- The development of Iowa's Integrated Information System needs to be expedited.

ETA and Iowa officials agree in principle that our recommendations are pieces that could help build an even deeper sustaining element for Iowa. However, regarding the first and second findings, ETA officials believe that the STW Act specifically designates policy and decision-making authority as being solely within the purview of the State.

Iowa officials believe that collaborating with ETA officials on establishing graduation requirements would only aid in promoting the current concern that the Federal and State Governments desire to eliminate local control. Iowa officials will submit a recommendation to the State of Iowa Board of Educational Examiners indicating that serious consideration be given to adding STW-related training to the State certification criteria regarding new teachers entering the education system.

ETA and Iowa officials agree with the third recommendation. ETA officials agree that the timely implementation of a sound data

management system is an important component in the evaluation, accountability, and continuous improvement of STW systems.

In consideration of ETA's and Iowa's responses, we have partially resolved the second finding and resolved the third finding. However, the first finding remains unresolved. (Report No. 05-98-006-03-385; issued September 28, 1998)

**SENIOR
COMMUNITY
SERVICE
EMPLOYMENT
PROGRAM**

The Senior Community Service Employment Program (SCSEP) is authorized under Title V of the Older Americans Act of 1965, and funded through grants from the U.S. Department of Labor to public and private nonprofit national-level organizations and to units of State government. The purpose of the SCSEP is to provide subsidized part-time work/training opportunities in community service activities for unemployed low-income persons, 55 years and older.

**National Council of
Senior Citizens**

As one of the private nonprofit national-level organizations, for over 20 years the National Council of Senior Citizens (NCSC) has received a grant as a sponsor of the SCSEP program. Its Program Year (PY) 1997 grant amount was \$66.4 million which, through 147 local affiliates, provided work and training opportunities for 9,300 older workers.

During PY 1983, uncertainty existed regarding the continued existence of the SCSEP. In response to this uncertainty, the NCSC established a NCSC/DOL Unemployment Insurance Contingency Fund (Fund) whose purpose was to provide financial assistance in lieu of unemployment insurance benefits to program enrollees who, had the program been terminated, would have lost their SCSEP work/training positions. The creation of the Fund was authorized by DOL for the purpose described above. Accordingly, the Fund was established in 1984 with an initial contribution of \$1.8 million of unspent SCSEP grant funds, specifically for the purpose of paying unemployment compensation-like benefits to NCSC's approximately 10,000 program enrollees in the event the program was terminated. The program, however, was not terminated and continued to operate in a normal fashion. Subsequently, NCSC did not make any program re-

lated disbursements from the Fund, specifically payments to program enrollees, whether they were terminated or not.

In 1988, NCSC transferred amounts in the Fund to a newly-created NCSC/DOL Unemployment Trust Fund (Trust). This transfer occurred 3 years before NCSC incurred its first program-related expense (termination payments for older workers leaving the program) from the Fund/Trust, and by which time the predicate contingency which fostered creation of the Fund had long since dissipated.

The OIG performed an "agreed-upon procedures" review of the Fund (which operated 1984-1988) and its successor, the Trust (which operated 1988 - 1998). Through March 5, 1998, total Fund/Trust revenues were about \$9 million. This included contributions by NCSC of over \$4.2 million of unspent SCSEP grant funds, and earned investment income of over \$4.7 million. Program expenses included (a) about \$1.8 million for termination payments and hospital indemnity plan insurance, and (b) administrative expenses of almost \$1.1 million. As of March 5, 1988, there was a Trust balance of about \$6.1 million.

The OIG concluded that there was no genuine need for this fund, no regulatory or grant conditions which supported its existence, and the funds in the Trust retained their Federal designation. Accordingly, the OIG questioned the legitimacy of the Trust, and recommended that ETA require NCSC to discontinue the Trust and return the Trust balance to the U.S. Treasury. The DOL Grant Officer agreed with the OIG recommendations, determined that the Trust was inappropriate, and in a letter dated February 3, 1998, directed NCSC to terminate the Trust and return the Trust balance to the U.S. Treasury. NCSC disagreed with the Grant Officer and on February 4, 1998, filed suit in the U.S. District Court for the District of Columbia for the purpose of obtaining a ruling that the funds in the Trust were non-Federal over which the Department of Labor had no claim or control.

Subsequently, NCSC entered into a Settlement Agreement with the Department, which is discussed in the Audit Resolution section of this report. NCSC has since returned over \$5 million to the U.S. Treasury and almost \$1 million to the Senior Aides Program. (Report No. 18-98-009-03-360; issued April 24, 1998)

Audit of the National Asian Pacific Center on Aging

Our audit of the National Asian Pacific Center on Aging (NAPCA) identified \$330,146 of questionable expenditures charged to three Federal grant programs: \$157,872 - DOL, \$109,373 - Environmental Protection Agency, and \$62,901 - Health and Human Services. We performed this audit in response to complaints received by DOL alleging that NAPCA was misusing Federal grant monies by charging the Federal grant programs for inappropriate or unallowable administrative activities. Specifically the complaints alleged that: (1) administrative staff were pressured into accepting a year-end salary bonus paid from Federal grant funds and then required to "donate" the majority of the bonus payment back to the NAPCA; (2) consulting contracts were being awarded to friends of NAPCA management at inflated prices; (3) NAPCA was engaging in lobbying activities using Federal grant funds and using grant monies to pay for air travel, entertainment and gifts for members of Congress or their staffs; (4) inappropriate travel and miscellaneous expense charges were being reimbursed by Federal grants; and (5) furniture and equipment purchased with grant monies were being used for personal benefit by staff members or were unnecessary for efficient grant operation.

We identified and developed evidence which supported all or part of the first four allegations. We did not attempt to develop evidence to support the fifth complaint because NAPCA did not maintain property management records.

We concluded the issues highlighted in the complaints are symptomatic of a larger, pervasive set of system flaws which crosscut all NAPCA Federal grant programs. NAPCA has not established and implemented adequate systems to ensure administrative expenditures charged to Federal grant programs are allowable and properly allocated among the programs. Specifically, NAPCA does not maintain adequate financial management, procurement and property management systems as required by Office of Management and Budget (OMB) Circulars A-122 and A-110.

We recommended the Assistant Secretary for Employment and Training: (1) take immediate action to recover \$157,872 of unallowable DOL grant reimbursements; (2) award no further grants to NAPCA until ETA is satisfied that acceptable program man-

agement systems have been established to safeguard grant funds; and (3) place NAPCA on Special Award Status as defined in OMB Circular A-110, Subpart B once the required management systems are established and implemented.

Our recommendations apply only to funds granted by DOL. The Inspectors General of other affected Federal agencies have been notified of our findings and will make their own determinations based upon their analysis of the issues. (Report No. 09-98-201-03-360; issued September 30, 1998)

**OTHER
EMPLOYMENT
AND TRAINING
PROGRAMS**

**Los Angeles County
Successfully
Implements
Earthquake
Recovery Program**

Following the January 1994 California earthquake, Congress passed a supplemental appropriation to fund a variety of post-earthquake rehabilitation and related activities. In January 1995, the Los Angeles County Service Delivery Area, Community and Senior Services of Los Angeles County (CSSLAC), received a \$5 million grant to provide pre-apprenticeship training to 1,000 young adults living in the areas most impacted by the earthquake. Once these individuals completed the training, they were to be placed in apprentice positions with firms engaged in earthquake recovery and other federally funded construction projects. The OIG audited the \$4.2 million of grant funds expended by the County for the period January 1995 through June 1997.

The grant required that at least 85 percent of the participants be between 18 and 35 years of age, and that no more than 15 percent of the participants be between 36 and 40. The OIG found that Los Angeles CSSLAC was effectively providing services to these individuals as required by the grant. Furthermore, the grant funds were, for the most part, properly expended. The audit resulted in questioned costs totaling \$89,576, or about 2 percent of the grant expenditures. The preponderance of questioned costs, \$75,446, resulted from charges which were not supported by documentation sufficient for the auditors to conclude that they were proper grant expenditures. Other questioned costs resulted from ineligible participants, overpayments, and prior year costs which were allocated to the current year. CSSLAC concurred with most of the OIG's findings. (Report No. 18-98-007-03-001; issued April 7, 1998)

**AUDIT
RESOLUTION**

Most OIG audit reports contain recommendations for improved operations and, where appropriate, question Federal funds which were improperly expended. Completion of an audit, however, is only one component of the auditing process, whose ultimate objective is more efficient or effective government operations. After the audit report has been issued, it is the responsibility of the DOL program agency to take corrective action and/or recover improperly expended funds. The following are examples of significant audit resolution achieved during this reporting period.

**DOL Recovers
\$6.1 Million from
NCSC**

The OIG issued an audit report questioning the legitimacy of the Unemployment Insurance contingency fund of the National Council of Senior Citizens (NCSC). The fund was first established in 1984 with unspent DOL grant funds. The OIG recommended that ETA require NCSC to discontinue the fund and return the balance to the U.S. Treasury.

In a negotiated Settlement Agreement, NCSC has agreed to return to the U.S. Treasury all of the grant funds contributed plus one-half of the interest balance, or a total of \$5,168,282. On August 7, 1998, the Department of Justice received this amount on behalf of DOL. Further, DOL has agreed to recognize the other one-half of the interest balance, or \$931,391, as program income for use in NCSC's Senior Community Service Employment Program grants for Program Years 1998 and 1999. NCSC has agreed to dissolve the fund and completely expend this program income by June 30, 2000. (Report No. 18-98-009-03-360, issued April 24, 1998)

**DOL Recovers
\$554,475 from NCOA**

The OIG issued an audit report on the National Council on the Aging, Inc. (NCOA) costs claimed under its Federal SCSEP grants for the 3-year period of January 1991 through December 1993. The report questioned \$1.2 million, the majority of which were indirect costs. In April 1997, the DOL Grant Officer disallowed the entire \$1.2 million questioned. The DOL portion of the disallowed costs was \$963,793, with the remaining portion pertaining to other Federal agencies which awarded funding to NCOA. Although NCOA appealed the Grant Officer's decision to the DOL's Office of Administrative Law Judges, NCOA and DOL continued discussions towards reaching a settlement.

Because the audit questioned certain indirect costs which resulted from NCOA accounting practices that remained uncorrected during Fiscal Years 1994-1996, which were subsequent to the audit period, both parties agreed that, had these years been audited, \$300,000 represented a reasonable estimate of disallowed indirect costs for the DOL grants for this period. Further, inasmuch as DOL agreed not to audit the indirect costs claimed for this period, absent indications of fraud, both parties accepted \$1,263,793 as the final amount of DOL disallowed costs.

Based upon a review of NCOA's financial records, DOL concluded NCOA did not possess sufficient non-Federal funds to pay the final amount of disallowed costs. Accordingly, DOL determined it is in its best interests to accept NCOA's offer of \$554,475 to satisfy these disallowed costs. This amount was repaid through DOL's retention of the final payment of \$154,475 for NCOA's SCSEP grant for the year ending June 30, 1995, and a cash repayment of \$400,000 which was remitted to DOL by NCOA on June 26, 1998. (Report No. 18-95-018-07-735; issued August 18, 1995)

**ETA Disallows
\$248,945 of Costs
Claimed by Former
Job Corps
Contractor**

Under three separate contracts, Calvillo & Associates, Inc. (CAI) provided various program services to the Job Corps. For the period June 1992 through May 1996, the OIG audited aspects of the contracts and, in two audit reports, questioned \$384,445 in direct and indirect costs claimed by CAI. The ETA Grant Officer issued a single final decision which disallowed \$248,945 of the costs questioned in the two reports. Calvillo & Associates is no longer a Job Corps contractor. (Report Nos. 18-97-002-07-735; issued November 1, 1996, and 18-97-015-07-735, issued March 31, 1997)

**United Sioux Tribes
of South Dakota:
ETA Disallows
\$303,615 Questioned
Costs**

In an audit of the United Sioux Tribes of South Dakota Development Corporation (UST) for the period July 1995 through June 1997, the OIG questioned \$303,615. Over 90 percent of the questioned costs occurred because UST: (a) reported administrative costs that exceeded the 20 percent ceiling limitation; and (b) charged JTPA with costs that should have been charged to UST and another Federal grant. The ETA Grant Officer has disallowed the entire \$303,615 questioned by the OIG. (Report No. 18-98-006-03-355, issued March 13, 1998)

EMPLOYMENT AND TRAINING INVESTIGATIONS

California Health Plan Employee Pleads Guilty to Fraud

OIG investigations continue to reveal that the Department's employment and training programs remain vulnerable to fraud and abuse. Listed below are illustrations of the OIG's accomplishments in this area during this 6-month reporting period.

The OIG recently investigated a highly complex health fraud scheme involving the JTPA program and a health maintenance organization. The case, which was the first of its kind, involved a health care insurance application reviewer in a scheme designed to defraud a health plan through the use of falsified JTPA documentation.

The Transition Plan, a Kaiser Permanente-created health care plan, was established as a community-based program which offered low cost, limited-term health care insurance coverage to low-income families. Among the qualifications to enter the plan were that the applicant had participated in a vocational/occupational training program through a social assistance or government agency such as JTPA.

This OIG investigation uncovered a Transition Plan employee receiving kickbacks for enrolling ineligible individuals. As a reviewer, Crystal Williams' duties included reviewing health care insurance applications for membership into the Transition Plan. From approximately May 1992 through June 1994, Williams devised and participated in a scheme where she fraudulently enrolled over 200 applicants into the Transition Plan. Williams and other brokers solicited ineligible applicants to participate in the Transition Plan by falsifying JTPA registration/enrollment documents. Williams then received kickbacks from the applicants in return for enrolling these ineligible people into the Transition Plan. Williams collected approximately \$40,000 in kickbacks and caused losses to Kaiser Permanente in excess of \$900,000 in premiums and services provided to ineligible members. On March 30, 1998, Crystal Williams pled guilty to one count of mail fraud. *U.S. v. Williams* (C.D. of California)

Two Defendants Guilty of Misappropriating Federal Funds

Elimelech Naiman, the Director of Training and Employment for the organization called Council of Jewish Organizations (COJO) in New York, was recently found guilty of one count of misapplication of Federal funds, one application of corrupt payment of funds and seven counts of mail fraud. In addition, a second de-

fendant, Paul Chernick, pled guilty to conspiracy, misappropriation of Federal funds, corrupt payment of funds, mail fraud, wire fraud, and tax evasion. Chernick and Naiman, who were executives with COJO, had been charged in a six count indictment on March 27, 1997.

The OIG investigation revealed that COJO had inappropriately received a total of approximately \$1.9 million in JTPA funds to train students. The indictment charged that Chernick and Naiman misused the COJO funds for their own personal benefit, as well as the benefit of COJO employees and others. This case was a joint investigation with OIG agents, and investigators from the U.S. Attorney's office, and the New York City Department of Investigation. *U.S. v. Naiman, Chernick* (E.D. of New York)

**San Francisco
Contractor
Sentenced for Job
Training Fraud**

This investigation revealed that Gary Abdullah, an On-the-Job Training (OJT) contractor, submitted false reimbursement invoices to the San Francisco Private Industry Council (PIC). He entered into two OJT contracts with the PIC, agreeing to train and hire a total of six OJT participants at the pay rate of \$20.00 per hour. Abdullah signed and submitted reimbursement invoices to the PIC claiming that he paid \$20.00 per hour to each participant that he trained and employed at his clothing business. The OIG found that Abdullah only paid each participant between \$5.00 and \$10.00 per hour, and did not employ the participants for the number of contracted work hours that were claimed. On July 13, 1998, Abdullah was sentenced to serve four months' of home confinement, was placed under probation for one year and was also ordered to pay \$9,544 in restitution to the PIC. *U.S. v. Abdullah* (N.D. of California)

**Texas Man
Sentenced for Visa
Fraud Involving
Foreign Nurses**

The owner of a chain of nursing homes in Texas and Oklahoma, Billy Jewell, was sentenced after having pled guilty to conspiracy and wire fraud charges. The investigation revealed that Clara Kim, Veronica Hewitt, and Holly Arthur Estreller entered into agreements with Billy Jewel, whereby they obtained H1-A non-immigrant work visas and furnished nurses for employment at nursing homes in Lubbock, Texas. Once in the United States, the nurses were underpaid, assigned other places to work, and in some instances, money was extorted from them with the threat

of reporting them to the INS for working out of status. This case is the result of "Operation Windmill" involving DOL, State Department, the IRS, and the INS.

Jewell was sentenced to serve 37 months' in prison followed by 36 months' supervised release, and ordered to pay restitution of over \$1.5 million to DOL, to be disbursed in the form of backwages to a total of 402 nurses. Defendants, Kim, Hewitt, and Estreller were sentenced after having pled guilty to charges of visa fraud and aiding and abetting. Kim was sentenced to four months' imprisonment, and two years' probation, and Estreller received five months' imprisonment, and two years' probation. Hewitt received three years' probation and 200 hours of community service. *U.S. v. Jewell, et al.* (N.D. of Texas)

**Texas Attorney
Sentenced for
Defrauding Foreign
Labor Certification
Program**

The investigation disclosed that attorney James T. Garrett and Martha Polanco, Garrett's office manager, submitted false applications for alien labor certifications, and charged the aliens for the submission of applications that they knew had little or no chance of being approved. In some instances, aliens were charged and the documents were never filed. As a result of the investigation, Garrett and Polanco were charged with conspiracy, mail fraud, encouraging unlawful immigration, and submitting a false tax return.

In May, Garrett was sentenced to serve 21 months' in prison and 3 years' of probation. During the sentencing, Garrett produced a letter of resignation to be sent to the State Bar of Texas. Polanco was sentenced to 12 months' in prison and ordered to serve 3 years' probation for her part in this scheme. The investigation was conducted jointly with the INS and the IRS. *U.S. v. Garrett* (S.D. of Texas)

WORKPLACE BENEFITS

OIG Goal: Safeguard workers' and retirees' benefit programs by enhancing program performance and accountability.

The U.S. Department of Labor administers several programs and statutes designed to provide and protect the benefits of workers and retirees. These include the Federal Employees' Compensation Act (FECA) Program, the Longshore and Harbor Workers' Compensation Program (LHWCA), the Unemployment Insurance (UI) Program, and key provisions of the Employee Retirement Income Security Act (ERISA).

Protection of workplace benefits is critically important because it affects the lives of millions of workers and retirees, and because it involves billions of taxpayer dollars. During this reporting period, the OIG completed several important audits and investigations related to achieving this goal, which are detailed in this section. Significant investigative accomplishments in the area of employee benefits and pension plans can be found in the OIG Labor Racketeering Program section of this report.

