

United States Department of Labor
Office of Inspector General



Semiannual Report to the Congress
October 1, 1999–March 31, 2000
Volume 43

This Semiannual Report of the Office of Inspector General (OIG) details some of our most significant accomplishments for the period October 1, 1999–March 31, 2000. During this period, the OIG continued to focus our audit and investigative resources on activities that support our strategic plan goals. These goals reflect our vision of providing the Department and Congress with quality information, recommendations, and technical assistance. OIG audits, investigations, and evaluations conducted during this period have resulted in \$29.7 million in questioned costs; \$4.3 million in recommendations that funds be put to better use; 173 indictments; and 126 convictions representing nearly \$39 million in investigative recoveries, restitutions, fines, or penalties. In examples that illustrate some of our accomplishments, the OIG has:

- audited the Workforce Investment Act's One-Stop systems in seven states and found that the infrastructure required for the comprehensive One-Stop system is still being developed; therefore, a strong commitment is needed by Federal, state, and local partners in order to meet the July 1, 2000, implementation date;
- audited the Occupational Safety and Health Act coverage of public employees and found that 17 of the 29 states reviewed lacked some important elements of an adequate safety and health program for state and local government workers, or did not extend workplace safety and health coverage to their state and local government workers;
- conducted audits of a number of grants and contracts and identified questioned costs due to mismanagement or lack of compliance with financial management requirements. For example, we questioned \$15.8 million in costs in our audit of the Puerto Rico Department of Labor and Human Resources and nearly \$6 million in our audit of the National Senior Citizens Education and Research Center;
- followed up on a prior audit of State Employment Security Agencies' success in identifying hidden (or unreported) wages and collecting related tax contributions. Because of this audit, 23 states recovered more than \$2.5 million of Unemployment Insurance tax contributions during calendar year 1999;
- issued an evaluation that recommended additional internal controls and monitoring to reduce the Black Lung Disability Program's vulnerability to fraud and excessive costs in the areas of blood gas tests and home oxygen;
- completed 137 worker benefits investigations resulting in almost \$14.3 million in monetary accomplishments and 75 convictions;

Inspector General's Message

- combated labor racketeering in unions and the workplace in the areas of employee benefit plans, labor-management relations, and internal union affairs. Our criminal investigations have yielded numerous indictments and convictions. In one investigation, for example, two investment bankers were sentenced and fined for their role in the loss of \$9.3 million from a union pension fund; and
- called attention to legislative issues impacting the Department in the areas of program evaluation, workers' compensation, information technology and security, occupational safety and health, and law enforcement authority.

We have augmented our traditional role by working collaboratively and constructively with the Department to identify, early in the process, possible impediments that may affect DOL's success in administering its programs and in serving the American public. Illustrative of this is the technical assistance we have been providing to the Bureau of International Labor Affairs to help develop management controls over its substantial new grant programs. In addition, we continue to assist the Department in the Government Performance and Results Act process to ensure that DOL's performance goals are outcome based and directed toward measuring performance, and to assist the Employment and Training Administration in its efforts to implement the One-Stop delivery system as required under the Workforce Investment Act.

I would like to commend all the OIG staff members for their diligent work and commitment toward effecting positive change, reducing vulnerabilities, and contributing to the achievement of DOL strategic goals. The OIG looks forward to continuing to work effectively with the Secretary, management, and departmental 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.

Patricia A. Dalton
Acting Inspector General

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*Improving
Program
Results*

Significant Management Issues



The OIG works with the Department and Congress to provide information and assistance in achieving efficient and effective management of DOL programs. Our primary goals are to ensure that information provided to DOL and Congress will be useful in their management or oversight of the Department and to focus agency attention on mission-critical management problems and stimulate action to resolve them. The OIG has identified the following areas that we consider to be vulnerable to fraud, waste, abuse, error, or mismanagement. These include issues in the areas of grants management, quality of program performance and cost data, protection of worker benefits funds, and stewardship over information technology resources.

Grants Management

Grants management in DOL continues to be an area of concern. The Department is faced with initiating and managing several new grant programs, while also assuring accountability of its existing grant funds. For example, our recently issued audit report on DOL's fiscal year (FY) 1999 financial statements identified a number of accounting and management deficiencies related to grants awarded by the Employment and Training Administration (ETA). For example:

- **Employment and Training Administration Accounting for Grant Costs:**

In our financial statement audit, we determined that ETA's grant costs accounting system, which is used to account for almost \$9 billion in grant costs, is not in compliance with the Federal Financial Management Improvement Act. Our findings include hundreds of millions of dollars in grantee cost reports that were not entered into ETA's accounting system, involving thousands of missing or improper accounting entries. Between year-end and the date of our audit report, ETA intensified its efforts and redirected staff to accomplish the input of delinquent grantee cost reports, bringing reported grant costs substantially up-to-date. However, a comprehensive long-term solution is needed to establish systems and routines that ensure the timely and accurate recording of cost reports submitted by grantees on a regular basis.

- **Improvements Needed in the Welfare-to-Work Grant Award Process:**

The Department's ability to provide effective training and employment services to help individuals transition from welfare dependency to self-sufficiency is key to the success of welfare reform. With billions of dollars invested in this initiative, it is critical for the Department to ensure that funds are awarded to entities capable of administering Federal grants and to provide effective monitoring of the substantial funds awarded to grantees for employment and training services. An evaluation conducted on the first round of competitive grants found that ETA carried out the grant selection process in a timely manner. However, we identified concerns about other aspects of the process. In particular, we found that ETA's process for ensuring that potential grantees have no history of engaging in fraud, waste, or abuse of Federal funds is insufficient. In addition, ETA's record storage and record tracking system was deficient and lacked controls. It is important that the problems we found in the Welfare-to-Work grant award process not be repeated by ETA in other significant programs, such as the Youth Opportunity program.

We also identified vulnerabilities in other agencies and programs such as the Bureau of Labor Statistics, the Bureau of International Labor Affairs, and the Occupational Safety and Health Administration. An example is:

- **Insufficient Grant Management Structure in the Bureau of International Labor Affairs:**

In FY 2000, the Bureau of International Labor Affairs (ILAB) received \$70 million for programs to assist countries to apply core labor standards effectively and to reduce exploitative child labor. This represents a substantial increase in funding for ILAB, and further increases are being proposed for FY 2001. A review of ILAB activities found that ILAB did not have the appropriate grant management structure to ensure accountability over the substantial funds appropriated for this function. We are working with the Assistant Secretary for Administration and Management and ILAB to identify the necessary controls over the issuance of the grants, the best way to disburse the money (cash management), and the appropriate level of monitoring to ensure that desired performance results are achieved and to prevent problems in the future.

Program Performance and Cost Data

Important initiatives are under way to improve the results of Federal programs and operations. The Government Performance and Results Act (GPRA) was intended to create a management process by which Federal agencies develop strategic plans, articulate program goals, allocate Federal resources to meet desired performance levels, and measure and report program results. Similarly, new Federal accounting standards implemented in FY 1998 are designed to provide reliable and timely accounting for the full cost of Federal programs and activities. In order for DOL's annual performance reporting to be credible, it is important that the performance and cost information generated under these initiatives be accurate and auditable. However, there are a number of challenges that the Department continues to face in achieving the full accountability envisioned under these two measures.

- **Allocation of Costs Among One-Stop Partners Under the Workforce Investment Act Is Difficult:**

The Workforce Investment Act (WIA) will replace the Job Training Partnership Act effective July 1, 2000. The cornerstone of WIA is the One-Stop delivery system, which makes all core training and employment-related services accessible through at least one comprehensive physical center in each local area. WIA regulations designate as Federal One-Stop partners the Departments of Labor, Education, Health and Human Services, Agriculture, and Housing and Urban Development. Local workforce investment boards enter into memoranda of understanding with the various One-Stop partners that define how the One-Stops will operate, including how the costs of the services provided will be equitably distributed among all partners. However, cost sharing presents unique challenges in a One-Stop environment. While establishing a cost accounting system is not inherently difficult, existing statutory limitations contained in the One-Stop partners' enabling legislation complicate the process. For example, paying for certain operating costs may be prohibited for one agency but not for others. Another complication is the administrative burden of accounting for costs and benefits in a system in which it is increasingly difficult to discern to which program the participants belonged and who should be paying the cost of services. To address this issue, the Office of Management and Budget (OMB) has convened a task force comprised of officials from OMB and the various Federal One-Stop partners, including representatives from their respective program offices, OIGs, and cost determination units, to provide guidance

on acceptable methodologies of allocating costs in a One-Stop setting. Of major importance will be the need to ensure that the new methodologies are consistent with each partner's authorizing legislation.

- **Linking Financial and Performance Data:**

By linking financial and performance information, the Department and Congress can determine the value and future direction of Federal programs and achieve the accountability demanded by the public. The Department continues its efforts to develop a cost accounting system that will eventually accumulate cost information for specific activities and performance results. However, even with the best of efforts, the Department is a few years away from achieving the linkage between program costs and results. In addition, we are concerned that costs are being allocated to program goals through year-end entries based on estimated percentages as opposed to allocations done on a regular basis through the Department's core financial system.

- **Data Limitations:**

The Department faces a number of challenges related to data. For example, the Department is limited in its ability to control the quality and accuracy of program data that will be used to determine whether its strategic goals are achieved. The myriad data provided by states and other sources below the Federal level present challenges to ensure that adequate internal controls exist over DOL financial and performance data systems.

In addition, two important tenets of GPRA are the requirements that agencies conduct program evaluations to determine program effectiveness and to validate performance data. In the employment and training area, it is particularly important to know whether programs have resulted in individuals becoming self-sufficient by obtaining long-term unsubsidized employment at livable wages. Two key sources of information that may be used to this end are Unemployment Insurance (UI) and Social Security wage records of individual program participants. Similarly, this data is needed for the investigation of fraud, particularly in the workers' compensation and UI benefits areas. However, the Department is limited in its ability to obtain such data for program evaluation, data validation, and investigative purposes. Thus, the Department needs to have statutory authority to obtain and utilize these types of records easily as a way to determine or validate program results.

Protection of Worker Benefits Funds

The Department administers several programs and statutes designed to provide and protect the benefits of workers. Protection of benefits is critically important because these programs affect the lives of millions of workers and retirees and involve billions of taxpayer dollars. The OIG has identified serious vulnerabilities within three of the Department's major worker benefits programs. We remain concerned with the ease with which these programs continue to be defrauded by claimants and by medical providers as well as with the systemic weaknesses that lead to the waste of program funds.

- **Unemployment Insurance Program:**

Through oversight of the UI program, we continue to identify schemes used to defraud the program, including fraudulent employer schemes, internal embezzlement schemes, and the fraudulent collection of UI benefits by illegal aliens using counterfeit or unissued social security numbers. In addition, a number of systemic weaknesses pose problems for the UI system, such as the loss of contributions due to the inability of states to search for hidden wages by employers who misclassify workers as independent contractors and increased vulnerabilities created by the telephone initial claims system.

Further, the OIG remains concerned about the susceptibility of the Unemployment Trust Fund (UTF) to excessive fees charged by the U.S. Department of the Treasury for the collection and processing of Federal unemployment taxes and administration of the UTF. An OIG audit recently resulted in the return of \$71 million to the UTF for previous overcharges.

- **Federal Employees' Compensation Act:**

The Federal Employees' Compensation Act (FECA) provides compensation and medical care for Federal employees who suffer job-related injury, disease, or death. We are concerned that the program remains vulnerable to fraud. Fraudulent activities include those of medical providers who bill the government for services that were not rendered, charge multiple times for the same procedure, bill for nonexistent illnesses or injuries, or overcharge for services. In addition, claimants may defraud the program by reporting false injuries, recovering but continuing to claim benefits, or failing to report or underreporting, their outside employment income to the program agency.

- **Black Lung Disability Trust Fund:**

DOL administers the Black Lung Disability Trust Fund, which provides disability benefits and medical services to eligible workers in the coal mining industry. The OIG continues to be concerned with the escalating indebtedness of the fund, which increased from \$5.1 billion in FY 1996 to \$6.25 billion in FY 1999. We are concerned that without a change in the statutory operating structure of the Trust Fund to assure its ability to meet future obligations, the debt will continue to escalate.