FEDERAL EMPLOYEES' COMPENSATION ACT INVESTIGATIONS

FECA is a comprehensive workers' compensation law for Federal employees that is designed to provide coverage for work-related injuries or deaths. Benefits are paid from the Employees' Compensation Fund, which is administered by the Office of Workers' Compensation Programs (OWCP) and principally funded through a chargeback to the employing agency. FECA covers about 3 million Federal employees and postal workers.

INVESTIGATIVE ACCOMPLISHMENTS

During this reporting period, our office has devoted significant resources in auditing, evaluating, and investigating aspects of the FECA program. Our continuing efforts in this program are concentrated in two general areas: medical service providers who bill the Government for services that were not rendered, charge multiple times for the same procedure, bill for non-exis-

tent illnesses or injuries, or overcharge for services; and claimants who defraud the program by reporting false injuries, recover but continue claiming benefits, or do not report or under-report their outside employment income to OWCP.

**Former Arizona
Postal Worker
Sentenced for FECA
Scam**

Charles E. Anger, a former U.S. Postal Service employee, had collected over \$239,000 in FECA benefits since March 1988 for a job-related back injury. Anger filed an injury claim with OWCP on November 18, 1996, alleging a back strain while employed as a driver with Royal Oaks Lifecare Center in Sun City, Arizona. The OIG investigation found that Anger was employed as a driver at Royal Oaks Lifecare Center from November 1, 1993 to January 2, 1997 and failed to report his work and earnings to OWCP. Anger managed to fraudulently collect over \$96,000 in FECA benefits during this period and his benefits were subsequently terminated. After having pled guilty to making false statements to obtain federal employees' compensation, Anger was sentenced to serve 6 months' of home confinement, was placed under probation for 1 year, and was ordered to pay \$96,408 in restitution to the OWCP. *U.S. v. Anger* (D. of Arizona)

**Oregon Man Pleads
Guilty to FECA Fraud**

This investigation established that Charles A. Crenshaw worked for his father as a roofer on a cash basis since 1986 while drawing FECA benefits. Based on OIG's investigation, OWCP determined Crenshaw was overpaid \$173,979.32 in FECA benefits. On August 20, 1998, Crenshaw pled guilty to an information filed in Oregon charging him with filing a false statement to the U.S. Department of Labor. Sentencing is pending. *U.S. v. Crenshaw* (D. of Oregon)

**FECA Scam
Uncovered**

On November 11, 1967, Anthony Giunta sustained a back injury after jumping from a mail truck. Over 30 years, he collected in excess of \$600,000 in FECA compensation benefits. A joint investigation between the OIG and the U.S. Postal Inspection Service revealed that Giunta was employed as a car salesman from August 1993 to November 1993 with Camelback Liquidation Center while collecting FECA benefits. On July 25, 1997, a federal jury convicted Giunta on one count of making false statements to obtain FECA benefits. On May 27, 1998, Giunta was sentenced in the District of Arizona to 8 months' imprisonment and ordered to pay restitution in the amount of \$42,792. *U.S. v. Giunta* (D. of Arizona)

**Woman Defrauds
FECA Program**

In November 1981, Maria Maldonado filed a claim for a lower back injury that she had sustained while working as a pharmacy assistant for the Veterans Administration in Puerto Rico. From April 1993 through October 1996 Maldonado was employed at Sam's Club in Puerto Rico under a false social security number. During this time, she collected FECA benefits and advised OWCP that she was not employed. On July 21, 1998, Maldonado was sentenced in the District of Puerto Rico for violations of FECA fraud and fraudulent use of a social security number. She was sentenced to 4 months' home detention, 4 years' probation, and ordered to pay restitution in the amount of \$57,870.50. Of this sum she was ordered to pay \$52,241.50 to DOL, and \$5,629 to SSA. Maldonado had previously pled guilty to a two count information on February 19, 1998. *U.S. v. Maldonado* (D. Of Puerto Rico)

**New York
Psychologist Pleads
Guilty to \$300,000
FECA Fraud Scheme**

The OIG investigation revealed that Nicholas Pascucci was employed as a child psychologist from 1984 to 1993 at various schools in the New York area while receiving FECA benefits. He also held private counseling sessions in an office in Queens, New York, while also teaching classes at Long Island University. In 1992, Pascucci and his wife opened a pre-school, a children's evaluation business, and a children's transportation company in Queens. The pre-school and children's evaluations were funded by the New York State Departments' of Education and Health. During this time, Pascucci acted as an administrator of the pre-school, and he conducted child evaluations. An OIG investigation found that Pascucci obtained over \$300,000 in FECA benefits from August 1984 through March 1997. On August 7, 1998, Pascucci pled guilty to a nine count indictment: three counts of mail fraud, three counts of FECA fraud, and three counts of making false statements. *U.S. v. Pascucci* (S.D. of New York)

**Park Service
Employee Defrauds
FECA**

Brenda Welsh-Sequoyah, former National Park Service employee, was sentenced on August 25, 1998, for making false claims to OWCP and the American Postal Workers' Union Health Plan. Welsh had pled guilty to fabricating her pharmaceutical and medical bills for services that she had not received. Her total false claims exceeded \$80,000 and she fraudulently received in excess of \$60,000.

Welsh was sentenced to one year of home detention with electronic monitoring, three years' of probation and restitution of

\$67,644.66. This case was conducted jointly with the FBI and IG at the Office of Personnel Management. *U.S. v. Welsh-Sequoyah* (W.D. of North Carolina)

**Postal Employee
Defrauds FECA**

Arlin E. Scheib, Jr., a U.S. Postal Service letter carrier, had been receiving federal workers' compensation benefits since a 1990 automobile accident. From August 1995 to March 1998, Scheib was employed in his brother's home improvement business and had engaged in strenuous work, such as painting, wallpapering, drywalling, and roofing. During this period, Scheib received approximately \$62,000 in disability benefits that he was not entitled to receive. On May 27, 1998 in U.S. District Court, Harrisburg, Pennsylvania, Scheib and his half-brother, Randall Scheffler, waived indictment by a grand jury and pled guilty to criminal informations charging Scheib with federal workers' compensation fraud and Scheffler with conspiracy to commit federal workers' compensation fraud. As part of his guilty plea, Scheib resigned from the U. S. Postal Service and voluntarily withdrew his FECA claim and his sentence is currently pending. Scheffler admitted to conspiring with Scheib to defraud OWCP by agreeing to pay him "under the table" and not submitting W-2 and 1099 forms to the IRS. *U.S. v. Scheib, Scheffler* (M.D. of Pennsylvania)

**Texas Doctor
Indicted in
\$15 Million Medical
Scam**

An OIG investigation disclosed that Dr. Arthur C. Bieganowski, his brother, attorney, Victor Bieganowski, and their certified public accountant allegedly defrauded the federal government and private insurance companies handling personal injury and workers' compensation cases by more than \$15 million. Dr. Bieganowski owned and operated several medical related businesses in the U.S., Mexico, and the Grand Caymans Islands.

The investigation disclosed that Dr. Bieganowski perpetuated several different schemes and false billing practices, including excessive billing for over 100 patients per day. Sign-in logs show an average of 80 to 133 patients signed in per day. Dr. Bieganowski allegedly diagnosed and/or instructed his staff to diagnose almost every patient as having the same medical condition regardless if they were a vehicle accident patient or a workers' compensation patient. Dr. Bieganowski allegedly instructed his staff to submit forms to the Texas Workers' Compensation Insurance Fund, OWCP, and private insurance companies billing for Hubbard Tank therapy, when, in fact, he did not even pos-

sess a Hubbard Tank. In addition, he allegedly billed for comprehensive outpatient visits on dates that he was unavailable to patients or out of the office and/or out of town. He then allegedly double billed by charging for an office visit and a treatment procedure when the care should have been covered under one charge. Over a period of 7 years, OWCP has paid Dr. Bieganowski approximately \$1.4 million.

On August 4, 1998, a federal grand jury returned an indictment against Dr. Arthur C. Bieganowski and eight others, including his brother, Victor Bieganowski. The 23 count indictment included violations of conspiracy to commit mail fraud, mail fraud, aiding and abetting, perjury, conspiracy to launder monetary instruments, and criminal forfeiture. In addition to Dr. Arthur C. Bieganowski and Victor Bieganowski, their CPA was also indicted.

This was a joint investigation with the FBI, IRS, Postal Inspection Service, Defense Criminal Investigative Service, Texas Workers' Compensation Commission, the Texas Workers' Compensation Insurance Fund, and the U.S. Marshals Service. *U.S. v. Bieganowski, et al.* (W.D. of Texas)

Doctor Found Guilty in \$1 Million Billing Scheme

In a similar scam, Dr. Bernard Dolenz billed each patient's insurance carrier (OWCP and private insurance) for a 45-50 minute psychotherapy session and a 40 minute comprehensive medical exam. Dr. Dolenz submitted claims for treatment to as many as 40 patients a day, which would have required a 60-hour work week. Patients testified that they saw the doctor for less than 15 minutes. Brenda Dolenz Helmer, the doctor's daughter, prepared the insurance billing forms for the clinic. From 1993-94, Dr. Dolenz submitted bills to insurance carriers totaling over \$1 million. Helmer testified on behalf of the prosecution after she pled guilty to an information charge. In August, Dr. Dolenz was found guilty on 12 counts of mail fraud. This case was investigated jointly by the OIG, the FBI and the Texas Workers' Compensation Commission. *U.S. v. Dolenz* (N.D. of Texas)

**FECA MEDICAL
PROVIDERS AUDIT:
DOL TAKES ACTION
TO REDUCE
OVERBILLING**

In a September 1997 report, we estimated that at least \$7 million is lost annually because of improper or abusive medical provider billings. We also identified a number of billings which we believed the Office of Workers' Compensation Programs (OWCP) should analyze for improprieties. We recommended OWCP procure a commercial system to screen medical billings for code manipulation in the Federal Employees' Compensation Act (FECA) program and pursue collection actions, if warranted.

The OWCP agreed with both of our recommendations. During the reporting period, OWCP has:

- Mailed collection letters to 1,002 providers who failed to reply to the first mailing (OWCP had previously mailed collection letters to 1,675 providers).
- Received refunds of \$74,018 from 77 providers. To date OWCP has received a total of \$216,099 from 371 providers.
- Researched appeals from 437 providers associated with \$320,056 in payments and granted appeals for 98 percent of the contested line items.
- Provided training to data entry staff to emphasize the need for complete and accurate entry of data billing codes to limit the number of invalid errors identified by future screening programs (Data input errors caused some of the billing problems identified by our audit).
- Included the lease of a commercial software package in its FY 1999 budget submission and submitted a Request for Information to the Department's procurement staff to assist in the development of the Request for Proposal.

Additionally, to improve the controls over the bill paying process, OWCP plans to establish criteria for the level of payment and/or frequency of services. This is the final account on audit resolution of (Report No. 09-97-200-04-431, issued September 29, 1997.)

**EVALUATION OF
FECA PROGRAM
ADMINISTRATION
ISSUES**

The OIG reviewed the administration of the Federal Employees' Compensation program to address issues raised in a letter forwarded to OIG by the Secretary of Labor. The objective of our review was to evaluate the Assistant Secretary's concerns with respect to the acceptance of initial claims for benefits filed under the FECA, the termination of benefits and the appeals process administered by the Branch of Hearings and Review. Our review did not confirm the existence of a systemic anti-claimant bias within OWCP, but, to the contrary, found evidence of a balanced commitment by the agency to both improving the quality of service to claimants and ensuring the cost-effective administration of the program.

The OIG's conclusions were based upon our evaluation of OWCP's Strategic Plan, review of their testimony before the Subcommittee on Workforce Protections of the House Committee on Education and the Workforce, and analysis of statistical information pertaining to the Branch of Hearings and Review and the Employees' Compensation Appeals Board (ECAB). In addition to the program issues raised by the complainant, we reviewed four specific issues with regard to OWCP's alleged anti-claimant bias.

- The complainant raised concerns that OWCP has promulgated improper procedures, resulting in the routine termination of FECA benefits without affording claimants their statutory right to an examination by a third physician. However, we found that the existing provisions of the FECA Procedure Manual for determining whether a referral to a third, impartial physician is required have been upheld by ECAB and two district court decisions.
- The complainant indicated that the use of second opinion physician (SECOP)'s reports to deny benefits, the burden of responding to the questions OWCP directs to SECOPs, and the perception that the FECA process is of questionable impartiality have caused many doctors to discontinue accepting FECA referrals. Thus, the pool of available doctors willing to provide the opinions to OWCP is reduced. However, a GAO review conducted in 1994 of OWCP's processes for selecting physicians did not identify problems with the agency's practices at that time,

and the information with respect to conditions since 1994 does not justify a new study.

- Our review identified minimal evidence supporting the complainant's concern that OWCP's review of draft decisions prepared by Hearing Representatives of the Branch of Hearings and Review constitutes an organizational conflict of interest or interferes with the issuance of fair decisions in favor of injured employees. The responsibilities of OWCP do not conflict with the supervision of the hearings function. More importantly, the allegation that OWCP reviews of draft decisions interfere with the issuance of decisions to restore benefits to injured workers, was not substantiated by either our interviews or the statistical outcomes of the appeal processes.
- With respect to the complainant's concerns that OWCP neither permits sufficient time for injured workers to provide the additional evidence necessary to perfect a compensation claim, nor expeditiously reviews such information after a "burden of proof" denial, we have deferred potential evaluation of this issue pending action by ESA's Reinvention team on a related proposal. (Report No. 15-OACE-98-OWCP; issued July 2, 1998.)

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT

Audit of the Longshore and Harbor Workers' Compensation Act Fund and the D.C. Workmen's Compensation Act Special Fund

The Longshore and Harbor Workers' Compensation Act (LHWCA) program is an entitlement program administered by the Department of Labor. This program provides benefits to maritime workers who are injured while working.

The Longshore and Harbor Workers' Compensation Act (LHWCA), enacted in 1927, establishes a Federal compensation system for Longshore and other specific classes of workers whose injuries occur upon navigable waters of the United States or adjoining facilities like piers and dry docks. The Employment Standards Administration (ESA), Division of Longshore and Harbor Workers' Compensation (DLHWC) has direct responsibility for administration of the Fund. The Fund provides compensation, and in certain cases, medical care payments to employ-

ees disabled from injuries which occurred on the navigable waters of the United States, or in adjoining areas used for loading, unloading, repairing, or building a vessel.

The original LHWC Act was extended to cover employees under the District of Columbia Workmen's Compensation Act (DCCA) Special Fund. This Fund offers compensation and, in certain cases, medical care payments to District of Columbia employees for work-related injuries or death for cases dated prior to July 26, 1982. The ESA/DLHWC also administers this special Fund.

Our annual audit of these two special Funds identified weaknesses in DLHWC's internal controls for reporting and authorizing payments to rehabilitation service providers. These control weaknesses within the rehabilitation payment process contributed to the fraudulent payment of more than \$500,000 to fictitious rehabilitation vendors over a 4-year period. As a result, we recommended changes to the internal control over the payment process. DLHWC agreed with the recommendation and is developing an automated system to increase existing controls. There were no recommendations in the DCCA report. (Report No. 12-98-004-04-432--Longshore and Report No. 12-98-005-04-432--D.C. Workmen's Compensation Act; issued May 14, 1998)

**UNEMPLOYMENT
INSURANCE
PROGRAM**

Another worker benefit program in which the OIG has concentrated its efforts is the Unemployment Insurance (UI) system. UI benefits are the initial financial support provided to workers who lose their job through no fault of their own. Its mission, coupled with the fact that this is a multi-billion dollar program, makes monitoring and ensuring its integrity extremely important.

**FRAUD IN THE UI
PROGRAM**

The OIG continues to be concerned with the increasing number of fictitious employer schemes that are perpetuated against the UI program. Elaborate schemes are devised, often involving multiple states, by professional criminals that have an intimate understanding of the UI system. These criminals set up phony companies by gathering social security numbers and using them for nonexistent employees. They then gain liability status from the state by writing to the UI system stating that they have em-

ployed between 10 and 25 individuals, during that quarter, at a certain wage. After status is obtained, post offices boxes are rented to serve as the mailing address of the phony companies and the employees. These schemes can be devastating to the state UI systems, because numerous benefit checks can be obtained by a single scheme in a very short period of time. The following cases are examples of recent OIG investigations of fictitious employer schemes.

**Ohio Construction
Family Indicted for UI
Fraud**

The FBI, IRS, and Labor OIG agents jointly conducted this grand jury investigation of the Acevedo family, their businesses, and associates, for their part in a complex fictitious employer scheme. The Acevedos engaged in construction activities in Ohio using a series of rapidly changing business names, often paying employees in cash and keeping few and generally inaccurate records. Through this method, they were allegedly able to avoid the payment of income taxes, payroll taxes, and unemployment insurance premiums. The Acevedo family was linked to over 40 business names operating in Northeast Ohio during the last 10 years.

Acevedo, his brother Dennis, and his wife, Tammy Debernardi, were all indicted on charges of conspiracy to commit mail fraud. In addition, Gilbert was indicted on eight counts of mail fraud, all in connection with the failure of their businesses to pay premiums, keep and report payroll records, and their claim for and receipt of UI benefits from these companies. Ultimately, the Ohio Bureau of Employment Services (OBES) lost over \$100,000 in estimated UI premiums, penalties, and unverified claims in connection with three selected companies, and paid a total of \$34,921 in fraudulent UI benefits to Gilbert and Dennis.

Glibert also made false loan applications with Ronald Jackson, the owner/operator of America's Transporter, Inc., who provided Gilbert with bank loans based upon a false contract. In all, the fraud amounted to \$116,921 of actual bank losses and \$745,000 in false loan applications. Gilbert was also indicted on three counts of conspiracy to commit bank fraud for his false loan applications, one count of income tax fraud in the amount of \$1,227, and two counts of filing false claims against the U.S. Government

**Washington Men
Collect UI Money for
Non-Existent
Employees**

in the amount of \$10,185. In a separate action, Ronald Jackson was charged by information with one count of bank fraud resulting in the loss by the Lorain National Bank of Lorain, OH, of \$331,000. *U.S. v. Acevedo, et al.* (N.D. of Ohio)

This OIG investigation disclosed that from January 1994 to May 1997, Thomas Allard, in conspiracy with James Thompson and Dale Sutley, fraudulently obtained UI benefits from Washington State. Allard obtained master business licenses and filed fraudulent employer quarterly reports of employee wages for two paint contracting companies that did not exist. No work was conducted, there were no employees, and no wages were paid. Allard subsequently reported that the companies had ceased business operations. Allard filed UI claims in the names of fictitious employees, some with false social security numbers, thereby obtaining UI benefits. The loss to Washington State was approximately \$86,500. An additional savings of \$46,000 was realized when benefit payment of active UI claims were terminated. In May, Thomas Allard was sentenced to five months' incarceration, and five months' electronic home detention. He was ordered to pay \$71,660 individually and \$15,120 jointly and severally with Thompson and Sutley. In June, Sutley pled guilty to conspiracy to commit mail fraud. *U.S. v. Allard, et al.* (E.D. District of Washington)

**Woman Sentenced
for Multi-State Scam**

From 1995 to 1997, Cathryn Parker perpetrated fictitious employer schemes in Washington, Hawaii, California, Arizona, and Connecticut. An OIG investigation revealed that Parker created 12 phony businesses, used more than 29 aliases, and filed UI claims for more than 16 fictitious employees of the companies. Through these schemes, Parker fraudulently obtained approximately \$70,133 in UI benefits. In June, Parker was ordered to serve a 13-month split sentence. She was remanded to the Bureau of Prisons for 7 months', after which she will then serve 6 months' community confinement, and finally, will serve 3 years' probation. She was ordered to make restitution in the amount of \$36,000. *U.S. v. Parker* (N.D. of California)

**Connecticut Woman
Sentenced for UI
Fraud**

Wanda Nurse was found guilty of defrauding several government funded assistance programs. Between August 1993 and Feb-

Massachusetts UI Fraud Scheme Ended

ruary 1994, she had received \$11,748 in UI benefits, including emergency unemployment compensation benefits, while failing to report her substantial earnings. Nurse was convicted of mail fraud, social security fraud, bank fraud and false statements in government programs. Nurse was concurrently indicted for defrauding the state and federally funded AFDC program, the Connecticut Energy Assistance Program, Child Care Subsidy Program and Unemployment Compensation Program. Nurse also provided false income information and a false social security number to obtain consumer credit. On August 26, 1998, in U.S. District Court in New Haven, Connecticut, Wanda Nurse was sentenced to six years' in prison, followed by five years' probation and ordered to pay restitution in the amount of \$60,448. *U.S. v. Nurse* (D. of Connecticut)

In April, Coriolano Romero, was sentenced to ten months' confinement, three years' probation, and ordered to pay restitution of \$55,250. On January 30, 1998, Romero had pled guilty to one count of conspiracy, one count of theft from a program receiving federal funds and one count of fraudulent use of social security numbers. The charges stemmed from a February 1992 indictment charging Massachusetts Department of Employment and Training (DET) employees Paul Louie, Jimmy Leon, and Romero with operating a scheme to fraudulently collect approximately \$88,000 in unemployment insurance benefits. Leon and a former DET employee, Louie, were indicted and pled guilty during 1992; however, Romero was a fugitive from 1992 until he was arrested in July 1997. *U.S. v. Romero* (D. of Massachusetts)

UI AUDITS AND EVALUATIONS

Audit of Employee Leasing Industry in Georgia

We performed a limited scope audit of the employee leasing industry in the State of Georgia covering the 5-year period beginning January 1, 1992, through December 31, 1996. In addition, we computed Unemployment Insurance (UI) Trust Fund losses through the end of 1997.

The audit was undertaken as a result of the rapid growth (25 percent annually) of the employee leasing industry. Our objective was to determine what effect employee leasing companies had on Georgia's UI Trust Fund. The results of our audit disclosed that there were no adverse effects on the UI Trust Fund from bona fide employee leasing operations. However, we found

that abusive “shell” transactions resulted in a \$1,683,260 loss to the UI Trust Fund. Of this, \$79,631 resulted from abusive affiliated “shell” transactions and \$1,603,629 represented illegal and/or abusive purchased “shell” transactions.

For purposes of the audit, the OIG defined “shell” leasing activity as occurring when: (a) an employee leasing company transfers all or a major portion of its employees to a relatively inactive or dormant company which is owned or purchased by the leasing company to obtain a lower UI tax rate, (b) a significant percentage (20 percent or more) of employees are transferred from one employer to another with common ownership and control; and (c) losses to the UI Trust Fund occur because the successor company has a lower UI tax rate than the predecessor.

“Shell” leasing activities are abusive and undermine the UI experience rating tax system. The results of our audit indicate that improvements are needed in both operating procedures and in Georgia State law to better identify employee leasing companies subject to the State’s bonding requirements and to deter abusive “shell” leasing company activities.

Because of the risk of loss to the UI Trust Fund, we recommended that the Assistant Secretary for Employment and Training work with the Commissioner of the Georgia Department of Labor to accomplish the following:

- Pursue all available remedies pertaining to abusive employee “shell” leasing activities and recover UI Trust Fund losses resulting from violations of Georgia’s statute in the amount of \$1,603,629.
- Pursue remedial action to amend the State of Georgia Employment Security Law to prohibit any reduction in UI tax rates caused solely by multiple transfers of employees from one affiliated employee leasing company to another. In this regard, consideration should be given to classifying affiliated leasing companies into one experience rating category to eliminate inter-affiliate transfer abuses.
- Revise the employer status report to incorporate a ques-

- tion specifically asking employers if they are engaged in the leasing of employees to other employers (client firms).
- Develop written procedures and ensure that employer status reports are thoroughly reviewed for leasing company identification, and questionnaires are sent to suspected leasing companies on a regular basis. Companies not responding are contacted and all responses are properly reviewed and accounted for.

The Georgia Department of Labor strongly disagreed with our findings and declined to take any action on our recommendations to recover the \$1.6 million in losses that we believe resulted from violations of the State's successorship laws. Georgia defended the right of any employer with significant, rapidly-growing unemployment tax liabilities to seek the most tax-favorable status available under the law and stated that the tax-saving strategies employed by employee leasing companies are not illegal. Georgia says the practices described are generally legal and are commonly utilized by members of other industries to achieve tax savings.

We stand by our findings that the improper use of successor rates by employee leasing companies not eligible to use them costs the UI trust fund \$1.6 million. We likewise stand by our recommendations that Georgia, as part of its stewardship responsibility, should attempt to recover these funds and take action to prevent such abuses in the future.

We agree with Georgia that any employer has the right to seek the most tax-favorable status available under the law and that proper use of the State's successor statutes to gain favorable tax rate status is not illegal. Report No. 03-98-007-03-315; issued September 30, 1998)

Improvements are Needed in the Evaluation of Audit Quality and the Reporting of Blocked Claims Audits

We have been working closely with the Unemployment Insurance Service (UIS) on an ongoing audit to identify the best practices used by states in conducting UI field tax audits. During the course of the audit, we conducted a survey, via an Internet questionnaire, of the states' field tax audit activities. Based on our survey results and discussions with UIS, we identified two findings on which both UIS and the OIG concur that immediate action can be initi-

ated. We also noted that significant improvements have been made in the quality of the states' field tax audit programs through implementation of the Tax Performance System.

First, we found that the criteria used for the evaluation of audit quality are too stringent. UIS agrees that some changes to the criteria used for the evaluation of Field Audit Quality are necessary and is considering convening a task force to develop new scoring criteria. Secondly, we found that ETA's Contributions Operations report excludes statistics on the search for hidden wages (blocked claims). Consequently, some states are not performing these types of audits because no credit is given to them. Our preliminary results suggest that this type of audit can result in significant assessments. One state indicated that in 1997 they found an additional \$5,600,000 of contributions from blocked claims that were not reportable achievements on ETA's Contributions Operations report. UIS concurs with our recommendation and is scheduled to formulate changes to the tax audit policy by January 1, 1999. (Report No. 03-98-008-03-315; issued September 9, 1998)

Review of UI Contingency and Disaster Recovery Plans and Readiness

At the ETA's request, and in cooperation with the UIS, the OIG performed a review into the vulnerability of the State Employment Security Agencies' (SESA) Unemployment Insurance (UI) programs and their planned readiness to overcome such threats. We conducted a survey of the 53 SESAs and evaluated the quality of current SESA contingency and disaster recovery plans.

This review was performed using agreed-upon procedures in cooperation with the UIS. These procedures included surveying all 53 SESAs and evaluating SESA contingency and disaster recovery plans for quality. OIG performed the evaluation of SESA plans and scored the quality of each plan by comparing each plan to that of key plan components. In determining the SESA jurisdictions most vulnerable to the risks of disaster and their ability to recover, OIG used certain factors from the survey results and overall scores of plan quality. As a result of our work, we identified 30 vulnerable UI jurisdictions.

The chart shown above illustrates 18 jurisdictions with plans that received a quality rating of less than 1, 5 being the best possible score. An overall score was derived from the key component scores and a list was prepared of the jurisdictions that are considered most at-risk. Of the 18 jurisdictions, the plans of 13 were rated 0 because no plan existed and another 5 jurisdictions' plans were of such poor quality the overall rating was greater than 0 but less than 1, and only 3 of 53 jurisdictions rated 4 or above. This chart also shows other various categories related to the quality of the plans and includes the 4 jurisdictions that were not

rated because plans, although reported to exist, were not submitted to OIG.

Additionally, the OIG found that all jurisdictions were, to some degree, vulnerable and not fully ready to deal with potential threats. The OIG also found that 11 jurisdictions had a plan that was more than 5 years old. (Report No. 17-98-006-03-315; issued September 30, 1998)

**PENSION AND
WELFARE
BENEFITS
ADMINISTRATION**

The Pension and Welfare Benefits Administration (PWBA) is responsible for administering Title I of the Employee Retirement Income Security Act 1974 (ERISA), which governs the rights and financial security of employee benefit plan participants and beneficiaries in the nation's private pension and welfare benefit plan system. PWBA's responsibilities include promulgating regulations, providing interpretations of ERISA, and enforcing the provisions found in Title I.

In turn, the OIG has made the protection of the retirement security of American workers a top priority. To meet this objective, the OIG has continued its long-standing commitment to protect workers' retirement assets through its audit oversight of PWBA.

**Audit of PWBA's
Delinquent Filer
Voluntary
Compliance Program**

We conducted an audit of the PWBA Delinquent Filer Voluntary Compliance (DFVC) program. Our primary objective was to determine if the DFVC program was significantly increasing compliance with ERISA reporting requirements or whether PWBA should modify or terminate the program. Through the end of FY 1997, PWBA's reported DFVC program results include 7,675 annual report filings that had been delinquent and approximately \$22.4 million in voluntary civil penalties paid.

Overall, we concluded that the DFVC program was beneficial in encouraging plan administrators to file delinquent annual reports. We also concluded that the civil monetary amounts applied under the program were appropriate. The DFVC program is low cost and provides a good return on investment relative to the number of filings received and the amount of voluntary civil penalties collected. PWBA did an excellent job in publicizing the

DFVC program in its public outreach and education efforts. However, we identified three areas where the DFVC program needed improvement, as follows:

- PWBA needed to improve its monitoring of DFVC filers' continuing compliance with ERISA reporting requirements. Over 50 percent of the plans using the DFVC program are out of compliance again within 3 years with no follow-up action by PWBA.
- PWBA was not effectively administering the DFVC according to program requirements. Specifically, PWBA collected penalties from plans that did not owe them, for periods for which PWBA had no statutory authority to assess penalties, and for incorrect amounts.
- The PWBA DFVC database used for program management and information contained a significant amount of errors. We found an overall error rate of 18.5 percent on data important to DFVC program management.

We recommended that the Assistant Secretary for PWBA:

- Monitor DFVC filer compliance with reporting requirements on a continuing basis.
- Establish performance measures which gauge the success of the DFVC program in obtaining continuing compliance with ERISA.
- Establish management control procedures over the DFVC program to ensure compliance with laws and regulations.

PWBA generally disagreed with the need to take additional actions on our recommendations. They did not agree that the DFVC program needed specific monitoring or performance measures or that an internal review of fringe benefit and amended returns was necessary. PWBA did agree, however, to consider establishing performance measures for timeliness of compliance with ERISA's reporting requirements for all plan filers and to develop

PWBA expressed concerns regarding OIG audit methodology and assumptions. They indicated that the OIG needed to review some of its underlying assumptions and its statistical analysis based on those assumptions.

Based on PWBA's response, we have reviewed our methodology and assumptions in conjunction with additional information provided by PWBA. As a result, we have revised some statistical projections of overpayments and underpayments. However, this did not cause us to change our recommendations, and we believe that the procedural changes are still warranted. We have provided additional comments after each finding and have responded to PWBA's concerns on our methodology and assumptions. PWBA and the OIG are continuing to discuss the report and its recommendations. (Report No. 09-98-005-12-121; issued September 30, 1998)

**PWBA - ERISA
Streamlining and
Enforcement Initia-
tives**

In the March 1998 Semiannual Report, the OIG reported on the status of, and concerns related to, the development of PWBA's ERISA Filing and Acceptance System (EFAST) Enforcement Management System (EMS). At that time, the OIG had concerns about:

- PWBA evaluating EFAST vendor proposals for design and development and whether the contracts could be awarded by June 1, 1998.
- PWBA's ability to have the new Form 5500 Series revisions approved and published in time to allow the contractors to begin development of the new EFAST system.
- PWBA promoting the use of electronic filing, since there were no legislative barriers to making such a requirement.

The following updates the status of the EFAST, Form 5500 series revisions and EMS system development efforts for this semi-annual period.

- While PWBA's procurement to acquire EFAST prototype development contractors has been protracted, two competitive contract awards were made on September 28, 1998. PWBA and the Department have successfully

cleared the Form 5500 revisions and instructions and submitted them to OMB for Paperwork Reduction Act clearance and approval. Approval has not yet been granted by OMB. The EFAST system development is dependent on approval of the Form 5500 revisions.

- PWBA's estimated cost for EFAST development has increased by \$1 million. EFAST development will be \$11.3 million. The Congress appropriated \$6 million in FY 1997 (2-year funding) and included an additional \$3 million for this effort in PWBA's FY 1998 budget. PWBA reported that it also has available \$2.3 million for use from its operational budget.
- PWBA was provided a legal opinion by the Department of Labor's Solicitor that clears the way for phased-in mandated electronic filing and has requested the IRS and PBGC also provide their concurrence.
- PWBA is on schedule to fully implement its new EMS by January 1999.

(Report No. 17-98-019-12-001; issued September 30, 1998)

Previously, OIG reported the results of its limited scope audit of selected procedures relating to the State of Maryland, Department of Labor, Licensing and Regulation (DLLR) Division of Unemployment Insurance (UI).

**Property in the
amount of \$1,454,065
Restored**

During this reporting period, DOL received confirmation that \$1,454,065 of capitalized fixed assets for the period covering July 1995 to the present had been restored to the UI inventory system. The costs of the property were undeterminable because DLLR did not maintain an inventory control system to record equipment purchases above the capitalization limit established for sensitive and non-sensitive equipment. Therefore, the cost of the property could not be determined at the time of our audit. However, it is now confirmed that \$1,454,065 of capitalized fixed assets have been restored and all data entries and updating of inventory transactions have been entered into the Fixed Assets Reporting System. (Report No. 03-97-057-03-315; issued September 30, 1998)

OIG LABOR RACKETEERING PROGRAM

OIG Goal: Combat the influence of organized crime and labor racketeering in the workplace.

The OIG at Labor is unique in that it is mandated by Congress to carry out a criminal enforcement program to combat organized crime influence and labor racketeering in the workplace. Labor racketeering includes the use of union or benefit plan assets or power for personal benefit. The underlying concept is that a union (or a benefit plan) is organized for the benefit of its members, not its leaders. When racketeers take over, that relationship is subverted, and the union leadership reaps the benefits by exploiting the members. As a part of the OIG's 5-year Strategic Plan, the OIG has established a specific goal to identify and reduce labor racketeering in the workplace.

The objectives under this goal are to:

- Conduct investigations of labor racketeering activities of pension and employee welfare benefit plan officials, plan administrators, and service providers.
- Conduct industry probes into organized crime's domination or influence over unions and employers operating in those industries.
- Conduct investigations of union corruption, including the use of all available enforcement tools to remove organized crime and to restore democratic procedures in unions.

The accomplishments achieved during this reporting period demonstrate a sharpened focus on this priority work.

**EMPLOYEE
BENEFITS AND
PENSIONS**

Over the past several years, the OIG has seen a significant rise in “white collar” criminal activity involving union pension plans. While typical embezzlement of pension assets schemes continue, OIG investigations are revealing criminal activity in the arena of pension asset investments. The OIG continues to uncover schemes ranging from the theft of pension investment returns, to improper fees and commissions being diverted to investment advisors. Since union-affiliated pension plans comprise approximately \$400 billion, the OIG is concerned that there is little coordinated oversight of this arena.

The OIG aims to: coordinate with outside agencies to target pension investment scams; identify changes within ERISA to better deal with deficient plans, and deficient plan service providers; and begin to more aggressively target corrupt unions, providers and participants involved in pension investment criminal activity. The OIG continues to be greatly concerned about this troublesome trend, and plans on making pension investigations one of our highest priorities.

**Bogus Investment
Advisor Charged
with Defrauding
Pension Plan**

As part of our nationwide initiative to combat abuses of pension plan assets, the OIG worked jointly with the Department’s Pension and Welfare Benefits Administration to show how task forces can help to end pension plan abuse.

In an August indictment, Allan Huppe has been charged with embezzling \$750,000 from the Highland Nursing Home, Inc., Retirement Plan in Massena, New York. Huppe, purporting to be an investment advisor, contacted Edward Kaneb, a trustee of the retirement plan, and told him that at no risk to the retirement plan’s assets, he would use plan assets to purchase and sell financial instruments. Huppe allegedly said he would repay the money out of trading profits; however, the indictment charges that Huppe used the proceeds for a variety of personal purposes. On repeated occasions, Huppe provided written confirmation indicating that the deposit balances at Navy Street Bancorp, which Huppe owned, were in excess of \$750,000 when in fact the funds had been disbursed.

Huppe was indicted and arrested on three counts of wire fraud and one count of embezzlement. The indictment charges that

**\$10 Million Pension
Scam Stopped**

Huppe used funds deposited from the retirement plan for various personal purposes. This case was jointly investigated with the FBI and the PWBA. *U.S. v. Huppe* (N.D. of New York)

In September 1997, Charles Henry Klisser, of Carlsbad, California, met with an OIG undercover agent who told Klisser that he had access to stolen pension money. Klisser agreed to take \$10 million in embezzled union pension fund assets and invest them in "bank guarantees," claiming that he would make commissions and fees on the money and double the investment within two months.