We are also concerned with the susceptibility of the Black Lung Disability Program to fraud and excessive medical expenditures. Our investigations continue to find fraud within this program. In addition, a recent OIG evaluation recommended additional internal controls and monitoring to reduce the program's vulnerability to fraud and excessive costs in the areas of blood gas tests and home oxygen.

Stewardship over DOL Information Technology Resources

The information technology (IT) area is a high-cost, critically important function of the Department. As the Department becomes more dependent on the use of IT resources to carry out its mission and daily operations, effective stewardship by the Chief Information Officer over such resources must be ensured. This includes identifying and mitigating risks to avoid inflated budgets, cost overruns, delays, and failures. In addition to ensuring effective departmental management of IT resources, it is also important to audit the life cycles of system development efforts to ensure they meet their intended objectives at acceptable costs. Congress is considering legislation (S. 1993) that would require OIGs to ensure computer security and integrity through annual evaluations of agency information security programs and practices. This is appropriate given the unique mission of OIGs to identify vulnerabilities and systemic weaknesses. Our view is that closer attention is needed in this area. However, we are concerned that competing priorities and increased statutory mandates in other areas have diffused our ability to provide adequate coverage of IT issues in the Department.



*Highlights
of the
Semiannual
Report to the
Congress*

Executive Summary

Selected Statistics of the OIG

Office of Audit

Reports Issued on DOL Activities	77
Total Questioned Costs	\$29.7 million
Dollars Resolved	\$79.9 million
Allowed	\$2.7 million
Disallowed	\$77.2 million
Recommendations That Funds Be Put to Better Use	\$4.3 million

Office of Investigations

Cases Opened	255
Cases Closed	227
Cases Referred for Prosecution	211
Cases Referred for Administrative/Civil Action	8
Indictments	173
Convictions	126
Debarments	13
Recoveries, Cost Efficiencies, Restitutions, Fines/ Penalties, Forfeitures, and Civil Monetary Action	\$38.9 million

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

A Prepared Workforce

The cornerstone of the nation’s new job training system is One-Stop service delivery, which unifies numerous training, education, and employment programs into a single customer-friendly system in each community. We found that states have opened One-Stop centers capable of providing user-friendly services to customers. However, the infrastructure required for the One-Stop system is still being developed, and a strong commitment is needed by Federal, state, and local partners to meet the July 1, 2000, deadline. page 19

The OIG continues to investigate embezzlement schemes of nonprofit charitable organizations that are funded by Employment and Training Administration grants. A former lead accountant/bookkeeper for the National Asian Pacific Center on Aging (NAPCA) has pled guilty to charges related to his scheme of embezzling agency funds that totaled over \$1.8 million. He embezzled the funds by issuing checks drawn on NAPCA’s travel and beneficiary payroll accounts to himself and family members, including his daughter, who received approximately \$387,000. page 37

A Secure Workforce

The Treasury Department credited the Unemployment Trust Fund (UTF) \$71 million for excess administrative charges. As previously reported, we audited the administrative charges to the UTF for services the U.S. Department of the Treasury provided for collecting and processing Federal unemployment taxes and administering the UTF. We determined that Treasury had overcharged the UTF because the IRS’s estimated costs had not been adjusted to actual costs. page 45

Fraud uncovered involving the Unemployment Insurance (UI) program has cost the Federal government millions of dollars. For example, an individual was charged with and pled guilty to mail fraud concerning his scheme to defraud the State of Michigan Unemployment Agency. He was found to have created or reactivated 15 companies and allowed over 100 individuals to file claims to collect UI benefits totaling \$627,600. page 48

During this reporting period, our investigative activity was extremely productive in the complex arena of medical provider fraud. A former vocational counselor pled guilty for allegedly submitting false medical claims to defraud the Office of Workers’ Compensation Program and the Newport News Shipbuilding (a Department of Defense contractor). Our investigation revealed that he received 40 percent of the net profits produced by his office as he sought to maximize total profits by submitting false medical claims. page 52

Quality Workplaces

Our audit of the Occupational Safety and Health (OSH) Act coverage of public employees found that 17 of the 29 states lacked some important elements of an adequate public-sector Federal safety and health program and two states had no program. We also found that nine states did not extend workplace safety and health coverage to their approximately 2.3 million local government workers. The Occupational Safety and Health Administration generally agreed with our conclusions and recommendations and indicated that it will work within its legislative authority. The OIG will continue to work with the agency to identify solutions. page 61

We issued a report on the fraud vulnerability and excessive medical expenditures of the Black Lung Disability Program. In the past, OIG investigations revealed substantial fraudulent billing by providers in the areas of home oxygen and arterial blood gas testing. Our comparison of the Health Care Financing Administration and the Black Lung Program showed significant disparities between the two programs in regard to potential home oxygen allowances. Based on OIG recommendations, the program agency has agreed to implement additional controls and a new fee structure to reduce the program’s vulnerability to fraud and excessive costs. page 62

Departmental Management Focus

We audited the Puerto Rico Department of Labor and Human Resources (DLHR) and determined that serious conditions exist because DLHR’s financial management systems are inadequate and DLHR management has not implemented corrective actions to address recommendations cited in Single Audit Act audits spanning over a decade. We questioned \$15.8 million dollars. page 71

For the third straight year, the Department received an unqualified opinion on its consolidated financial statements. However, we continue to note many reportable conditions that need management’s attention. Our audit determined that five departmental systems do not meet one or more of the criteria for Federal accounting systems referenced in the Federal Financial Management Improvement Act. page 77

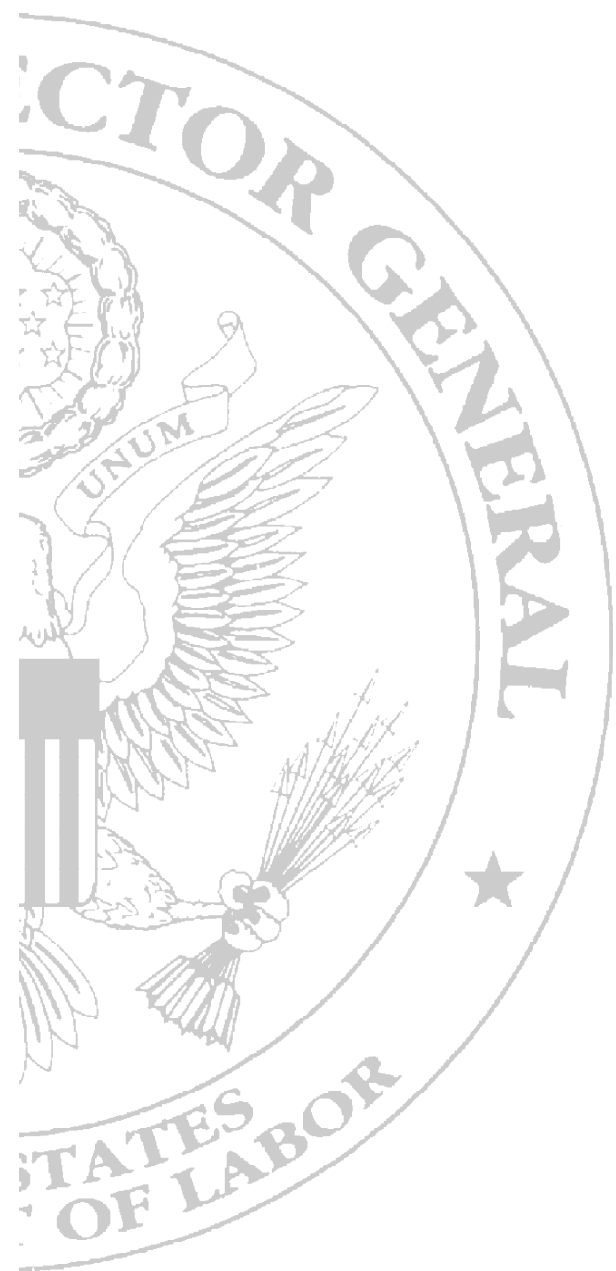
Ensuring the integrity and ethical performance of its employees continues to be a concern of the Department and the OIG. The OIG uncovered a scheme involving a former employee of OWCP who embezzled \$861,508 over a four-year period by electronically transferring supplemental payments intended for OWCP claimants to his personal bank accounts and canceling the payments in the OWCP computer system after the fund transfers were completed. OWCP, as a result of this investigation, has changed the procedures on the segregation of duties and supervisory review over the access control of electronic funds transfers and has improved the reconciliation of funds with Treasury. page 85

Labor Racketeering

We have made great strides to uncover and terminate corruption in major unions. During this period, our investigative efforts resulted in the guilty plea of the Laborers International Union of North America (LIUNA) former general president to mail fraud. He was found to have evaded over \$100,000 in excise taxes in connection with the storage and use of several expensive automobiles in Rhode Island. In addition, the government entered into an agreement with LIUNA Local Union 210 to settle a Civil RICO suit filed against the Local. The goal of the agreement is to ensure that Local 210 is rid of domination and influence by members and associates of the Buffalo, New York, La Cosa Nostra organized crime family. page 91

The investigation of service providers that defraud pension and health benefit plans remains a priority for the OIG. As the result of an OIG investigation, an individual was found guilty of wire fraud and embezzlement from a nursing home pension plan. He was sentenced to 36 months' imprisonment, 36 months' probation, and was ordered to pay \$750,000 in restitution. Our investigation revealed that he had convinced the pension plan trustees to give him access to the plan assets, saying that he would use the funds to trade highly rated financial instruments and repay the plan out of trading profits. Instead, the funds ended up in his bank accounts after being transferred through numerous banks in several countries. page 96





*Enhancing
Opportunities
for America's
Workforce*

A Prepared Workforce

The Department of Labor is committed to creating an environment where those new to the labor force or those wishing to improve their potential are provided the assistance and tools needed to achieve success in today's job market. The key priorities for this strategic goal are to provide opportunities for individuals to obtain the skills necessary to succeed in the global economy, close the employment gap for out-of-school youth, and increase long-term jobs for people as they move from welfare to work.

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

Workforce Investment Act

The Workforce Investment Act (WIA) was passed in August 1998 to reform Federal job training programs and create a new and comprehensive workforce investment system. The cornerstone of this new system is comprehensive One-Stop service delivery, which unifies numerous training, education, and employment programs into a single customer-friendly system in each community. It also provides employers with a single point of contact to list job openings and provide information about current and future skills needed by their workers. As of July 1, 2000, the Job Training Partnership Act will be repealed, and WIA will be the authorizing legislation for allowable workforce investment activities.

One-Stop Systems

Our assessments of One-Stop implementation were designed to assist the Employment and Training Administration (ETA), and the workforce delivery system as a whole, to implement the requirements of WIA by providing timely information and analysis related to the systems and mechanisms necessary to deliver One-Stop services.

The One-Stop System Must Continue to Work Toward Readiness

We conducted audits of One-Stop systems in seven states: California, Connecticut, Florida, Illinois, New York, Rhode Island, and Vermont. The overall audit objective was to assess where states stood in implementing One-Stop systems to meet WIA requirements, recognizing that states were still developing systems and have until July 1, 2000, to implement the provisions of WIA. The audit was designed to assess the status of One-Stop centers and the infrastructure supporting the One-Stop system.

We found that states have made substantial efforts toward forming new comprehensive workforce investment systems. Generally, our audit disclosed that states have opened One-Stop centers capable of providing user-friendly services to customers. However, the infrastructure required for the One-Stop system is still being developed, and a strong commitment is needed by Federal, state, and local partners to meet the July 1, 2000, deadline.

State and local boards, memoranda of understanding (MOUs), cost-allocation methods, and data-collection systems need to be in place to ensure service delivery, customer choice, program accountability, and continuous improvement, which are fundamental to WIA.

One-Stop Centers

WIA requires that states establish, in each local area, a minimum of one physical center that provides core services and access to programs and activities carried out by One-Stop partners. Generally, states have made substantial progress toward meeting this requirement:

- Most states had established, in each local area, at least one physical center providing core services. These centers were supplemented with additional centers, satellite offices, and kiosks.
- Most centers were clean and provided customers with user-friendly and accessible services. Resource areas provided accessible employment-related information. Centers addressed transportation issues to improve customer access to centers and local job markets. Centers were designed to accommodate wheelchairs.
- Most partners were either co-located at the One-Stop center or available through referral.

Although progress has been made, some states still need to open centers in local areas. States also need to ensure that centers improve access for people with disabilities, such as hearing and visual impairments, and have links with all partners, including the Migrant and Seasonal Farmworker and the Indian and Native American programs.