Klisser was ultimately found guilty of fraud in agreeing to invest \$10 million in embezzled union pension funds, and he was convicted of wire fraud in U.S. District Court in Brooklyn, New York, on June 19, 1998. Sentencing for Klisser is currently pending. This was the result of a joint undercover investigation conducted with the FBI. *U.S. v. Klisser* (E.D. of New York)

**\$1.5 Million
Embezzled from
401K Plan**

A joint investigation with the PWBA and FBI disclosed that Gary Moore, President of Moore Benefit Systems, Inc., embezzled \$1.52 million from the Emergi-Lite, Inc., 401K pension plan. Moore avoided detection for almost 10 years by providing company officials and plan participants with false quarterly statements of individual accounts. During this period, Moore also provided the U.S. Treasury with false Annual Financial Reports.

In June 1998, Gary D. Moore pled guilty in the Federal District Court of Connecticut to a two-count information charging him with embezzlement of ERISA-covered funds and making false statements or concealment of facts regarding ERISA. *U.S. v. Moore* (D. of Connecticut)

**California Man Sen-
tenced for Pension
Fraud**

In April 1998, Michael P. Rosen pled guilty to one count of theft from an employee benefit plan, one count of making and subscribing to a false tax return and one count of mail fraud. Rosen persuaded many of his investors and officials of pension plans covered by ERISA to invest their life savings. He prepared false and forged promissory notes and deeds of trust bearing a forged notary signature which he used to deceive his investors.

The Court sentenced Rosen to 37 months in federal prison, to

run consecutively with a state sentence for a grand theft conviction, and three years' of probation. In addition, the Court ordered Rosen to make full restitution to the victims for \$6.5 million jointly with co-defendant Linda N. Johnstone, Rosen's bookkeeper. Rosen was barred from holding any position with a fiduciary responsibility and ordered to file amended federal income tax returns for the years 1992 through 1996.

Linda N. Johnstone pled guilty to mail fraud and aiding and abetting. The Court sentenced Johnstone to 12 months in prison and three years' probation, and barred her from seeking employment with a financial institution. The case was handled jointly by the OIG, the FBI, the IRS, the Rohnert Park Police Department, and the Sonoma County DA's Office. *U.S. v. Rosen, Johnstone* (N.D. of California)

**California Contractor
Embezzles from
Construction Union
Pension Plans**

In June 1997, George Michael Shipsey, a real estate developer/contractor and principal of a construction partnership, was convicted of embezzlement and money laundering. The indictment charged Shipsey with fraudulently obtaining a portion of loan proceeds for a construction project.

Four union pension plans granted Shipsey's partnership a construction loan to finance a project on which Shipsey defaulted. The pension plans invested additional funds to complete the project. Shipsey obtained the construction loan money in piecemeal fashion through drawer requests. By submitting false requests for loan proceeds, over-billing, and double-billing, Shipsey diverted money from the project to work done on his private residence. Shipsey also demanded and received kickbacks from the subcontractors.

The Court ordered Shipsey to pay restitution to the following union pension plans: Carpenters Pension Trust Fund of Northern California - \$ 437,765.30; Operating Engineers Pension Trust - \$116,784.59; Sheet Metal Workers of Northern California Pension - \$116,784.59; and, Northern California Plastering Industry Trust - \$36,450.59, for a total of over \$700,000. In addition Shipsey was sentenced to 37 months' incarceration, and 36 months' supervisory release. *U.S. v. Shipsey* (N.D. of California)

**Health Insurance
Fraud Scheme
Uncovered**

Solomon Sprei pled guilty to two counts of conspiracy to defraud many individuals and several insurers of \$17 million. Sprei owned American Employee Group Benefits Administrator, Inc. and Associate Members Brokerage Group, Inc. Sprei recruited members from the public and corporate entities as associates of Local 906 of the Retail Drug, Cigar, Soda & Luncheonette Employees Union and Local 1-J of the Service Employees International Union (SEIU). In exchange for monthly fees to the unions, Sprei promised to obtain health insurance.

Sprei purchased health insurance coverage from five major insurance companies by misrepresenting the member individuals as preexisting members of the unions. He received group insurance coverage rates, even though members were not a part of any preexisting group.

In August 1998, Solomon Sprei was sentenced to 30 months' in prison, 36 months' probation, and ordered to pay \$1.8 million dollars in restitution to the insurance companies, to be paid to claimants. This was a joint case with PWBA and the Postal Inspection Service. *U.S. v. Sprei* (S.D. of New York)

**LABOR-
MANAGEMENT
RELATIONS**

**Garment Industry
Probe Nets Top Mob
Leaders**

The OIG continues to investigate illegal payments from employers to union officials. These prohibited payments are usually for sweetheart contracts that allow the employers to save money on wages and benefits. Corrupt union officials also use their position to extort employers, in exchange for union peace.

In April 1998, in the Southern District of New York, members of three organized crime families were arrested and indicted on racketeering and extortion charges in the New York garment industry. This investigation centered around the historical control of organized crime in New York's garment district. Organized crime, through their control of the labor unions and trucking companies, extorted businesses by threatening labor unrest if their demands were not met. The garment district was divided between several families, with the Luchese Family being the controlling family.

Joseph Defede, acting boss of the Luchese organized crime

family and eleven others were charged with nine separate acts of racketeering, spanning from 1991 through 1996. In a separate indictment, five members and associates of the Gambino and the Genovese organized crime families were charged in connection with the extortion of the operators of Hudson Piece Dye and its affiliated companies. *U.S. v. Defede, et al.*, *U.S. v. Gallo et al.*, *U.S. v. Gatto, et al.* (S.D. of New York)

INTERNAL UNION AFFAIRS

The OIG continues to investigate union officials engaging in labor racketeering activities who continue to undermine and, in some cases, incapacitate internal union affairs. One of the most direct strategies that the OIG employs in this effort is the actual removal, dismissal, or debarment of those union officials that are being influenced or controlled by organized crime.

International Union President Resigns under RICO

In May 1998, Edward T. Hanley resigned from his position as General President of the Hotel Employees and Restaurant Employees International Union (HEREIU). Hanley's resignation is another facet in sweeping federal investigations that began with a successful civil RICO case against HEREIU's Local 54 in Atlantic City, New Jersey. An OIG investigation of corruption in HEREIU predicated an investigation by the court appointed international monitor, Kurt Muellenberg.

In a February 1998 agreement with the court appointed HEREIU monitor, Hanley agreed that he would announce his retirement on or before May 31, 1998, leave office by July 31, 1998, repay the HEREIU \$13,944 and relieve the HEREIU of the responsibility to pay premiums on a \$500,000 life insurance policy for him. In addition, the agreement barred Hanley from accepting any union compensation (except for vested benefits) and barred him from further direct or indirect influence over the union's affairs. The agreement also prohibited him from seeking union reimbursement for legal fees. *U.S. v. Hanley* (D. of New Jersey)

HEREIU Members Removed from Office for Mob Ties

An investigation by the OIG assisted the investigations officer for the HEREIU Court-Appointed Monitor in charging that Joseph A. Spano and Frank Riggio committed numerous violations of

the Civil RICO Consent Decree. Specifically, Spano and Riggio were charged with:

- Associating with known members and associates of an organized crime group in order to exercise influence over Local 450's affairs.
- Permitting members and/or associates of a criminal group to exercise influence over Local 450's affairs.
- Obstructing the Monitor's efforts to effectuate terms of the Consent Decree.
- Embezzling from Local 450.

Per the plea agreements, Spano resigned as Vice-President-At-Large of the HEREIU, and, as President of Local 450. Both resigned as executive board members of Local 450, as members of the Chicago Joint Executive Board, as Local 450 members, and as rank-and-file HEREIU members. Riggio resigned and retired as the Secretary-Treasurer of Local 450. In addition, both agreed that they would not participate in any manner in any of the activities or affairs of HEREIU or its affiliate entities. *U.S. v. Spano, Riggio* (D. of New Jersey)

**Bookkeeper Pleads
Guilty to \$500,000
Embezzlement from
Union**

In April 1998, Carmella "Chickie" Garofalo, a former bookkeeper and office manager for the Philadelphia Building and Construction Trades Council (BCTC), pled guilty to charges of embezzling union funds.

During her employment with the BCTC, Garofalo maintained control of the BCTC's bank account as well as an account for the Allied Trades Assistance Program (ATAP), a union-related account. An investigation and audit were triggered after a BCTC business agent received notification of the withdrawal of \$31,220 from his pension account. When confronted by union officials, Garofalo admitted to the embezzlement. The investigation revealed that between December 1993 and April 1995, Garofalo had stolen \$177,177 from the BCTC account and \$280,514 from the ATAP account, for a total loss of \$457,691. *U.S. v. Garofalo* (E.D. of Pennsylvania)

**Former Teamster
President Convicted
of Embezzlement**

In April 1998, a federal jury in Houston, Texas, convicted former Teamsters Local Union 988 President Richard A. Hammond of 14 counts of embezzlement. The International Brotherhood of Teamsters (IBT), Washington, D.C., took over IBT Local Union 988 in November 1995, pursuant to a court ordered trusteeship. Hammond denied the International trustee access to the union hall and records. The judge imposed a preliminary injunction forbidding the Local Union 988 officials from interfering with the International trustee.

The investigation, conducted by the DOL-OIG, FBI, and IRS, disclosed that Hammond embezzled \$75,137 from a health and welfare trust fund; used his union American Express card to charge over \$65,723 for personal goods; embezzled \$44,620 from the union's Democratic Republican Independent Voter Education (drive) fund; and made false statements to the LaGrange-Bellville Federal Land Bank to obtain a \$79,800 loan. *U.S. v. Hammond* (S.D. of Texas)

**Former Union
Officials Sentenced
for Embezzlement**

A total of 13 people have been convicted in an ongoing investigation of corruption in the United Food and Commercial Workers (UFCW) Local Union 1 in Utica, New York, with the Department's Office of Labor-Management Standards, IRS, FBI and Housing and Urban Development's Office of Inspector General. The latest were four high ranking officials of the Union. Joseph C. Talarico, his daughter, Marlene Talarico Biernat, and his son, Samuel John Talarico and Joseph's brother, Samuel J. Talarico, Jr., pled guilty to tax evasion and embezzlement from the union.

The union officials and building contractors and vendors were convicted in a scheme to perform work on the residences of the then president of Local 1, Joseph C. Talarico and other Local 1 officers and charge the cost to Local 1.

Joseph C. Talarico was president of Local Union 1, and secretary-treasurer of the United Food and Commercial Workers International Union until his resignation in July 1997. The Court sentenced Joseph C. Talarico to 30 months of incarceration, followed by 3 years of supervised release. He was also barred from union office for 13 years' and ordered to pay \$1,096,696.78

in restitution.

Samuel John Talarico was sentenced to 12 months and a day of incarceration, to be followed by 3 years of supervised release. He was barred from union office for 4 years (he was executive vice president until succeeding his father as president) and ordered to pay \$81,195.60 in restitution. Samuel John Talarico is also barred from any relationships with UFCW and its affiliates for life. Marlene Talarico Biernat, administrator, was sentenced to 12 months of probation, and ordered to pay \$27,462.16 in restitution.

The Court sentenced Administrative Vice President Samuel J. Talarico, Jr. to 24 months of incarceration, followed by three years of supervised release. In addition, he was barred from union office for 13 years and ordered to pay \$769,366.36 in restitution. *U.S. v. Talarico, et al.* (N.D. of New York)

WORKPLACE SAFETY, HEALTH, AND STANDARDS

OIG Goal: To optimize the use of funds appropriated for worker protection and workplace safety programs by enhancing program performance and accountability.

Another major function of the Department is the administration of programs designed to protect workplace standards and ensure workplace safety. To help the Department ensure the protection of workplace standards and safety, the OIG has established a safety, health, and standards goal for our 6-year GPRA Strategic Plan. Listed below are OIG activities completed during this reporting period that contribute toward achieving this important goal.

MINE, SAFETY AND HEALTH ADMINISTRATION

The Mine Safety and Health Administration (MSHA) administers the provisions of the Mine Safety and Health Act of 1977. This Act was enacted to provide a means for improving working conditions and practices in the Nation's mines and for promoting a safe and healthful environment for miners. MSHA's major activities are the development and enforcement of health and safety standards; development and implementation of educational policy; technical support in the approval and certification of mine equipment; and the collection, analysis, and publication of information pertinent to the mining industry.

Audit of MSHA's Approval and Certification Center

As part of its efforts to ensure miners work in a safe environment, MSHA regulates certain specified mining products (equipment, components, materials, explosives, and instruments) by settings standards, reviewing manufacturers' designs for conformance with those standards, and issuing approvals for equipment to be used in gassy mines. MSHA's product evaluation and approval process is administered by the Approval & Certification Center (A&CC) located in Triadelphia, West Virginia.

We conducted an audit to examine MSHA's performance with respect to: product approval or acceptance processes; quality

assurance and field audit reviews of approved products; and establishment and collection of user fees.

To obtain feedback regarding the approval and certification process, we surveyed equipment manufacturers, mine operators, and miner representatives, and selected a judgmental sample of cases completed during FY 1997. The respondents generally agreed that the A&CC testing and approval evaluations, field product audits, and revisions/recalls were conducted timely and fairly. We also concluded that MSHA established user fees for testing, evaluation, and approval of products in accordance with Federal requirements.

However, our audit identified several areas in which MSHA could make improvements to increase the efficiency and/or effectiveness of its equipment approval and certification process. Specifically, we included recommendations in our report encouraging MSHA to:

- significantly reduce the mining industry's expenditures for engineering and product development by identifying and adopting those international and other standards which MSHA determines provide an acceptable level of safety for U. S. miners;
- place greater emphasis on assessing the adequacy of manufacturers' quality control processes in both the evaluation/approval of products and the planning of field audits of approved equipment; and
- amend current regulations to more specifically address the applicability of safety standards to reconditioned mining equipment.

In their response to our draft report, MSHA disagreed with many of our specific findings and recommendations. However, in response to our final report, MSHA has indicated that they will be reporting back to the OIG with their corrective action plan. (Report No. 06-98-008-06-610; issued September 25, 1998)

**Evaluation of
MSHA's Coal Mine
Safety and Health
Inspection Program**

During this reporting period, the OIG completed an evaluation of the effectiveness of the MSHA inspection program in a district in Alabama. The United Mine Workers of America (UMWA) had filed a complaint with the OIG raising concerns that MSHA was not fulfilling its legal responsibility to protect mine workers under the Federal Mine Safety and Health Act of 1977 (Mine Act). Among the allegations reviewed were that the district did not:

- Conduct proper and timely inspections in accordance with the Mine Act
- Ensure abatement of long-term mining hazards at several mines
- Address potential conflicts of interest
- Cite all violations to mine operators
- Conduct appropriate or sufficient enforcement activities

We concluded that the mines in Alabama have better safety records now than prior to the creation of the district, as indicated by the declining incidence rates of mining accidents and injuries. In addition, violations have decreased by 15 percent over the last 2 years, concurrent with an overall improvement in the quality of citations and orders. However, enforcement actions have not decreased at the majority of mines considered to be most hazardous.

MSHA's enforcement responsibilities in the Alabama district currently encompass 50 surface facilities, requiring inspection at least 2 times per year, and 10 underground mines, requiring inspection at least 4 times per year. Here, as elsewhere, MSHA's inspection presence does not, by itself, result in violation-free mines. Therefore, MSHA encourages voluntary compliance with the Mine Act through training, technical assistance, and other non-enforcement activities.

The OIG interviewed MSHA employees, miners, miner representatives, and mine operators, and reviewed documentation supplied by both MSHA and the UMWA. We also examined, with MSHA and UMWA officials, underground conditions in this district.

Our review identified the following areas warranting MSHA's attention to improve the coal mine safety and health inspection program and we made the following recommendations and observations:

- Inspectors be provided regular briefings regarding those judicial or commission decisions that affect the issuance of citations and orders and copies of those rulings that serve as the basis for a conference officer's decision.
- All MSHA inspectors receive training on identifying potential above-ground structural failure as soon as possible.
- The relationship between the district and UMWA be improved through joint meetings and dialogue sessions.
- Additional policies, consistent with MSHA's ethics guidelines and labor-management agreement, be instituted requiring inspection personnel to disclose to agency management officials both immediate family relationships with mine employees and any other personal relationships that may give the appearance of a conflict of interest.

The OIG is concerned that a major complaint was not addressed appropriately by the district, largely as a result of ineffective communication between district supervisors and union officials. MSHA has fully accepted our recommendations and began implementation prior to issuance of the final report. Additionally, MSHA has provided their conference officers with access to the *Legal Quarterly Digest of Mine Safety and Health Decisions*, as well as the *Westlaw* database. These two sources will permit the conference officers to readily provide inspectors and their supervisors with all judicial and Federal Mine Safety and Health Review Commission decisions that impact MSHA enforcement actions. (Report No. 18-OACE-98-MSHA; issued September 30, 1998.)

Certification of Mine Safety and Health Training Falsified

Recently, an 18 year-old Rail Link, Inc. (RLI) employee, Dominic Wolf, sustained severe injuries when a rail car amputated both of his legs. The same day, RLI Operation Manager James Anderson provided Wolf's training certificate to an MSHA Inspec-

tor. When Wolf was interviewed he stated he never received the mandatory safety training, but said he was told to sign the training certificate if he wanted to work. Other RLI employees were interviewed and stated they did not receive the safety training as indicated on their certificates. All of the certificates were signed by RLI safety trainer Richard Davis.

Rail Link, Inc., which furnishes locomotives and crews to shuttle rail cars between General Chemical Mine's railroad storage facility and the mine's preparation plant is required by MSHA federal regulations to provide mandatory health and safety training to all of its employees. Additionally, RLI was required to maintain proof of training at the work site and have it available for review at all times. In May, a grand jury returned indictments against employees Richard Davis and James Anderson for making false statements, aiding and abetting, and false certification of mine safety and health training. *U.S. v. Davis, Anderson* (D. of Wyoming)

**OCCUPATIONAL
SAFETY AND
HEALTH
ADMINISTRATION**

**Review of Regional
OSHA Office**

The Occupational Safety and Health Administration (OSHA) administers the Occupational Safety and Health Act of 1970. OSHA develops, reviews, and promulgates occupational safety and health standards to assure safe and healthful working conditions for the American worker.

The OIG reviewed selected structural and operational issues to assess the efficiency of the New York OSHA office's administrative and management operations, and any related impact on program performance. This review was triggered by a position paper from an OSHA manager and referred to the OIG by the Office of the Secretary. Our review did not confirm the position paper's conclusions that significant opportunities exist to streamline regional administrative and program management operations. However, our review yielded several findings, in particular:

- Our review of program management reports prepared by the Program Planning and Support unit and interviews with New York area directors supported the contributions of these products to the effective administration of the region.