Infrastructure

WIA requires the creation of state and local workforce investment boards (WIBs) to address policy issues, develop MOUs to define partner responsibilities at the local level, and establish cost-allocation and data-collection systems to provide accountability. States are in the process of building the infrastructure to sustain and continuously improve the One-Stop system. Progress is being made; however, as of the end of our audit fieldwork, actions remained to be taken in several important areas, as illustrated in the following chart:

State	Infrastructure Elements Completed*				
	State Board	Certified Local Boards	MOUs	Equitable Cost-Allocation Methods	Fully Developed Data Systems
California	No	None	None	None	In progress
Connecticut	Grandfather	None	None	None	None
Florida	Grandfather	Some	Some	Some	In progress
Illinois	Not compliant	None	None	None	In progress
New York	No	None	None	None	In progress
Rhode Island	Grandfather	None	None	None	In progress
Vermont	Not compliant	Not applicable	None	None	In progress

* Status is as of the completion of fieldwork (April 15, 1999–December 9, 1999). States have continued to develop systems subsequent to fieldwork.

- New state and local WIBs, which are essential to the reform intended by WIA, have not been fully developed. Four states had taken steps to form new state WIBs, but none were fully WIA compliant. Either states did not have an approved board or the board was missing required members, such as the Migrant and Seasonal Farmworker, Indian and Native American, and Job Corps Programs. Three states elected to grandfather in existing entities as state boards. Although grandfather boards are allowed, ETA has encouraged all states to create new boards.

States have not certified local workforce investment boards. Certification ensures that required members are represented.

- MOUs in most instances were not executed between One-Stop partners and local workforce investment boards. MOUs cover services to be provided, funding of services and operating costs of the system, and methods of referral. Most states have designed MOU templates and are overseeing MOU development at the local level.
- Methods of allocating system costs to One-Stop partners were generally inadequate to ensure that benefitting partners are charged their fair share of One-Stop costs.
- Data-collection systems were at various stages of development, with no state having fully developed systems to report performance

for the state, local areas, and training providers. To measure state and local performance, states have to collect additional data and transfer existing external data into WIA management information systems. No state had a training provider information performance system, which is required to help customers make informed choices.

We recommended that ETA ensure that states continue their efforts to meet WIA requirements by July 1, 2000. (OA Report No. 02-00-205-03-320, issued February 8, 2000; OA Report No. 02-00-206-03-390, issued February 22, 2000; OA Report No. 02-00-207-03-390, issued February 22, 2000; OA Report No. 02-00-210-03-390, issued March 14, 2000; OA Report No. 02-00-211-03-390, issued March 22, 2000; OA Report No. 02-00-209-03-390, issued March 14, 2000)

Formation of Local Workforce Investment Boards

As noted in the previous write-up, state and local WIBs are essential components of WIA's reforms. In a related effort, the OIG studied the formation of local WIBs to provide an overview of the implementation of this aspect of the new program. Local WIBs are critical to the effective implementation of the nation's new job-training system because they are responsible for strategic planning, policy development, and oversight of the local program. They develop the local plan to be submitted for the Governor's approval, designate eligible providers of training services, negotiate local performance measures, assist in developing statewide employment statistic systems, and designate local One-Stop operators. In our study of WIBs, we visited four sites, two in Indiana and two in Kentucky. The information we provided can serve as an indicator of possible challenges and opportunities facing other WIBs.

The four sites visited were very different in their labor market conditions, contexts, and One-Stop histories. These differences affected the formation of the local WIBs and the selection of One-Stop operators.

Our evaluation found that staff and board members support the vision of WIA and the idea of creating an integrated workforce investment system in local areas. Moreover, WIB staff and board members see their role as not just managing program funding but developing a system for workforce development.

However, we identified several issues common to all four boards in our study. For example:

- staff and board members expressed difficulties resulting from the size of the boards (e.g., the four WIBs we visited ranged in size from 48 to 53 members);
- WIBs are exploring other avenues for funding to develop and implement workforce development strategies envisioned under WIA;
- WIBs and state staff are concerned that DOL is not providing sufficient guidance to states on how to implement WIA; and
- WIBs and state staff believe that DOL is not coordinating with Federal partners.

In response to our study, ETA stated its anticipation that final regulations will offer guidance to local areas on managing large boards. ETA also stated that final regulations will provide a definition of “administrative costs” that will allow local boards to function within the requirements of WIA. With regard to Federal guidance and coordination, ETA noted that it posts documents on its Web site and that an assistant secretary-level group representing the Federal partners meets monthly. ETA stated that recent discussions among the Federal partners have focused on the development of resource-allocation guidelines to help state and local operators deal with costs and administrative requirements associated with multiple Federal funding questions. (OACE Report No. 2E-03-390-0001, issued March 30, 2000)

Workforce Investment Act Administrative Costs

At ETA’s request, we arranged for independent public accountants to assess whether the percentage charged to administrative costs would have been lowered if the program had been operated using ETA’s proposed revised definition for WIA administrative costs. Using the revision, which had not been officially circulated or reviewed outside the Department of Labor, the administrative costs for four Job Training Partnership Act (JTPA) Service Delivery Areas (SDAs) averaged 8.39 percent of their total allocations. Under WIA, administrative costs are limited to 10 percent of total program expenditures. This is a significant reduction from similar JTPA programs that were allowed to operate at 20 percent.

In an earlier OIG audit entitled *Impact of Workforce Investment Act Administrative Cost Limitations on JTPA Recipients* (OA Report No. 20-99-006-03-390, issued September 24, 1999), we reclassified the program year 1997 administrative costs of 13 selected JTPA recipients using the Interim Final Rule definition (interim definition) of administration, found at 20 CFR 667.220. For the 10 JTPA SDAs included in the earlier audit, the administrative costs averaged 16.38 percent of their total allocation, which exceeds the percentage allowed under WIA. Only two of the JTPA recipients would have been in compliance with WIA administrative cost limitation using the interim definition.

Because it appeared that the proposed revised definition would permit programs to operate well within the 10 percent limitation, we recommended that the cost category definitions be further amended to classify as administration all salaries and related costs of WIA executive directors at the state, direct recipient, and One-Stop operator levels. We believe such “front office” costs are inherently administrative and should be classified as such.

ETA is considering the follow-up results in finalizing the regulations governing the classification of WIA administrative costs. (OA Report No. 20-00-001-03-390, issued December 30, 1999)

Welfare-to-Work

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

The Washington Alliance Is Not Capable of Administering Its Welfare-to-Work Grant

We performed a postaward survey to assess the Washington Alliance's ability to administer its \$5 million WtW grant in accordance with applicable regulations. We concluded that the Alliance has neither the administrative nor the program capacity to operate this WtW grant.

In the grant application, the Alliance was described as a collaborative effort of nine organizations with two general partners and seven subcontractors. However, the Alliance's current organizational structure and program operations are significantly different from those represented in the grant agreement. We found that only four of the nine organizations identified in the grant agreement were involved in the WtW grant, and one additional organization's activity was reduced to representation by a partner with no role or authority. We believe that this dramatic departure from the proposed structure essentially invalidates the competitive award.

We found other problems with the Alliance, including vendor agreements that were awarded without free and open competition; vendor costs that appear unreasonable and were not evaluated using a price or cost analysis; staff salaries that appear unreasonable and were not based on an established compensation plan; and enrollment levels that are lower than those targeted in its performance goals. The identified problems clearly demonstrate that the Alliance is not operating its WtW program according to either the approved grant agreement or the applicable WtW regulations. To safeguard the Government's interest, we recommended that ETA immediately start action to terminate the grant.

In response to the draft report, ETA stated that it shared the OIG's concerns but had not yet concluded that the Alliance is incapable of administering the grant. ETA asked the Alliance to submit a detailed corrective action plan, which will serve as the basis for the decision on whether to terminate the grant. In addition, in December 1999, ETA took action to suspend the grantee's ability to access the Advance Payment Management System directly. This placed the grantee on an invoice system that requires the review and approval of the Grant Officer's Technical Representative in order for the grantee to receive payments for services rendered. We continue to believe that immediate action should be taken to terminate the Alliance's WtW competitive grant. (OA Report No. 03-00-004-03-386, issued March 27, 2000)

Review of ETA Awards Process for Welfare-to-Work Competitive Grants

The OIG conducted this evaluation in response to a congressional request expressing concern regarding the awarding of WtW competitive grants administered by ETA. We were asked to assess several aspects of the competitive grant-making process. The OIG evaluation of grants awarded in the first round found that:

- ETA applied the criteria listed in the Solicitation of Grant Application (SGA) to evaluate grant applications, but the absence of the Work-First requirement and lack of definition of the term *innovation* were important weaknesses in the SGA criteria;
- ETA was timely in carrying out the grant selection;
- inefficiencies were identified in the preaward clearance process and deficiencies were noted in the record storage and tracking system; and
- grantees were not allowed to amend grant applications before Federal funds were awarded, which is consistent with Federal regulations. ETA did, as permitted, ask for clarification of nonprogrammatic information.

We recommended that ETA include all WtW legislative requirements in the grant criteria and clearly define the criteria; set up a process that will ensure up-to-date information on applicant eligibility; and implement a record storage and tracking system with adequate controls. (OACE Report No. 2E-03-386-0001, issued March 30, 2000)

Job Training Partnership Act

The enabling legislation for the current employment and training system is the Job Training Partnership Act (JTPA), which will end June 30, 2000, with the implementation of the Workforce Investment Act program. JTPA established programs to prepare youth and adults facing serious barriers to employment for participation in the labor force by providing job training and other services.

Adult Training

The adult training program is formula funded and state operated and provides training, related education, and employment services to economically disadvantaged adults. Training and supportive services are designed to provide such individuals with marketable skills leading to productive, lasting unsubsidized employment.

Fund for Minority Teachers Improperly Used Nearly \$3 Million

We audited JTPA funds spent on a State of Florida initiative, the Florida Fund for Minority Teachers (FFMT), and found that nearly \$3 million was improperly used. The Florida Legislature established the FFMT in 1996 to provide minority college students “scholarships” funded with Federal JTPA monies in exchange for their commitment to remain in Florida and teach after graduation. Students who accepted the inducements, but did not remain in Florida and teach, were required to repay, with interest, funds they had received.

We found that the State of Florida did not comply with the JTPA’s provisions or Federal regulations because:

- students who received the scholarships were not dislocated workers, whom the JTPA funds were intended to serve;
- funds were provided to students without determination of JTPA Title III eligibility;
- requirements that students repay monies they had received if teaching commitments were not satisfied created a revolving loan fund, prohibited by the JTPA; and

- scholarships were provided to only certain ethnic and racial groups, in violation of Section 167 of the JTPA.

We recommended that ETA recover the \$2,957,400 the State of Florida had misspent on the FFMT program. Additionally, we recommended that ETA obtain the State's assurance that all its JTPA-funded programs comply with the Act and with Federal regulations.

In its response to our draft audit report, Florida affirmed that the focus of the FFMT was to induce minorities into the teaching profession, not to serve dislocated workers. The State disagreed with OIG's finding that the FFMT was a revolving loan fund. Florida acknowledged its failure to determine JTPA eligibility of students during the first year of the FFMT program's operation. (OA Report No. 04-00-001-03-340, issued January 24, 2000)

Senior Community Service Employment Program

The Senior Community Service Employment Program (SCSEP) involves the recruitment of disadvantaged seniors 55 years of age and older to perform part-time services for up to 1,300 hours a year at community service organizations such as schools and nursing homes. Enrollees are paid at or near the minimum wage rate.

\$6 Million in National Senior Citizens Education and Research Center Claims Questioned

The National Senior Citizens Education and Research Center (NSCERC) is one of the national SCSEP sponsors and annually receives DOL grants (now over \$65 million) to provide subsidized, part-time community service employment and training for about 9,000 older persons with limited incomes. We audited costs that the NSCERC claimed for reimbursement under its SCSEP grants for the period from July 1, 1996, to December 31, 1997. We questioned almost \$3.7 million of the costs NSCERC claimed for reimbursement under its grants and an additional \$2.2 million of lease buyout and moving expenses it claimed in a separate indirect cost submission. Many of the findings in this report are similar to those contained in prior audits. (See Audit Resolution activities at the end of this section.)