- The New York Office, through its Federal State Operations (training, education, consultation, federal agency programs), and Technical Services units, ensures uniform interpretations of OSHA regulations and contributes leadership and coordination in the accomplishment of the program's goals. These units have provided services which supplement other OSHA units to enhance regional program performance. We found no evidence that the functions of the New York Office's units could be readily assigned to the area offices, or that New York Office involvement delays the abatement of hazardous conditions, as indicated in the position paper.

We concluded that the New York Office's program support units contribute to, rather than detract from, the Region's effectiveness in accomplishing OSHA's mission. (Report No.14-OACE-98-OSHA; issued June 23, 1998)

WORKPLACE STANDARDS

The Department's Employment Standards Administration (ESA) is charged with administering and enforcing a number of statutes related to Federal labor standards. Workplace standards cover a wide range of employment issues, including: minimum wages, prevailing wages for contractors and subcontractors for Federal projects, child labor, overtime, family and medical leave, and other laws and regulations governing employment standards and practices.

Wage and Hour Division

FAIR LABOR STANDARDS ACT

ESA's Wage and Hour Division (WHD) is responsible for improving and protecting the wages and working conditions of workers in the private and local government sectors. The WHD is also responsible for determining the prevailing wage and fringe benefits rates for particular geographic areas, as required by the Davis-Bacon Act.

The Wage and Hour Division Should Make Use of Opportunities to Locate Workers and Return Backwages Owed

In some circumstances, ESA's Wage and Hour Division (WHD) assumes responsibility for distributing funds paid by employers who have violated labor laws to workers who are owed the backwages. WHD tracks collection and distribution of the funds through its automated Backwage Collection and Disbursement

System (BCDS). Generally, backwages held for workers who cannot be located within 3 years' of WHD's last receipt of funds revert to the U.S. Treasury's general fund and are no longer available for distribution.

Annual OIG financial audits indicate that balances of the BCDS totaled \$40 million in 1998. The audits also indicate time frames available to WHD for distributing large portions of the funds have lapsed, requiring reversion of substantial sums to Treasury. Consequently, the effectiveness of WHD's efforts to locate workers became an OIG concern. In addition, past audits also cited material weaknesses in accounting and administrative controls associated with the BCDS. Because of the many problems, WHD committed to redesign the BCDS and work with the OIG in assessing problems that must be addressed in its backwage collection and distribution functions.

The OIG conducted an audit to determine whether WHD could improve its success in distributing backwages by using information from credit bureaus to find workers. We also studied WHD's accounting and administrative controls to identify problems that should be addressed in the BCDS' redesign, as complete and accurate information is essential for WHD to manage its backwage collection and disbursement responsibilities.

As a result of the audit, we concluded that credit bureaus are an effective tool WHD can use to locate workers owed money. On March 17, we selected a random sample of 416 unlocated employees who were owed monies, from among active cases included in WHD's inventory. Through the credit bureau's data, we found current addresses for 205 of the workers in our sample who were owed \$50,238. We sent them letters that were similar to the one used by WHD in their mailings. The letters informed the workers that WHD was holding monies due to them. In order to receive payment, the workers were asked to confirm some basic information and return the confirmations in the postage-paid envelopes we provided.

Of the 205 workers, we received responses from 77 workers (38 percent) who were owed \$22,226 in backwages. Projections from our sample of active cases in which WHD holds money in trust indicate some \$5 million owed about 17,000 workers

could be distributed by using credit bureaus to locate workers' current addresses. While our audit focused on information supplied through credit bureaus, we also identified other modest-cost alternatives for locating workers that WHD should consider.

However, better success in locating and returning funds to employees is also dependent upon improvements in WHD's data systems and the procedures it uses to track enforcement activities. WHD tracks collection and distribution of the funds (backwages) through the BCDS.

We identified many improvements in WHD's accounting and administrative controls that must occur to allow effective efforts to distribute funds. Although many are interrelated, problems may be categorized as: (1) BCDS system design weaknesses, (2) accounting control problems, and (3) issues related to supervision and review.

We recommended the Assistant Secretary for Employment Standards direct WHD to increase its efforts to locate workers and distribute backwages. The use of information from credit bureaus should be strongly considered and other techniques for locating workers explored. If WHD needs additional funding to support the activities, we recommend the Secretary's support be solicited in asking the Congress to allow use of a portion of unclaimed backwages, that otherwise revert to the U.S. Treasury, to fund worker search activities.

ESA agreed with our recommendations. The response indicates that WHD, on the basis of our report, will explore methods of improving their ability to locate workers due backwages. Regarding the system and procedural weaknesses, the response indicates WHD has already implemented many of the recommendations in its BCDS redesign effort and will implement the remaining recommendations in the near future.

WHD did not offer a time frame for establishing improved procedures to locate workers and distribute backwages to workers. However, we encourage WHD to implement improvements as soon as possible.

We concur with actions WHD either plans to take or reports it

has taken to address system and procedural weaknesses. If the new system and procedures are properly implemented and maintained, they should resolve long-standing difficulties with the backwage data. WHD's progress in improving its systems and procedures will be evaluated through the OIG's annual consolidated financial statement audits of the Department. (Report Number 04-98-006-04-420; issued September 28, 1998)

DAVIS-BACON ACT

Three Indicted for False Statements Involving Davis-Bacon Prevailing Wages

In November 1995, Ribar Contracting Inc. was awarded a U.S. Coast Guard (USCG) contract to do repair work on a dock in lower Manhattan. Ribar was owned by Benny Riven, who was also the project director. Moshe Avni, Ribar's vice president for operations, submitted Ribar's bid on the project and supervised work on the project daily. After being awarded the job, Ribar hired Rip Marine Systems, Inc., later known as T & A Specialty Contracting, solely owned and operated by Anton Stackhow, as a subcontractor to perform work on the project.

All four defendants were charged with conspiring to obtain releases from employees that they had been paid the prevailing wages. Specifically, Stackhow, Riven and Avni allegedly pressured and requested employees of T & A to retract complaints they had registered with the USCG that they had not been paid the prevailing wage. In addition, Ribar is alleged to have submitted letters to the Department of Labor, purporting to have been signed by two employees of T & A, retracting a prior complaint that they had not been paid the prevailing wage rate. On July 13, 1998, a Federal grand jury in the Southern District of New York returned a 51-count indictment against Stackhow, Ribar Contracting Inc., Benny Riven and Moshe Avni for their roles in allegedly submitting false certified payrolls to the USCG for repair work. The indictment also cited the submission by Ribar of Receipt for Payment of backwages purporting to have been signed by T & A employees. However, it was determined that the signatures were forged. *U.S. v. Stackhow, et al.* (S.D. of New York)

New York Contractor Sentenced in Davis-Bacon Act Case

A jury recently found both Jabrail Shareef and James Nelson guilty of three counts of conspiracy, extortion and mail fraud charges. The charges stated that in 1991, and continuing through at least April 1992, Shareef and Nelson cheated workers on a New York State contract to demolish the interior of a public hous-

ing apartment complex.

Shareef entered into a contract with Integrated Waste Special Services, Inc. in December 1991 that included a requirement that each employee classified as a laborer be paid at a rate of \$21.89 per hour, under the prevailing wage rate schedule. However, Shareef and Nelson conspired to pay employees in cash, at a substantially lower hourly rate, ranging from \$6 to \$10 per hour. The evidence further revealed that the employees were required to endorse the back of their paycheck(s) without having the opportunity to see the front of the checks, and those that attempted to see the fronts of the checks were told they would be fired. After the employees endorsed the checks over to Shareef they were paid in cash. On August 11, 1998, Nelson, project supervisor for Shareef Enterprises, was sentenced in the Western District of New York to 30 months of incarceration, followed by 3 years of supervised release, and was ordered to pay \$52,403 in restitution. On February 5, 1998, Shareef and Nelson were convicted of conspiracy, extortion and mail fraud charges. This investigation was conducted jointly with the FBI. *U.S. v. Nelson, Shareef* (W.D. of New York)

**Virginia Contractor
Sentenced for
Underpaying
Employees**

Haywood Williams owned and operated Haywood Steel, a company that worked on a variety of federally funded construction projects. From 1994 to 1996, Williams deliberately failed to pay his workers the requisite wage rates, according to Davis-Bacon wage determinations, on several construction jobs funded by the U.S. Navy. He submitted weekly certified payrolls indicating that he was paying his workers in accordance with the wage scale but was actually underpaying them. Williams admitted paying his employees \$88,706 less than he had certified he had paid.

In July, Williams was ordered to serve 5 months in prison, 6 months in community confinement, 2 years probation, and ordered to pay \$16,685 in restitution after having pled guilty to one count of making false statements and violating the tax code. This investigation was conducted jointly with the FBI, the Naval Criminal Investigative Service, and the IRS. *U.S. v. Williams* (E.D. of Virginia)

DEPARTMENTAL MANAGEMENT

OIG Goal: Assist DOL in maintaining an effective management process.

THE DEPARTMENT OF LABOR Y2K PROBLEM

Business Priorities Perspective

The OIG carried out many activities in the area of departmental management that help to contribute to program economy and efficiency of DOL programs and operations. During this semi-annual period, extensive work was accomplished in the areas of the Year 2000 computer compliance problem, and the implementation of the Government Performance and Results Act (GPRA).

During this period, we began to track the Department's implementation of Year 2000 (Y2K) compliance solutions. The OIG performed audit work to establish a Y2K baseline, from which future departmental and agency Y2K progress could be judged. A report was issued in July 1998 that identified areas requiring management attention. Specifically, we examined the 61 agency mission-critical systems from a number of different perspectives including: the business priorities perspective, the Y2K impact perspective, the Office of Management and Budget (OMB) guidelines' perspective, and the state-operated UI programs' perspective.

First, we examined the issue of business priorities and divided and ranked the DOL mission-critical functions into six priority categories: benefit payments (3), economic (24), financial (3), enforcement (10), programmatic (15), and administrative (6). Notably, of these 61 systems, only the Davis-Bacon system, a programmatic system, was identified as requiring management action. Since the release of the report, the Department has advised us that the Davis-Bacon system has been renovated and tested, but we have not yet independently verified their compliance.

**Y2K Impact
Perspective**

The OIG examined the overall Y2K impact on agencies, and then determined whether the Y2K problem would have a high, medium, or low impact on the Department's ability to provide services and information to people, businesses, and other government agencies. As of July, the status of the 61 mission-critical systems was as follows:

- 9 have a high impact on services -- 1 of these is compliant
- 10 have a medium impact on services -- 2 of these are compliant
- 42 have a low impact -- 19 of these are compliant

**OMB Guidelines
Perspective**

The OIG also examined the Department's Y2K needs in terms of OMB's Y2K approach that included five phases: awareness, assessment, renovation, validation and implementation. It is only after each phase has successfully been accomplished that OMB credits an agency with progress. When comparing DOL's progress to OMB's Government-wide Y2K percentages, DOL is behind in the renovation, validation and implementation of its systems.

**State-Operated UI
Program Perspective**

One of the major areas of concern to the OIG is the unemployment insurance program, particularly the system's benefit component. The OIG raises this concern because the benefit component has to be compliant by January 1, 1999. This is because when initiating an unemployment insurance claim, a benefit year is established for 1 year forward from the date when the claim is filed. This means that if a claim is filed on January 4, 1999, the system will calculate a benefit year ending date of January 4, 2000. Consequently, a system could deny benefits and/or eligibility to a claimant who files after January 1, 1999, if it is not Y2K compliant.

Currently, as it relates to the UI system, there are seven states and territories struggling to maintain sufficient Y2K progress. They include: Arkansas, Delaware, the District of Columbia, Montana, New Mexico, Puerto Rico, and the Virgin Islands. In addition to the seven "at-risk" states and territories, other states were placed on a "watch list" due to previous poor performance relating to system development efforts. These states include: Illinois, Loui-

siana, Maine, and Nevada.

Since we issued the audit report, the Department has made progress in addressing the Y2K compliance issue. (Report No. 17-98-004-50-598; issued July 23, 1998)

**OIG REVIEWS
UNDER
THE GOVERNMENT
PERFORMANCE AND
RESULTS ACT**

GPRA was enacted to improve internal management of the Federal Government by holding Federal agencies accountable for achieving program results and improving program effectiveness and accountability to the public. Although GPRA has no special requirements for Inspectors' General (IG), congressional oversight committees have expressed interest in OIGs actively engaging in work related to GPRA implementation. Thus, we have made a commitment to assist the Department in managing for results by providing consultation assistance and audit oversight.

During the last 6 months, the OIG provided consultation assistance to all the major departmental agencies. We reviewed the strategic, annual performance, and information technology plans and issued reports to the Agency Heads of the following agencies: OSHA, BLS, Wage and Hour, MSHA, ETA, VETS, OCFO, SOL, WB, ILAB, and PWBA.

The purpose of the review was to determine whether the plans complied with the GPRA, OMB Circular A-11, Part 2, the Information Technology Management and Reform Act (ITMRA), and whether the plans contained all the elements required by the Acts and the Circular.

Overall, we found that the Department's and the agencies' strategic, annual performance, and information technology plans generally complied with the GPRA, OMB Circular A-11, Part 2, and the ITMRA. We provided the following suggestions to the agencies on how their plans could better reflect their missions, planning and performance goals, and how the agencies will manage for results.

Strategic Plans

GPRA requires the inclusion of six elements in an agency's strategic plan and the congressional committee that evaluated strategic plans included four additional elements. All of the strategic plans needed to address the elements of crosscutting issues,

data capacity, management problems, high risks areas, and stakeholder consultations. Further, a significant number of the agency plans needed to:

- include key functions that were originally omitted from their mission statements;
- develop performance goals that are outcome-based, achievable, and measurable;
- link long-term goals/objectives and the annual performance goals;
- distinguish the difference between performance goals and strategies;
- develop a target level of performance, indicators, and base line data for performance goals; and
- focus program evaluations on performance measures rather than on the internal strategic planning process.

Annual Performance Plans

OMB Circular A-11, Part 2 requires that the annual performance plan include a discussion on the performance goals and indicators; a description of the operational processes, skills, technology, human resources, and capital; and a description of the means of verifying and validating measured values.

The annual performance plans contained the required elements and basically met the intent of GPRA. However, we noted that a significant number of the agencies' annual performance plans needed to contain performance goals that are outcome-based, realistic and have baseline data. Also, most of the annual performance plans needed to clearly describe how measured values will be verified and validated.

Information Technology Strategic Plans

The Information Technology Management and Reform Act (ITMRA) provides for a more effective and efficient operation by using information technology to be more accountable for investments and providing services to the public. The ITMRA requires the development of an IT strategic plan that is consistent with the

GPRA strategic plan.

Our review disclosed that the Department's and agencies' information technology strategic plans need to provide a comprehensive approach to managing information technology investments. In addition, these plans must contain results-oriented, measurable, realistic, and outcome-based strategic goals that relate to the goals contained in the strategic plans.

We recognize that strategic planning is an evolving process and that agencies' skills in preparing strategic and performance plans will continue to improve over time. While the Department has made progress in this area, there is much that will need to be done in order to meet the requirements of ITMRA.

EMPLOYEE INTEGRITY INVESTIGATIONS

DOL Employee Pleads Guilty to Soliciting Bribes

The OIG is charged with the responsibility for conducting investigations into possible misconduct of criminal activities involving DOL programs, individuals providing services to the Department, and DOL employees. To that end, the OIG conducted a number of cases that reflect our commitment to this process.

During this reporting period a criminal information charge was filed against Baby Violeta Knight, an Alien Certification Clerk at the U.S. Department of Labor, who allegedly solicited bribes in return for securing the approval of applications for alien employment certification. Cesar De La Cruz, an attorney representing an alien labor certification applicant in Los Angeles, alleged that Knight solicited his client for a bribe in order to approve his application. During the investigation, evidence was obtained that Knight solicited a bribe from De La Cruz and an undercover OIG agent, posing as an alien, who had attempted to obtain a labor certificate. Knight pled guilty to soliciting bribes from alien applicants. Knight subsequently resigned from her position in ETA -- sentencing is currently pending. *U.S. v. Knight* (N.D. of California)

Job Corps Contract Fraud Stopped

An OIG investigation revealed that James L. Maynard, while acting as the Senior Vice President and Executive Vice President of Wackenhut Educational Services, Inc., conspired with former Deputy Director of Job Corps, Norma Selvera Mendez, in the theft of ETA procurement documents from Job Corps' national office. In exchange for the information, Maynard provided Mendez with professional services by a Washington, D.C. public rela-

tions firm, and an airline ticket that was purchased with frequent flyer mileage. In May, former ETA contractor Maynard, entered a guilty plea to a one count information, charging conspiracy, and receipt of stolen government property. Maynard's sentence is currently pending. Norma Selvera Mendez was sentenced, in August, to two years' probation, 200 hours of community service, and \$10,000 fine. This investigation was conducted jointly with the FBI. *U.S. v. Maynard, Mendez* (D. of Columbia)

**Contractor Sentenced
for Defrauding the
Longshore Program
of over \$500,000**

From 1993 to 1997, Jennifer Spraitz, was an employee of the Orkand Corporation, a contractor providing services to the DOL Longshore and Harbor Workers' Compensation (LHWC) Program. Spraitz was assigned to the national office and her duties included data entry for bills regarding the payment of all Longshore rehabilitation counseling services. Allegedly, Spraitz and her friend Rachel Gratton conspired to defraud the Longshore program of \$524,722 by submitting fraudulent rehabilitation counselor invoices for payment in the name of Rachel Gratton.

In this scheme, Spraitz allegedly created more than 150 fraudulent invoices for rehabilitation counselor services, listing the names of actual program claimants which she got from actual invoices that she handled as part of her job duties. Spraitz then allegedly submitted the fraudulent invoices for supervisory approval (mixed with real invoices), and after the invoices were approved, entered the information into the U.S. Treasury electronic payment system. As a result, payments for the fraudulent invoices were allegedly sent to Gratton, who split the proceeds with Spraitz. In June, a criminal information charge was filed charging Spraitz and Gratton with conspiracy and theft.