We questioned \$1.9 million in direct costs. The majority of the findings resulted from the failure by NSCERC to credit the DOL grant for refunds and administrative fees it received from its insurance company. In addition, we found that NSCERC charged employee fringe benefit costs for the DOL grants based on estimates and not on actual costs.

We also questioned \$1.8 million of indirect costs that NSCERC proposed to be charged to the DOL grants. We recommended changes to the cost-allocation bases so that all activities are allocated their fair share of indirect costs in relation to relative benefits received.

At DOL's request, we audited the lease buyout and moving cost proposal that NSCERC submitted to recover a portion of the costs it incurred. NSCERC submitted the costs as a separate claim, rather than as a part of the indirect cost submissions, as required.

One of the reasons for questioning costs was that NSCERC did not credit to DOL its share of the profit realized from the sale of a building. In addition, NSCERC:

- failed to reduce the claim by the interest earned on the cash allowance provided by the prior landlord;
- understated the excess rent charged to its cost centers;
- failed to include funds provided by the county to assist in its move; and
- included in its moving costs assets purchased and installed at its new location.

NSCERC disagreed with many of our findings. (OA Report No. 18-00-006-03-360, issued March 29, 2000)

Youth Programs

Youth programs administered by the Department are designed to enhance youth education, encourage school completion through alternative educational programs, and provide exposure to the world of work through apprenticeship and career exploration.

Job Corps

The Job Corps is a nationwide network of 119 residential facilities that provide a comprehensive and intensive array of training, job placement, and support services to at-risk young adults. Its mission is to attract eligible young adults, teach them the skills they need to become employable and independent, and place them in meaningful jobs or further education. Participation in the program is voluntary and is open to economically disadvantaged young people ages 16–24 who are unemployed and out of school.

OIG Questions \$1.3 Million of Additional Costs Claimed by Contractor

ETA awarded Will H. Hall & Son, Inc. (WHH) a \$17,230,000 firm fixed-price contract for the construction of seven buildings at the new Job Corps Center in Flint, Michigan. WHH encountered problems on the site (which it claimed were beyond its control). WHH submitted a Request for Equitable Adjustment (REA) to DOL in which it claimed additional costs totaling \$2,365,622. The REA stated that WHH was never able to achieve a smooth flow of construction primarily because of:

- errors and omissions in contract drawings;
- differing site conditions;
- failure of DOL's architect/engineer (A/E) to respond to submittals, shop drawings, and requests for information; and
- failure of DOL's A/E to address errors and omissions in plans in a timely and adequate manner.

At ETA's request, we looked at whether the additional costs claimed by WHH were reasonable, allowable, and allocable under the Federal contract cost principles and the terms and conditions of the contract between DOL and WHH.

We questioned \$1,365,278 and set aside for further consideration by ETA an additional \$981,462. Of the \$2.3 million claimed by the contractor, we accepted only \$18,882 as allowable costs. The primary reasons for the questioning of the costs were that:

- WHH failed to substantiate its claim that various events under the DOL contract constituted compensable construction delays caused by the owner (DOL); and
- certain amounts claimed were either "double counted" as both direct and indirect costs, already covered under the original firm fixed-price contract, or based on estimates instead of actual costs incurred. (OA Report No. 18-00-003-03-370, issued January 31, 2000)

Over \$500,000 in Plasterers' Trust Fund Costs Questioned

We audited the National Plastering Industry's Joint Apprenticeship Trust Fund's costs claimed for reimbursement under its DOL and Department of the Interior (DOI) contracts from August 1, 1996, through June 30, 1999. DOL and DOI contract directly with the Trust Fund to coordinate training for Job Corps students in plastering and cement masonry.

During our audit period, the Trust Fund claimed costs of about \$19 million (\$16 million under two DOL contracts and \$3 million under two DOI contracts). We questioned \$536,359 related to the two DOL contracts, as follows:

- \$448,269 for unallowable legal services costs incurred to appeal DOL contracting officers' final decisions;
- \$50,929 for the portion of the Trust Fund administrator's pension contributions that was disproportionate to pension contributions charged on behalf of other Trust Fund staff;
- \$29,655 for insurance premiums for coverage that exceeded the approved levels of coverage specified in the DOL contracts; and

- \$7,506 to print and distribute newsletters in quantities that exceeded the production units authorized by the contracts.

All of these findings are repeats of findings previously reported in three prior OIG audit reports (on FYs 1989–1996) for which final decisions have been issued by ETA. ETA agreed with most of the audit findings. The Trust Fund has appealed each of the final decisions to DOL’s Board of Contract Appeals. (OA Report No. 18-00-005-03-370, issued March 30, 2000)

Results of Youth Opportunity Demonstration Grant Program Should Be Used to Improve Operational Grants

We conducted a performance audit of the Youth Opportunity (YO) demonstration grants in three pilot cities, Chicago, Houston, and Los Angeles. The purpose of this grant program is to improve employment prospects for out-of-school youth ages 16–24 in designated low-income neighborhoods of each city. YO grants are a new attempt by DOL to reach the youth of some of the poorest urban and rural communities in the country.

These grants are experimental in nature. Such grants do not always produce the desired results, but they do provide information for full program implementation. This audit report represents a snapshot of the early stages of the demonstration, and the results are intended to provide DOL management with independent information that can be used to improve the program. Our interim program audit results demonstrated that:

- the program should aim toward having a greater impact on earnings;
- the program needs to increase the level of services in order to accomplish the grants’ objectives;
- most enrollees’ files did not indicate that any type of formal schooling or training was specifically needed;
- approximately 15 percent of the grants’ costs were for vocational training, education, or supportive services costs (while 85 percent of the grants’ costs were for personnel and other general operating costs, with personnel costs including those of case

managers and mentors, integral components of the YO program services to youth); and

- the quarterly enrollee status follow-up reporting as of September 30, 1998, was unauditable and appears to be of limited value in evaluating the programs' effects.

We recommended that ETA:

- identify specific objectives and performance criteria for all YO demonstration and operational grants;
- direct grantees to document specific services being provided and outcomes achieved by individual enrollees better;
- implement a formalized participant tracking and reporting management information system that allows ETA specifically to evaluate the YO program's effectiveness; and
- evaluate the ongoing pilot demonstration grants to determine whether the levels of services being provided to enrollees appear to be those that will help these youth attain self-sufficiency.