In September 1998, Spraitz and Gratton were sentenced in U.S. District Court, D.C. Spraitz received 24 months' imprisonment, and 3 years' probation. Gratton received 23 months' imprisonment, and 3 years' probation. Spraitz and Gratton were ordered to pay \$524,722 in restitution to the Department of Labor. As a condition of the pre-sentencing agreement, Spraitz issued a check to the Department for \$10,000. On a related note, an audit of the LHWC Fund, completed during this reporting period, disclosed weaknesses in the internal controls for reporting and authorizing payments to rehabilitation service providers. *U.S. v. Spraitz, Gratton* (D. of Columbia)

Mine Inspector Pleads Guilty to Submitting False Reports

Henry E. Stevens, an MSHA coal mine inspector, was assigned the responsibility of performing complete safety and health inspections at the Solus Coal Company, between April 1997, and May 1997. Stevens indicated in his official inspection notes he was underground conducting an inspection on several of these days; however, witness statements and examination of various mine records indicate Stevens was not underground performing inspections. In addition, information obtained shows that Stevens falsified his records. Two days following Stevens alleged inspection of the mine, a man was killed in a roof fall accident, and a second man was seriously injured. In August, Stevens pled guilty to a felony charge of falsifying various documents used in the performance of his official duties. The mine superintendent and two mine foremen were also charged with falsifying records during this same time period. Prior to Stevens' indictment, he confessed to falsifying his inspection notes and reports. *U.S. v. Stevens* (W.D. of Virginia)

DOL Employee Sentenced For Credit Card Fraud

In April, Senetra N. Jones was sentenced for her conviction of embezzling public funds and unauthorized use of credit cards. Jones admitted that while she was a DOL employee she knowingly stole documents obtained from the personnel files of the United States Department of Labor in Atlanta. Jones then used the information from the files to fraudulently obtain credit cards. Jones was sentenced to six months' home confinement, five years' probation, and was ordered to pay restitution of \$18,176.44. *U.S. v. Jones* (N.D. of Georgia)

LEGISLATIVE RECOMMENDATIONS

AMEND THE FEDERAL EMPLOYEES' COMPENSATION ACT

Section 4(a) of the Inspector General Act requires the Office of Inspector General (OIG) to review existing and proposed legislation and regulations and to make recommendations in the semi-annual report, with regard to their impact on the economy and efficiency of the administration of the Department's programs and operations, or to the prevention of fraud and abuse in such programs. During this reporting period the OIG has the following legislative recommendations:

The Federal Employees' Compensation Act (FECA) provides compensation and medical payments for Federal employees suffering work-related illnesses or traumatic injuries. The Department of Labor administers this program, in cooperation with the other Federal agencies whose employees receive benefits under the Program.

In order to ensure that this program operates as effectively and efficiently as possible, the OIG recommends amending the Internal Revenue Code to allow the Office of Workers' Compensation Programs (OWCP) and the OIG access to Social Security wage information. Currently, OWCP can only access Social Security wage information if given specific permission by the FECA claimant, although refusal to grant such authorization has no adverse impact on the claim. However, without this information, OWCP staff, as well as OIG investigators, are hampered in being able to determine whether FECA beneficiaries are receiving outside employment income, which can affect the entitlement to benefits.

Therefore, for purposes of the effective and efficient administration of FECA benefits and in furtherance of its oversight and criminal investigations of suspected benefit fraud by claimants, the OIG supports statutory authorization to provide OWCP and

the OIG with access to certain Social Security Administration data. Clearly, claimants who defraud the FECA program are unlikely to willingly grant the authority to access information on their earnings to OWCP or the OIG. Furthermore, both OWCP and the OIG are unable to even verify if the Social Security number provided by the claimant is, in fact, the claimant's issued number.

Second, the OIG also recommends amending FECA to adjust time frames for the payment of benefits under the program. Before receiving disability compensation, injured employees can receive a continuation of pay (COP) for up to 45 calendar days, following a disabling job-related traumatic injury, without having to use sick leave or leave-without-pay. If the claim for FECA compensation is not approved and the injured worker continues to remain away from the job, then the claimant must use accrued sick leave or leave-without-pay for the three work days immediately following the end of the 45-day COP period.

Prior to its being amended in 1974, the FECA statute had required employees to use three days of their accrued sick leave or leave-without-pay before they could begin to receive COP. This three-day period near the beginning of the claim had been established to limit frivolous OWCP claims. However, immediately following the 1974 change in the FECA law, there was a dramatic rise in the number of new and sometimes frivolous compensation claims. Therefore, the OIG recommends returning the three-day waiting period to a point prior to the commencement of the 45-day COP period. This small change would help to discourage unwarranted injury and disability claims.

A third area warranting legislative attention deals with the level of benefits under the FECA disability program. Beneficiaries with dependants who are on the temporary total disability rolls currently receive, tax-free, 75 percent of the salary that they drew before their injury as compensation for the lost wage-earning capacity. (If there are no dependents, the benefit level is 66 2/3 percent.) Because the compensation is untaxed, the level of these benefits is often much greater than would generally be realized by most Federal workers who work for many years and then retire from their jobs. Consequently, this aspect of the law can serve to actually discourage some Federal workers from

returning to work. Therefore, the OIG recommends that consideration be given to establishing a reduced compensation level that would not exceed the amounts of money available to those who had continued to work.

In order to curb other disincentives to reemployment, the OIG recommends several other technical changes to FECA. Under current law, beneficiaries can remain on the FECA disability rolls until they die. Because there is no incentive to leave the FECA disability rolls, the OIG recommends that a mandatory retirement age be established, whereby FECA recipients who reach the designated age would revert to benefit levels more consistent with the levels provided through the Civil Service Retirement System or the Federal Employees' Retirement System. Of course, all approved medical benefits related to the injury would continue to be paid by OWCP, irrespective of the claimant's age.

LIMITED SCOPE AUDITS

Within our jurisdiction, the OIG strives to help workers and retirees by safeguarding employment benefits and enhancing DOL's effectiveness in administering related programs. We carry out this goal through oversight of the Pension and Welfare Benefits Administration (PWBA), review of proposed legislation, and criminal enforcement pursuant to special labor racketeering authority. It is essential that employee benefit plans be afforded sufficient protections to ensure that particular assets are adequately protected, and available when participants need them. However, over the years, the OIG has seen countless examples of criminal activity in the pension plan arena.

To better protect the pension plan assets of American workers and to help combat this criminal element, we have identified areas where protection of pension assets can be improved. Foremost among these areas, the OIG has recommended the repeal of the limited scope audit provision of the Employee Retirement Income Security Act (ERISA). This repeal would require full scope audits of all pension plans audited under ERISA. The limited scope provision results in inadequate auditing of pension plans because it exempts, from audit, all pension plan funds that have been invested in institutions such as savings and loans, banks, or insurance companies already regulated by Federal or State Governments. At the time ERISA was passed two de-

ades ago, it was assumed that all of the funds invested in those regulated industries were being adequately reviewed. Unfortunately, as indicated by the savings and loan crisis, that is not always the case.

Currently, because of this provision, independent public accountants conducting audits of pension plans cannot render an opinion on the plan's financial statements in accordance with professional auditing standards. It is important to note that the auditors' disclaimer of any opinion on the financial statements includes even those assets that were audited. These "no opinion" audits provide no substantive assurance of plan integrity to benefit participants or the Department.

ACCESS TO PROGRAM DATA

With passage of the Government Performance and Results Act, the importance of program evaluation has been highlighted through the Act's requirements that agencies demonstrate the impact of federally funded programs. For the Department of Labor and the OIG, this means an increased need to access earnings and employment information held by other federal or state entities. In addition, this information is critical in identifying and stopping fraud in certain programs. In many cases, these records are the only accurate source of wage and employment information and, thus, critical to DOL and OIG activities. However, the OIG is concerned because access to such data for program evaluation or investigative purposes has at times proven to be a challenge.

Unemployment Insurance Wage Records

Some states interpret the Social Security Act to limit DOL access to state Unemployment Insurance (UI) wage record data, even though DOL funds the costs of the state wage data reporting systems. Although the IG Act provides the OIG with administrative subpoena authority to obtain these records, the enforcement of our subpoenas, when states fail to comply, is both time consuming and costly. The Employment and Training Administration has recently advised states to comply with OIG subpoenas. However, the statutory authority to obtain these records is preferable.

The OIG recommends that Congress amend Section 303 of the Social Security Act, to provide DOL and the OIG with express statutory authority to access state UI wage records for purposes related to the administration and evaluation of any DOL program.

Access to SSA Information

We are limited in our inability to obtain timely and useful information regarding specific individuals' Social Security earnings for program evaluation, investigative, and other purposes. The Social Security Administration (SSA) and the Internal Revenue Service (IRS) are, in most instances, prohibited by law from disclosing any personal information, including earnings. However, information on such earnings is crucial if we are to identify fraud and evaluate the effectiveness of DOL's programs, consistent with our mission under the IG Act, as amended.

To enhance DOL and OIG's ability to assess the effectiveness of DOL programs, we recommend that Congress amend Section 6103(l) of the Internal Revenue Code to ensure our ability to enable DOL and OIG to obtain individual wage data for program evaluation purposes.

APPENDIX

REPORTING REQUIREMENTS

Requirement Under the Inspector General Act of 1978

Section 4(a)(2) - Review of Legislation and Regulations	75
Section 5(a)(1) - Significant Problems, Abuses, and Deficiencies	ALL
Section 5(a)(2) - Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	ALL
Section 5(a)(4) - Matters Referred to Prosecutive Authorities	X
Section 5(a)(5) and Section 6(b)(2) - Summary of Instances Where Information Was Refused	None
Section 5(a)(6) - List of Audit Reports	87
Section 5(a)(8) - Statistical Tables on Management Decisions on Questioned Costs	80
Section 5(a)(9) - Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	78-79
Section 5(a)(10) - Summary of Each Audit Report Over 6 Months Old for Which No Management Decision Has Been Made	83-86
Section 5(a)(11) - Description and Explanation for Any Significant Revised Management Decision	None
Section 5(a)(12) - Information on Any Significant Management Decisions with which the Inspector General Disagrees	None
Senate Report No. 96-829	
Resolution of Audits	87-87
Money Owed to the Department	82

Note: This table cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, and Senate Report No. 96-829 (Supplemental 1980 Appropriations and Rescissions Bill) to the specific pages where they are addressed. The amount of "delinquent debts" owed to the Department can be found in the annual Consolidated Financial Statement Audit.

EXPLANATION OF AUDIT SCHEDULES

Questioned Costs 80

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

Disallowed Costs 81

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

Recommendations that Funds be Put to Better Use (Agreed & Implemented) 78-79

These schedules depict the activity during the 6-month reporting period for those funds that were recommended by the auditor to be put to better use. These schedules are included in the OIG Semiannual Report to demonstrate the flow of information to the Secretary’s Semiannual Management Report, which is issued by the Secretary as required by Section 5(b)(3) of the Inspector General Act, as amended.

Unresolved Audits Over 6 Months 83-86

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

Final Audit Reports Issued by the OIG 87-88

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

Note: The schedule that lists the significant audit recommendations which have not been resolved for over 1 year and on which corrective action has not been completed is reported in the Secretary’s Semiannual Management Report.

FUNDS PUT TO BETTER USE (Agreed to by DOL)

	Number of Reports	Dollar Value (\$ millions)
A. For which no management decision had been made as of the commencement of the reporting period	5	\$5.6
B. Which were issued during the reporting period	<u>2</u>	<u>\$2.3</u>
Subtotals (A + B)	7	\$7.9
C. For which a management decision was made during the reporting period	1	\$0.6
— Dollar value of recommendations that were agreed to by management		\$0.6
— Dollar value of recommendations that were not agreed to by management		\$ ---
D. For which no management decision had been made as of the end of the reporting period	<u>6</u>	<u>\$ 7.3</u>
E. For which no management decision has been made within 6 months of issuance	<u>3</u>	<u>\$ 5.0</u>

FUNDS PUT TO BETTER USE (Implemented by DOL)

	Number of Reports	Funds Recommended for Better Use (\$ millions)
A. For which final action had not been taken by the commencement of the reporting period	6	\$73.8
B. On which management decisions were made during the reporting period	<u>1</u>	<u>\$ 0.6</u>
Subtotals (A + B)	7	\$74.4
C. For which final action was taken during the reporting period	3	\$50.9
— Dollar value of recommendations that were actually completed		\$0.9
— Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		\$50.0*
D. For which no final action had been taken by the end of the reporting period	<u>4</u>	<u>\$23.5</u>

*Congress has not acted on our recommendation that the Foreign Labor Certification Program be terminated.

RESOLUTION ACTIVITY RELATED TO INSPECTOR GENERAL ISSUED AUDIT REPORTS

QUESTIONED COSTS

	Number of Reports	Questioned Costs (\$ millions)
A. For which no management decision had been made as of the commencement of the reporting period (as adjusted)	70	\$35.5
B. Which were issued during the reporting period	<u>13</u>	<u>\$20.8</u>
Subtotals (A + B)	83	\$56.3
C. For which a management decision was made during the reporting period	12	\$9.3
— Dollar value of disallowed costs		\$8.3
— Dollar value of costs not disallowed		\$1.0
D. For which no management decision had been made as of the end of the reporting period	<u>71</u>	<u>\$47.0</u>
E. For which no management decision has been made within 6 months of issuance	<u>59</u>	<u>\$32.3</u>

AGENCY FINAL ACTIONS RELATED TO INSPECTOR GENERAL ISSUED AUDIT REPORTS

DISALLOWED COSTS

	Number of Reports	Disallowed Costs (\$ millions)
A. For which final action had not been taken by the commencement of the reporting period (asadjusted)	118	\$44.4
B. On which management decisions were made during the reporting period	<u>11</u>	<u>8.3</u>
Subtotals (A + B)	129	\$52.7
C. For which final action was taken during the reporting period	15	\$11.4
— Dollar value of disallowed costs that were recovered		\$9.7
— Dollar value of disallowed costs that were written off by management		\$1.7
D. For which no final action had been taken by the end of the reporting period	<u>114</u>	<u>\$41.4*</u>

* Includes management decisions which are under appeal

**DELINQUENT DEBTS OWED
THE DEPARTMENT OF LABOR
As of September 30, 1998**

Agency/Program	Accounts Receivable		Total
	Current	Delinquent	
ESA:			
Black Lung	38,198,104	4,786,392	42,984,496
FECA	22,082,100	14,035,036	36,117,136
Longshore	802,344	1,311,316	2,113,660
Back Wage	4,497,192	5,327,248	9,824,440
CMP	151,507	4,922,003	5,073,510
ETA	3,332,179	18,408,746	21,740,925
MSHA	362,845	9,591,178	9,954,023
OSHA	13,142,007	31,347,660	44,489,667
PWBA	302,506	11,560,652	11,863,158
Total	\$82,870,784	\$101,290,231	\$184,161,015

NOTE: Figures provided by agencies are unaudited and may represent estimates. Amounts due to the Unemployment Trust Fund (inter-agency receivables, state unemployment taxes and benefit overpayments) are not included. Amounts due from other Federal Agencies for FECA workers' compensation benefits paid are not included.

UNRESOLVED AUDITS OVER 6 MONTHS

April 1, 1998 - September 30, 1998

Agency Program	Date Issued	Report Number	Name of Audit/Auditee	No. of Non-Monetary Recommendations	Questioned Costs
Management Decision Being Evaluated By OIG:					
OASAM/ADMIN	05/15/97	12-94-012-07-001	DOL CONSOLIDATED FINANCIALS	2	0
ETA/ADMIN	03/28/97	04-97-014-03-001	HOMELESS GRANTS SE TENN PIC	3	125,575
ETA/SESA	06/03/97	18-97-019-03-325	TEXAS WORKFORCE COMM.	7	2,656,279
ETA/JTPA	09/28/95	04-95-041-03-340	METRA NASHVILLE TENN	1	27,802
ETA/DINAP	03/31/98	18-98-006-03-355	UNITED SIOUX TRIBE OF SD	1	303,615
ESA/FECA	01/09/98	12-98-001-04-431	FY97 SPECIAL REPORTS	1	588,674
MULTI/ALLDOL	05/03/96	09-96-550-50-598	STATE OF WASHINGTON	6	43,057
MULTI/ALLDOL	03/31/97	04-97-017-50-598	STATE OF ALABAMA	1	4,610
CFO/ADMIN	02/28/97	12-97-005-13-001	FY96 DOL CNSLDTD FINANCIALS	<u>10</u>	<u>480,393</u>
				32	4,230,005
Pending Further Action:					
ETA/OJC	09/29/92	18-92-033-03-370	NAT'L PLASTERING INDUS	1	0
ETA/OJC	04/21/97	18-97-016-03-370	KIMBERLY INDUSTRIES, INC	1	4,041,655
ETA/OJC	09/10/96	18-96-024-03-370	NAT'L PLASTERING INDUS	<u>2</u>	<u>145,344</u>
				4	4,186,999
Program Agency Returned Single Audit to OIG:					
ETA/OJC	04/02/96	02-96-208-03-370	PUERTO RICO VOLUN YOUTH	21	219,435
ETA/OJC	04/02/96	02-96-209-03-370	PUERTO RICO VOLUN YOUTH	13	1,716
ETA/OJC	05/23/96	02-96-248-03-370	PUERTO RICO VOLUN YOUTH	6	0
ETA/OJC	05/23/96	02-96-249-03-370	PUERTO RICO VOLUN YOUTH	6	0
MULTI/ALLDOL	04/01/96	02-96-210-50-598	DEPT OF LABOR/HUMAN RESOURCES	39	287,065
MULTI/ALLDOL	04/01/96	02-96-211-50-598	DEPT OF LABOR/HUMAN RESOURCES	28	15,943
MULTI/ALLDOL	04/01/96	02-96-212-50-598	DEPT OF LABOR/HUMAN RESOURCES	<u>29</u>	<u>60,680</u>
				142	584,839
Being Resolved in Conjunction with DOL Consolidated Financial Statement Audit:					
ETA/OJC	08/19/96	12-96-004-03-370	JOB CORPS COMBINING SCHEDULES	3	0
OSHA/ADMIN	09/29/92	05-92-014-10-001	FY91 OSHA FINANCIAL STATEMENT	2	0
OSHA/ADMIN	01/17/95	05-95-004-10-001	OSHA FY93 INTERNAL CONTROL	<u>1</u>	<u>0</u>
				6	0
Working with U. S. Department of Education to resolve:					
ETA/STW	05/09/97	05-97-002-03-385	SCHOOL TO WORK OPPORTUNITIES	17	16,821
ETA/STW	05/09/97	05-97-003-03-385	SCHOOL TO WORK OPPORTUNITIES	21	34,847
ETA/STW	09/30/96	18-96-025-03-385	TEXAS COUNCIL ON WORKFORCE	4	249,514
ETA/STW	07/15/97	05-97-112-03-385	FOX CITIES CHAMBER FOUNDATION	<u>1</u>	<u>20,388</u>
43				321,570	

UNRESOLVED AUDITS OVER 6 MONTHS

October 1, 1997 - March 31, 1998

Agency Program	Date Issued	Report Number	Name of Audit/Auditee	No. of Non-Monetary Recommendations	Questioned Costs
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Pending Indirect Cost Negotiations:

ETA/JTPA	01/08/97	18-97-007-03-340	ACADEMY FOR EDUCATIONAL DEV	1	180,162
ETA/OJC	08/07/97	18-97-024-03-370	MAINSTREAM, INC.	5	31,998
ETA/OJC	09/10/96	18-96-023-03-370	DAU, WALKER & ASSOC	5	101,468
OASAM/OPGM	11/04/94	18-95-001-07-735	HOME BUILDERS INSTITUTE	1	628,158
OASAM/OPGM	11/04/94	18-95-002-07-735	HOME BUILDERS INSTITUTE	2	748,379
OASAM/OPGM	11/04/94	18-95-003-07-735	HOME BUILDERS INSTITUTE	7	353,479
OASAM/OPGM	09/20/95	18-95-025-07-735	ASOCIACION NACIONAL PRO	6	76,274
OASAM/OPGM	08/14/97	18-97-025-07-735	CONSULTING & PROGRAM MGMT	4	604,510
OASAM/OPGM	09/26/97	18-97-032-07-735	KRA 1/CFYS 1994/1995	1	<u>437,272</u>
				32	3,161,700

Management Decision Not Yet Issued by Agency:

ETA/UIS	09/26/97	02-97-220-03-315	VIRGIN ISLANDS UI	8	269,404
ETA/UIS	03/27/98	05-98-003-03-315	IOWA WORKFORCE DEVELOPMENT	1	0
ETA/SESA	01/17/96	06-96-001-03-325	PROPOSED FY96 RENTAL RATES	4	194,815
ETA/SESA	03/21/97	06-97-010-03-325	SESA REAL PROPERTY - CO	1	79,346
ETA/SESA	05/08/97	06-97-011-03-325	SESA REAL PROPERTY - ND	1	150,939
ETA/SESA	05/05/97	06-97-016-03-325	SESA REAL PROPERTY - MT	1	164,471
ETA/SESA	03/27/97	06-97-019-03-325	SESA REAL PROPERTY - VA	4	940,465
ETA/SESA	03/28/97	06-97-025-03-325	SESA REAL PROPERTY - TN	4	281,260
ETA/SESA	06/13/97	06-97-034-03-325	SESA REAL PROPERTY - FL	4	254,860
ETA/SESA	07/23/97	06-97-039-03-325	SESA REAL PROPERTY - WI	1	309,388
ETA/SESA	07/29/97	06-97-048-03-325	SESA REAL PROPERTY - CA	1	711,701
ETA/SESA	08/13/97	06-97-051-03-325	SESA REAL PROPERTY - NY	1	3,952,692
ETA/SESA	08/21/97	06-97-053-03-325	SESA REAL PROPERTY - OR	1	739,444
ETA/SESA	08/22/97	06-97-054-03-325	SESA REAL PROPERTY - ID	1	542,465
ETA/SESA	09/30/97	06-97-056-03-325	SESA REAL PROPERTY	7	0
ETA/JTPA	02/20/97	02-96-258-03-340	COMPARATIVE ANALYSIS OF JTPA	2	0
ETA/JTPA	09/13/96	04-96-030-03-340	GA DEPT OF TECH AND ADULT	3	409,512
ETA/JTPA	02/26/96	05-96-001-03-340	CITY OF CHICAGO JTPA-OJT	3	679,773
ETA/JTPA	03/03/98	05-98-002-03-340	ST. LOUIS COUNTY SPEC REV	4	704,311
ETA/JTPA	02/25/92	06-92-010-03-340	EAST TEXAS COUNCIL OF GOVT	13	5,780,925
ETA/JTPA	11/05/97	06-98-001-03-340	SER JOBS FOR PROGRESS NAT'L	6	54,935
ETA/JTPA	02/06/98	06-98-003-03-340	CENTRAL TEXAS COUNCIL OF GOV	3	117,785
ETA/JTPA	09/03/97	18-97-026-03-340	MARE ISLAND NAVAL SHIPYARD	1	154,101
ETA/DINAP	03/06/97	06-97-223-03-355	STANDING ROCK SIOUX TRIBE	3	0
ETA/DINAP	03/07/97	06-97-224-03-355	STANDING ROCK SIOUX TRIBE	1	0
ETA/DINAP	06/22/96	09-96-551-03-355	TOHONO O'ODHAM NATION	2	1,530
ETA/DINAP	09/06/96	09-96-555-03-355	SHOSHONE-BANNOCK TRIBES	2	0
ETA/DSFP	08/30/96	06-96-128-03-365	HOME EDUCATION LIVELIHOOD	1	0

UNRESOLVED AUDITS OVER 6 MONTHS

October 1, 1997 - March 31, 1998

Agency Program	Date Issued	Report Number	Name of Audit/Auditee	No. of Non-Monetary Recommendations	Questioned Costs
ETA/DSFP	03/31/95	18-95-013-03-365	MISSISSIPPI DELTA COUNCIL	3	33,837
ETA/OJC	03/28/97	18-97-014-03-370	NAT'L PLASTERING INDUS	12	859,115
ETA/OJC	09/23/97	18-97-031-03-370	OVERSIGHT OF JOB CORPS	2	0
ETA/OJC	09/30/97	18-97-033-03-370	NPIJATF PERFORMANCE AUDIT	9	0
ETA/OJC	03/31/98	09-98-001-03-370	FORT SIMCOE JOB CORPS CENTER	18	580,485
ETA/STW	07/03/96	05-96-003-03-385	SCHOOL TO WORK OPPORTUNITIES	13	135,298
ETA/STW	07/12/96	18-96-015-03-385	CAPITAL AREA TRNG FOUNDATION	7	632,460
ESA/FECA	03/31/98	03-98-003-04-431	DECEASED CLAIMANT BENEFITS	2	439,086
ESA/CMWC	07/25/97	12-97-013-04-433	BLOIF MGMT ADVISORY COM	1	0
OASAM/OPGM	07/20/95	18-95-014-07-735	CENTRAL VALLEY OPPORTUNITIES	1	0
OASAM/OPGM	02/11/97	18-97-012-07-735	RESCARE INC.	2	196,322
OSHA/OSHAG	01/08/97	18-97-006-10-101	EASTERN RESEARCH GROUP	3	7,286
Management Decision Not Yet Issued by Agency, Continued:					
ETA/ADMIN	08/25/92	12-92-022-03-001	ETA FY92 FIN STATEMENT	2	0
ETA/ADMIN	09/30/93	12-93-001-03-001	FY92 ETA FIN SCHEDULES	4	0
CFO/ADMIN	05/01/96	12-96-007-13-001	FY95 DOL CNSLDTD FINANCIALS	7	0
CFO/ADMIN	06/11/97	12-97-010-13-001	FY96 DOL MGMT ADVISORY	2	0
CFO/ADMIN	02/27/98	12-98-002-13-001	FY97 CNSOLDTD FINANCIALS	27	0
MULTI/ALLDOL	08/12/97	02-97-213-50-598	STATE OF MAINE	22	0
MULTI/ALLDOL	08/12/97	02-97-225-50-598	STATE OF CONNECTICUT	9	0
MULTI/ALLDOL	08/11/97	03-97-035-50-598	STATE OF DELAWARE	2	306,932
MULTI/ALLDOL	04/10/96	09-96-544-50-598	GOVERNMENT OF GUAM	1	0
MULTI/ALLDOL	09/20/96	09-96-560-50-598	STATE OF ARIZONA	2	0
MULTI/ALLDOL	02/11/97	09-97-507-50-598	STATE OF ALASKA	12	123,334
MULTI/ALLDOL	10/15/97	03-98-001-50-598	D.C. DEPARTMENT OF EMPLOYMENT	<u>5</u>	<u>0</u>
				252	19,808,277
Congressional Action Required to Resolve:					
ETA/FLC	03/31/98	04-98-004-03-321	H2-A PROGRAM	<u>2</u>	<u>0</u>
				2	0
TOTAL QUESTIONED COSTS				513	32,293,390

UNRESOLVED AUDITS OVER 6 MONTHS

October 1, 1997 - March 31, 1998

Agency Program	Date Issued	Report Number	Name of Audit/Auditee	No. of Non-Monetary Recommendations	Questioned Costs
Management Decision Not Yet Issued by Agency:					
ETA/ADMIN	03/31/97	03-97-024-03-001	ELECTRONICALLY LINKED	1	3,400,000
ETA/OJC	03/28/97	18-97-014-03-370	NAT'L PLASTERING INDUS	<u>1</u>	<u>137,127</u>
				2	3,537,127
Management Decision Being Evaluated by OIG:					
ETA/ADMIN	10/09/97	04-98-002-03-001	CASH MANAGEMENT	2	1,204,439
OASAM/OPGM	09/18/97	18-97-029-07-735	JOB CORPS PROPERTY	<u>3</u>	<u>300,000</u>
				5	1,504,439
TOTAL FUNDS RECOMMENDED FOR BETTER USE				<u>7</u>	<u>5,041,566</u>
TOTAL QUESTIONED COSTS AND FUNDS RECOMMENDED FOR BETTER USE				<u>520</u>	<u>37,334,956</u>

FINAL AUDIT REPORTS ISSUED BY THE OIG

April 1, 1998 - September 30, 1998

Name of Audit	Program	Report Number	No. of Non-Monetary Rec.	Questioned Costs	Funds Put to Better Use	Other Monetary Impact
01 GOAL 1 - A PREPARED WORKFORCE						
REVIEW VET'S GPRA PLANS (CA)	ADMIN	17-98-011-02-001	0	0	0	0
REVIEW OF ETA GPRA PLANS (CA)	ADMIN	17-98-010-03-001	0	0	0	0
COMMUNITY AND SENIOR SERVICES OF LOS ANGELES COUNTY	ADMIN	18-98-007-03-001	3	89,576	0	0
FLORIDA FED FIN ASSISTANCE (SA)	USES	12-98-501-03-320	1	3,864	0	0
MICHIGAN JOBS COMMISSION (SA)	USES	12-98-502-03-320	0	372,727	0	0
FL MISUSED JTPA FUNDS IN ITS PERF BASED INCERT. FUNDING PROG	JTPA	04-98-005-03-340	1	11,419,499	0	0
PROFILING JTPA TITLE IIA'S AFDC PARTICIPANTS CONCERNS FOR THE WELFARE-TO-WORK PROGRAM FROM THE SERVICE	JTPA	06-98-002-03-340	0	0	0	0
FINANCIAL AND PERFORMANCE AUDIT OF THE ARC OF THE US	JTPA	06-98-007-03-340	0	0	0	0
F & C AUDIT CHEROKEE NATION JTPA PROGRAM	JTPA	06-98-009-03-340	3	529,272	0	0
AUDIT OF THE JOBMATCH PROJECT	JTPA	09-98-003-03-340	3	243,078	0	0
DISTRICT OF COLUMBIA DEPT OF ES (SA)	JTPA	12-98-504-03-340	0	39,968	0	0
CALIFORNIA INDIAN MANPOWER CONSORTIUM, INC (SA)	DINAP	12-98-503-03-355	0	22,244	0	0
BALTIMORE AMERICAN INDIAN CENTER, INC.	DINAP	18-98-010-03-355	4	43,834	0	0
AUDIT OF NAPCA	DOWP	09-98-201-03-360	0	157,872	0	172,274
NCSC/DOL UNEMPLOYMENT CORPENATION TRUST	DOWP	18-98-009-03-360	1	6,099,673	0	0
NEW ENGLAND FARMWORKERS' COUNCIL	DSFP	02-98-201-03-365	0	0	0	0
AUDIT OF PPEP, INC.	DSFP	09-98-004-03-365	2	183,286	0	0
MIDWEST FARMWORKER EMPLOYMENT & TRAINING, INC. (SA)	DSFP	12-98-500-03-365	0	0	0	0
TRAFALGAR HOUSE CONSTRUCTION, INC.	OJC	18-98-008-03-370	0	0	1,684,088	0
ASPINET CONSTRUCTION CO.	OJC	18-98-011-03-370	0	0	618,776	0
STW OPPOTUNITIES PROGRAM IN IOWA - SYSTEM SUSTAINABILITY	STW	05-98-006-03-385	4	0	0	0
DEPAUL LETTER REPORT - WTW POST-AWARD SURVEY	WTW	05-98-008-03-386	0	0	0	0
02 GOAL 2 - A SECURE WORKFORCE - INCOME SECURITY						
EFFECT EMPLOYEE LEASING ON THE STATE OF GEORGIA UNEMPLOYMENT IMPROVEMENTS ARE NEEDED IN THE EVALVATION OF AUDIT QUALITY	UIS	03-98-007-03-315	4	1,603,629	0	0
CLARIFICATION OF UIPL NO. 23-96	UIS	03-98-008-03-315	2	0	0	0
STATE UI CONTINGENCY AND DISASTER RECOVERY PLAN	UIS	05-98-005-03-315	0	0	0	0
UNEMPLOYMENT INSURANCE SYSTEMS	UIS	17-98-006-03-315	0	0	0	0
UNEMPLOYMENT INSURANCE SYSTEMS	UIS	17-98-007-03-315	4	0	0	0

Name of Audit	Program	Report Number	No. of Non-Monetary Rec.	Questioned Costs	Funds Put to Better Use	Other Monetary Impact
LONGSHORE & HARBOR WORKERS' COMPENSATION ACT	DLHWC	12-98-004-04-432	0	0	0	0
DISTRICT OF COLUMBIA WORKERS' COMPENSATION ACT	DLHWC	12-98-005-04-432	0	0	0	0
03 GOAL 2 - A SECURE WORKFORCE - PENSIONS						
REVIEW OF PWBA 5-YR & FY 99 PERF. PLANS	ADMIN	17-98-018-12-001	0	0	0	0
STREAMLINING EFAST ANDEM'S	ADMIN	17-98-019-12-001	0	0	0	0
PWBA'S ADMINISTRATION OF THE DFVC PROGRAM NEEDS IMPROVEMENT	ENFORC	09-98-005-12-121	7	0	0	0
04 GOAL 3 - A QUALITY WORKPLACE - SAFETY AND HEALTH						
AUDIT OF MSHA'S APPROVAL AND CERTIFICATION CENTER	ADMIN	06-98-008-06-001	7	0	0	0
REVIEW OF MSHA'S GPRA PLANS (CA)	ADMIN	17-98-009-06-001	0	0	0	0
OSHA PROCUREMENT	ADMIN	17-98-005-10-001	0	0	0	0
REVIEW OF OSHA'S GPRA PLANS (CA) (X01C)	ADMIN	17-98-008-10-001	0	0	0	0
05 GOAL 3 - A QUALITY WORKPLACE - LABOR RIGHTS ENFORCEMENT						
REVIEW OF ILAB'S GPRA PLANS (CA)	ILAB	17-98-017-01-070	0	0	0	0
THE WAGE AND HOUR DIVISION SHOULD MAKE USE OF OPPORTUNITIES	WHD	04-98-006-04-420	1	0	0	5,000,000
REVIEW OF WAGE AND HOUR GPRA PLANS (CA)	WHD	17-98-016-04-420	0	0	0	0
06 DOL MANAGEMENT						
AUDIT OF THE YEAR 2000 CHALLENGE IN THE DEPARTMENT OF LABOR	OSECY	17-98-004-01-001	0	0	0	0
REVIEW OF WB'S GPRA PLANS (CA)	WB	17-98-015-01-020	0	0	0	0
OASAM IMPREST FUND VERIFICATION AUDIT	OA	05-98-007-07-711	0	0	0	0
HUMAN RESOURCE MANAGEMENT IN SOL	ADMIN	17-98-002-08-001	0	0	0	0
REVIEW OF SOL'S GPRA PLANS (CA)	ADMIN	17-98-014-08-001	0	0	0	0
REVIEW OF OFCO'S GPRA PLANS (CA)	ADMIN	17-98-013-13-001	0	0	0	0
07 LABOR STATISTICS						
REVIEW OF BLS GPRA PLANS (CA)	ADMIN	17-98-012-11-001	0	0	0	0
Totals	47	47	20,808,522	2,302,864		5,172,274
SINGLE AUDITS						
Totals	0	0	0	0	0	

INVESTIGATIONS: DETAIL OF ACCOMPLISHMENTS

	Division Totals	OI Total
Cases Opened		
Program Fraud	244	
Labor Racketeering	69	313
Cases Closed		
Program Fraud	166	
Labor Racketeering	58	224
Referred for Prosecution		
Program Fraud	168	
Labor Racketeering	59	227
Cases Referred for Administrative/Civil Action		
Program Fraud	168	
Labor Racketeering	7	175
Indictments		
Program Fraud	140	
Labor Racketeering	55	195
Convictions		
Program Fraud	108	
Labor Racketeering	36	144
Debarments		
Program Fraud	2	
Labor Racketeering	25	27
Recoveries, Cost Efficiencies, Restitutions, Fines/Penalites, Forfeitures and Civil Monetary Actions		
Program Fraud	\$10.8	
Labor Racketeering	\$18.4	\$29.2

INVESTIGATIONS: FINANCIAL ACCOMPLISHMENTS

<u>Categories</u>	<u>\$ Amount</u>
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Recoveries:	5,201,076
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(The dollar amount/value of an agency's action to recover or reprogram funds or to make other adjustments in response to OI investigations.)

Cost Efficiencies:	3,591,813
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(The one-time or per annum dollar amount/value of management's commitment, in response to OI investigations, to more efficiently utilize the Government's resources.)

Restitutions:	19,056,320
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(The dollar amount/value of restitutions resulting from OI criminal investigations.)

Fines/Penalties	864,060
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(The dollar amount/value of fines, assessments, seizures, investigative/court costs, or other penalties resulting from OI criminal investigations.)

Civil Monetary Actions:	500,516
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(The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, or other penalties resulting from OI civil investigations.)

Total:	29,214,485
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OFFICE OF INVESTIGATIONS CASE LIST**April 1, 1998 - September 30, 1998**

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
ALIEN CERTIFICATION				
CORTEZ, JULIET L.	X			0
ESTRELLER, HOLLY ARTHUR			X	5,050
GARCIA, LORENZO LEON		X	X	300
GARRETT, JAMES			X	2,100
HEWITT, SIDNEY			X	50
JEWELL, BILLY			X	1,646,445
KIM, HAESOOK C.			X	5,050
MONROY, ANTONIO		X	X	0
POLANCO, MARTHA			X	1,050
SHELDON, MATTHEW P.	X			0
TOTAL	<u>2</u>	<u>2</u>	<u>8</u>	<u>1,660,045</u>
BLS/OTHER				
ROGERS, DARNELL	X	X	X	6,068
TOTAL	<u>1</u>	<u>1</u>	<u>1</u>	<u>6,068</u>
EMPLOYEE MISCONDUCT				
FOX, KATHRYN L.			X	38,315
GOLDEN, LISA			X	4,066
GRATTON, RACHEL	X	X	X	262,361
JONES, SENETRA N.			X	18,301
KNIGHT, VIOLETA		X		0
MAESTAS, JOHN R	X	X		0
MURPHY, DOUGLAS E			X	5,771
SCOTT, KELVIN	X			0
SPRAITZ, JENNIFER M	X	X	X	262,361
STEVENS, HENRY	X	X		0
SULLIVAN, SHARON DENISE		X	X	13,488
SWARINGER, SEAN M		X	X	13,511
TOTAL	<u>5</u>	<u>7</u>	<u>8</u>	<u>618,174</u>
ESA-CMW				
MAES, GILBERT	X	X	X	2,661
TOTAL	<u>1</u>	<u>1</u>	<u>1</u>	<u>2,661</u>

OFFICE OF INVESTIGATIONS CASE LIST**April 1, 1998 - September 30, 1998**

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
ESA-FECA				
ANGER, CHARLES	X	X	X	96,433
BIEGANOWSKI, VICTOR JACOB	X			0
BIEGNOWSKI, ARTHUR DR.	X			0
BREMER, LEWIS	X	X		0
CAMPOS, LUCY	X			0
CLIFTON, MARVIN M. D.,	X	X		15,000
CRENSHAW, CHARLES ARNOLD	X	X		0
DE MARIANO, JENA				6,594
DIAZ, GUSTAVO M	X			0
DOLENZ, BERNARD J. DR.		X		0
EACKER, ANNA ELIZABETH	X			0
EASTERBROOK, WALTER	X	X		0
FOWLER, THOMAS	X	X	X	3,925
FUTRELL, ELIZABETH		X		0
FUTRELL, ROYCE		X		0
GIESE, DARWIN O.			X	3,055
GLOWSKI, MARK RN			X	3,606
GOLDBERG, RICHARD JOSEPH JR	X			0
GRASSO, RUDOLPH G.			X	16,245
HOSS, JOHN L.	X			0
LOPEZ, JESSE J	X			0
MALDONADO, MARIA		X	X	57,970
MILLS, JOHN	X			0
MIRANDA, EDWARD	X	X		0
MORALES, GUADALUPE G	X			0
MYERS, KRIK			X	6,850
NUTT, DONNIE BOBBY		X		0
OGDEN, RONALD			X	6,337
OSWIK, RICHARD			X	124,495
PASCUCCI, NICHOLAS		X		0
POOLE, RANDY			X	700
REARY, PATRICK A	X			0
REEVES, REGINALD	X			0
REYES, PATRICIA YVONNE	X			0
ROBERTS, CAROLYN		X		0
ROBERTS, JUNIOUS WARREN		X		0
ROGERS, JERRY RODNEY	X			0
ROJAS, JOSUA M.D.	X	X	X	55,817
ROMERO, MARIA CCONCEPCION	X			0
RUSSO, ANGELA			X	27,000
SHEPHARD, WILLAIM		X		0
SMOLINSKY, EDWARD J.			X	0
TOLSON, JAMES O.		X	X	671

OFFICE OF INVESTIGATIONS CASE LIST

April 1, 1998 - September 30, 1998

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
TRUJILLO, RALPH A.	X			0
WARD, RICHARD			X	84,500
WELCH, BRENDA GAIL			X	67,745
WILKINSON, MICHAEL			X	13,425
YOUST-RENTZ, LINDA		X		0
TOTAL	23	20	17	590,368
ESA-LSHWC				
SPENCE, JOHN	X			0
TOTAL	1	0	0	0
ESA-W&H				
*** SEALED ***	X			0
CANALE, ALFRED	X			0
LOKESH, BOMMEGOWDA	X			0
*** SEALED ***	X			0
*** SEALED ***	X			0
SHARP CONSTRUCTION CO.,	X			0
*** SEALED ***	X			0
TOTAL	7	0	0	0
ESA-OTHER				
BOWMAN, DAVID T.			X	25,600
FENASCI, MICHAEL A				250,489
GILMARTIN, JAMES B.	X	X		0
TOTAL	1	1	1	276,089
ETA-JOB CORPS				
MAYNARD, JAMES	X	X		0
SELVERA, NORMA			X	10,000
TOTAL	1	1	1	10,000

OFFICE OF INVESTIGATIONS CASE LIST**April 1, 1998 - September 30 , 1998**

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
ETA-JTPA				
ABDULLAH, GARY			X	9,569
BARKLEY, GORDON L	X			0
CHERNICK, PAUL		X		0
MADDEN, DONNA	X			0
NAIMAN, ELIMELECH		X		0
SIMMS, GARRY H	X			0
SMART, JAMES	X			0
UPREACH INC,				37,874
VINSON, BOBBY		X	X	6,979
WALLACE, BERNADINE	X	X		0
TOTAL	5	4	2	54,422
ETA-SESA/UI				
ACEVEDO, DENNIS	X			0
ACEVEDO, GILBERT	X			0
ADAMS, JAUNEECE S	X			0
ALLARD, THOMAS			X	86,980
ALTHEN, COLLEN K	X			0
ARELLANO, YOLANDA L.			X	1,771
ASTACIO, SAMUEL	X			0
BABINEAUX, PHILLIP	X			0
BACON, DARRELL C	X			0
BARRY, LINDA C			X	5,554
BIBB-NICHOLS, CHARLENE A	X			0
BLACK, LEONARD M		X	X	5,106
BROOKS, ANTHONY				7,764
BROOKS, LAMAR J	X	X	X	2,352
*** SEALED ***	X			0
CANADY, REGINA S	X	X	X	2,680
CARPENTER, CHRISTOPHER	X	X	X	5,599
CATRON, ROLAND R.		X	X	588
CHINN, JAMES JR.			X	3,326
CHURCHILL, WAYNE		X	X	3,103
CLAYTON, GEORGE		X	X	8,316
CLEMENTS, MICHAEL		X	X	1,246
COLAR, KENNETH R.	X			0
COLLINS, ANTHONY	X			0
COSTALES, JOHNNY			X	8,053
CRAWFORD, JULIA A	X			0
DAVIS, JEFFREY S.				32,968
DEBERNARDI, TAMMY	X			0
DEGUZMAN, CAROLINA				3,000
DIAMOND, PERRY J	X			0

OFFICE OF INVESTIGATIONS CASE LIST**April 1, 1998 - September 30 , 1998**

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
DIAZ, JUAN	X	X	X	4,300
DINKINS, CELESIA T.	X			0
DOUGLAS, RHONDA R		X	X	4,200
DUNCAN, JENNIFER		X	X	5,460
DUNN, ROBERT K	X	X	X	3,132
EDWARDS, BARBARA	X			0
EDWARDS, GEORGE	X			0
FARRINGTON, CHARLES		X	X	600
FENNER, ANTHONY	X			0
GAFFNEY, PAUL M	X			0
GALLOWAY, MICHELLE L	X			0
GARDNER, ROBERT D		X		0
GILES, DUANE C	X	X	X	55,272
GLOVER, BANKS	X			0
GODOY, ARTURO J.	X			0
GOODWIN, SEAN	X			0
GOUDY, JEFF JR	X			0
GOVERNOR, JOSEPH		X	X	3,206
GRAVES, ANGELA L	X	X	X	3,314
GUILFU, EFRAIN		X		0
HALL, EUGENE JR		X	X	3,000
HAMILTON, CURTIS J	X			0
HARDING, CONXAVIA C.	X	X	X	3,455
HARRIS-PEGROSS, SHERMAN		X	X	50
HOLMES, BRADLEY		X		0
HOLZ, JEFFREY W	X	X	X	2,700
HOWARD, JAMES	X			0
HOWSE, DERRICK F	X			0
SAAC, FRANK L	X	X	X	4,032
JACKSON, KELSEY	X	X	X	2,792
JACKSON, RONALD C	X			0
JACKSON, STEPHANIE D.	X			0
JACOBS, MICHAEL DWYANE	X	X	X	2,817
JESTER, ANTHONY J	X			0
JOHNS, TROY C.		X	X	1,980
JONES, ROBERT JR	X	X	X	3,862
JONES, STACY		X	X	772
KEEN, HAROLD		X	X	4,937
KILGORE, GARY L		X	X	1,450
KOVACH, MARILYN A		X	X	7,414
LANG, VINCE	X	X	X	5,640
LITTLE, TERRISS W	X	X	X	4,284
LOPEZ, ZAVIER G	X	X	X	1,172
LOUVIERE, DENISE F.	X			0
MARTINEZ, NIKKI		X	X	2,099
MASTROSIMONE, JOSEPH		X	X	6,801
MAYO, HENRY JR.	X			0

OFFICE OF INVESTIGATIONS CASE LIST

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Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
MCCRORY, JAMES W		X	X	4,550
MCKENZIE, OREN (O.T.)	X	X	X	4,973
MCLENDON, MICHAEL L.			X	4,977
MILES, LINDA G		X	X	7,750
MOORE, PRESTON	X			0
MORAN, EMMET A. III	X			0
MORRIS, CARDRIENNE	X			0
MOSS, CARLA A	X			0
MUNGIA, JUAN	X			0
NURSE, WANDA L.		X	X	61,648
OLMEDA, HECTOR L	X	X	X	2,196
PARKER, CATHERYN KALANI			X	36,473
PATINO, JOSE		X		0
PAUL, MICHAEL C.		X	X	6,185
PEREZ, JAMES J	X	X	X	1,407
PERKINS, ANTHONY	X			0
PERRY, DARLENE	X			0
PETTIS, CHARLES	X	X	X	4,575
PHILLIPS, DANITA T	X			0
PHILLIPS, IDA L.			X	3,901
PINSON, DION T	X			0
PONTALION, DANE E		X	X	3,084
PRINCE, IVORY	X			0
QUEZADA, IRMA		X		0
RAYEL, JAMES E	X			0
RESLEY, CHRISTINE M	X	X	X	1,782
RHODES, JUAN D		X	X	3,762
ROADES, KELLY	X	X	X	3,675
ROBERTS, ANGELA C.	X			0
ROBINSON-HAYES, AVIS	X			0
ROCHA, PATRICIA J		X		0
ROMERO, CORIOLANO			X	58,250
ROUSSELLE, DOROTHY L	X	X	X	3,301
SAM, LARRY	X	X	X	3,311
SANCHEZ, ANTONIO ANGELES	X			0
SANCHEZ, RAMON	X	X	X	2,528
SAXENA, SANJAY	X			0
SERVANT, RHONDA D.				5,436
SHAWLER, KAREN E		X		0
SMITH, DWIGHT		X	X	4,223
SMITH, JAMES L	X	X	X	2,116
SMITH, MICHAEL A	X			0
SMITH, NORMAN J		X	X	2,600
*** SEALED ***	X			0
STALLWORTH, DARRELL	X	X	X	4,591
STEVENSON, STACEY		X	X	1,980
STROTHER, MICHAEL E		X	X	3,311
SUTLEY, DALE		X	X	7,127

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Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
TERRANCE, ROBERT L			X	2,256
THOMAS, EVETTE MARIE	X	X	X	3,288
*** SEALED ***	X			0
THOMAS, SANDY L	X	X	X	1,255
TINSLEY, RENEE D	X			0
TOURVILLE, DEBBIE	X			0
VELASQUEZ, PETER L	X			0
WACKER, RAY W	X			0
WALLIS, RONALD		X	X	3,267
WARD, RALPH	X			0
WEATHERFORD, TROY			X	3,258
*** SEALED ***	X			0
WEST, REGINALD	X	X	X	3,371
WHITTHORNE, JOSEPH R	X			0
WILLIAMS, CHERYL D.	X	X	X	3,254
WILLIAMS, MILTON JR	X	X		0
WILLIAMS, ZOE	X			0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	90	69	72	586,808
MSHA				
ANDERSON, JAMES	X			0
DAVIS, RICHARD	X	X		0
PARSONS, DEIDRE K.		X		0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	2	2	0	0
OTHER - PF				
JOSE L. ARREOLA,	X			0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	1	0	0	0
OTHER - LR				
AGARWAL, MANGI	X			0
ALY, ABRAHAM		X		0
BURKE, STEPHEN G			X	250,000
MCGONAGLE, PATRICK J			X	250,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	1	1	2	500,000

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Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
BENEFIT PLAN				
BONAR, MATTHEW		X	X	50,000
BRAGER, DENNIS	X	X		0
BROSS, DAVID		X		0
BURKE, DESMOND	X	X		0
CALLIHAN, OTHA RAY			X	100
CICCOTELLI, GINA	X	X		0
DEMILIA, RAYMOND	X	X		0
FANTASKI, JAMES F		X	X	0
FIREQUENCH,	X	X		0
FISHER, ROBERT PATRICK			X	4,250,000
FREEMAN, TERRENCE K		X		0
GARAVAGLIA, CHARLES			X	757,100
HOLLENBACH, PETER J			X	75,050
*** SEALED ***	X			0
JOHNSTONE, LINDA			X	100
KARKOWSKI, JOSEPH			X	50,000
KLISSER, CHARLES		X		0
KO, ED			X	5,450
KRAEMER, JOHN	X			0
L.B. ELECTRIC CO,		X	X	0
LEDDY, THOMAS	X			0
MADDEN, KENNETH	X	X		0
MEZZATESTA, ANTHONY		X	X	50,333
MOORE, GARY D	X	X		0
NEW ENGLAND JOB CENTER,	X			0
NGUYEN, BINH	X			0
NGUYEN, TAM THANK	X			0
NOVOSEL, MARK E			X	3,150
PURTELL, RICHARD F	X			0
ROSEN, MICHAEL			X	6,500,300
SAINATO, ALBERT JR		X		0
SHIPSEY, GEORGE MICHAEL			X	708,235
SMOKROVIC, JERE	X	X		0
SOMERSTEIN, MARIANNA			X	150
SOMERSTEIN, STUART			X	628,155
TONG, TRUNG VA	X			0
WEBSTER, LARRY, OWNER PARTNER		X	X	50,333
WEST, CHARLES ALLEN		X		0
WILLIAMS, HAYWOOD	X	X	X	16,685
TOTAL	17	19	18	13,145,141

OFFICE OF INVESTIGATIONS CASE LIST

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Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
INTERNAL UNION				
BROADDUS, ROBERT	X			0
C & C INDUSTRIAL MAINTENANCE, CORPORATION	X			0
CARMELLA GAROFALO, FORMER OFFICE MANAGE		X		0
CIBELLIS, EILEEN		X		0
DIRUBBO, NICHOLAS				5,391
GEDDES, KEVIN		X	X	50
HARTSEL, NORMAN			X	50,115
HUMPHREYS, GEORGE	X			0
KELLER, CLAUDIA	X			0
LYON, JAMES D	X			0
NARDI, NICK			X	2,000
PICARRO, CARMEN	X	X		0
REDMERSKI, ROBERT "BO"		X	X	50
SASSO, ROBERT				136,000
WYMER, MICHAEL		X		0
YELLOWICH, STEPHEN			X	0
	3	9	5	193,606
TOTAL	3	9	5	193,606
LABOR-MANAGEMENT				
AMERI, PAUL	X			0
ARTECA, ROBERT	X			0
ASOURIAN, OSCAR	X			0
BARRON, DONALD L			X	83,544
BIANCO, ANTHONY T			X	58,080
BIERNAT, MARLENE			X	27,512
BLOOM, JAY			X	82,319
BORING, JOETTE MARIE	X			0
CALLE AREVALO, MARIA	X			0
CANNISTRA, PATRICK D	X	X		0
CARENAS GUAMAN, RUTH	X			0
CASTILLO, CELIA MARIA	X			0
DANELLA, DENNIS G			X	19,550
DEFALCO, ELLIOT			X	21,011
DEFEDE, JOSEPH	X			0
DIMARTILE, FRANK	X	X	X	100
ESTEVEZ, LEOBERTO	X			0
FERDINAND DANIELLI, CRISTINA	X			0
FINKLE, JAMES			X	12,416
GALLO, JOSEPH C.	X			0
GATTO, JOSEPH	X			0

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Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
GATTO, LOUIS	X			0
GUIDICE, ANTHONY	X			0
IBT LU 988,		X	X	394,700
KURIAKOSE, ALEYAMMA	X			0
LIEBERMAN, SIDNEY	X			0
MANDARINI, JOSEPH	X	X	X	45,220
MANDARINI, LOUIS A SR	X	X	X	45,105
MANELLA, MARIO			X	3,050
MATHEW, ROY	X			0
MEASE, WILLIAM			X	600
MIRANDA AGUIRRE, GLORIA	X			0
MURNO, JOHN	X			0
NELSON, JAMES			X	52,553
OLEARY, JAMES F			X	1,025
PANCLE MEJIA, ESTER	X			0
POTTACKAL, KURIAKOSE KIZHAKKE	X			0
RIZZIO, DANIEL	X			0
RIZZO, DAN	X			0
ROMERO CHAMBA, ANDREA	X			0
ROSSETTI, ASCANIO	X	X		0
ROY, SHELLA	X			0
SCHLACTER, IRWIN	X			0
SOSA TORRES, ALBA CAMILA	X			0
TALARICO, JOSEPH C			X	1,096,847
TALARICO, SAMUEL J JR			X	769,516
TALARICO, SAMUEL JOHN			X	81,346
VANEGAS MORALES, ELDER OVIDIO	X			0
VUOLO, MICHAEL	X			0
WELLS, DONOVAN LEON		X		0
TOTAL	34	7	18	2,794,494

OFFICE OF ANALYSIS, COMPLAINTS AND EVALUATIONS: COMPLAINT ACTIVITY

ANALYSIS OF COMPLAINT ACTIVITY

Breakdown of Allegation Reports by Source:

Hotline Operations - Calls, Letters, and Walk-ins from Individuals or Organizations	113
Letters from Congress	21
Letters from DOL agencies	14
Incident Reports from DOL agencies	1
Reports by Special Agents and Auditors	1
GAO	1
Total	151

Breakdown of Allegation Reports by Referral:

Referred to Office of Audit	3
Referred to OI Regional/Field Offices	35
Referred to DOL Program Management	78
Referred to other Agencies	15
No further action required	15
Pending disposition at end of period	5
Total	151