ETA, in its response:

- agreed with the facts presented in the report and stated that low wages should be expected for the early period we evaluated;
- indicated that lessons learned from these three pilot sites have been used to tighten the structure of the subsequent pilots and the larger operational grants; and
- stated that the newer grantees have a much stronger management information system and that the three sites included in our audit have improved since audit fieldwork was completed. (OA Report No. 06-00-002-03-340, issued March 22, 2000)

OIG Questioned Costs of \$101,174 for Children's Village

We performed a financial and compliance audit of outlays reported by the Children's Village (CV) under JTPA for the period from October 1, 1994, to December 31, 1998. The audit objective was to determine whether reported outlays were allowable and within terms and conditions of the grant award and program regulations. In our opinion, except for questioned costs of \$101,174, the Financial Status Reports presented

fairly the results of CV's operations in accordance with applicable laws and regulations for the grant period. For the audit period, CV reported outlays of \$1,769,502.

We recommended that ETA recover \$80,939, representing the Federal share of the questioned costs, and ensure that CV complies with grant and OMB Circular A-122 requirements by obtaining final indirect cost rates. Generally, CV agreed with the findings, but it disagreed with questioned costs of \$24,834 related to unsupported subgrantee costs. However, CV did not provide any additional documentation to support subgrantee costs. CV also indicated that it has submitted final indirect cost proposals to the Office of Cost Determination. (OA Report No. 02-00-201-03-340, issued November 15, 1999)

DOL Grant Officer Disallows \$4,961,583 of National Council of Senior Citizens Grant Expenditures

We audited the grants awarded to the National Council of Senior Citizens (NCSC) for the period from July 1, 1992, through June 30, 1995, and questioned over \$5.7 million. Of this amount, the DOL grant officer disallowed \$4,961,583 and established a debt to the Department.

The majority of the disallowed costs (\$3.8 million) resulted from NCSC's health insurance refunds that were not credited to the DOL grants. An additional \$309,825 of administrative fees were disallowed because they had been credited to membership promotion instead of to the DOL grant. The grant officer also disallowed costs associated with duplicate salary charges, pension plan costs, and certain indirect costs and determined that NCSC had corrected three administrative findings. (OA Report No. 18-99-007-07-735, issued February 3, 1999)

\$449,213 Debt Established for Texas School-to-Work Grantee

The Capital Area Training Foundation (CATF) was granted funds from both DOL and the Department of Education (Education) to develop and implement a permanent School-to-Work (StW) system for the city of Austin, Texas, and the surrounding area. The OIG audited the costs CATF claimed from the inception of grant operations through September 30, 1995.

We found that CATF was a relatively new organization with no previous experience administering Federal grants. Its staff was not aware of the grant requirements for maintaining appropriate records and had limited knowledge of pertinent Federal regulations.

We questioned \$632,460 claimed under the DOL grant and \$139,585 claimed under the Education grant. The preponderance of questioned costs resulted because CATF failed to maintain adequate documentation for salaries, fringe benefits and contractual and other direct costs claimed for reimbursement. CATF agreed that for a sizable portion of the grant's costs, documentation was not sufficient to make a determination that the costs were allowable.

Of the amount questioned, the grant officer disallowed \$471,667, of which \$449,213 is subject to debt collection by DOL. Education is responsible for resolving the questioned expenditures from its grant funds. (OA Report No. 18-96-015-03-385, issued July 12, 1996)

OIG investigations of wrongdoing and fraud within DOL's Employment and Training Administration (ETA) programs continue. The Job Training Partnership Act (JTPA) programs, designed to assist unskilled and economically disadvantaged youths and adults in receiving training and eventual employment, remain vulnerable to theft and embezzlement of Federal funds.

During this reporting period, the OIG opened 9 cases, closed 21 cases and achieved 3 indictments, 2 convictions, and over \$7.5 million in monetary accomplishments. In support of the OIG's goal to protect the integrity of the Department's training programs, the following cases highlight our more significant investigations in this area.

Indian Tribe Agreed to \$4.5 Million Settlement in Overbilling Scheme

On December 23, 1999, the Puyallup Indian tribe of Tacoma, Washington agreed to pay the United States \$4.5 million, in lieu of criminal charges, to settle allegations that the tribe's school, the Chief Leschi School had overbilled the government for student transportation costs. DOL had provided the school with approximately \$500,000 of JTPA and Welfare-to-Work funding per year from 1993 to 1998. In early 1998, a former school employee filed a *qui tam* action on the government's behalf alleging fraud, waste, and abuse by the school. In addition to DOL funding, the school was a recipient of funding from numerous Federal agencies, including the U.S. Departments of the Interior and Education. The OIG investigation was conducted jointly with the U.S. Attorney's Office. *U.S. v. Puyallup Indian Tribe* (W.D. Washington)

Former Bookkeeper for ETA-Funded Agency Pled Guilty to Embezzlement

On February 25, 2000, Wallace Jorgensen, former lead accountant and bookkeeper for the National Asian Pacific Center on Aging (NAPCA), pled guilty to charges of theft of funds from a program receiving Federal funds and making false statements on a Federal income tax return. On February 24, 2000, Gina Rae Jorgensen, Wallace's daughter, pled guilty to fraud by wire (fax) for defrauding a mortgage lender.

The investigation revealed that Wallace Jorgensen embezzled \$1.8 million in agency funds from NAPCA, a nonprofit charitable organization. NAPCA receives approximately 55 percent of its funding from DOL through grants under the Senior Community Service Employment Program and approximately 43 percent of its funding from the U.S. Environmental Protection Agency (EPA) through grants under the Senior Environmental Employment Program. The investigation found that from June 1993 to March 1999, Jorgensen embezzled funds by issuing checks drawn on NAPCA's travel and beneficiary payroll accounts to himself and members of his family, including his daughter, Gina Rae Jorgensen, who received approximately \$387,000. The absence of internal controls facilitated the embezzlement as Jorgensen had signatory authority for the checks and was also responsible for reconciling the accounts from which the funds were paid. In a parallel investigation, it was disclosed that from July 1998 until September 1998, Gina falsely represented to a lender that she was employed with a family construction business and had a regular monthly income of \$5,700. These investigations were conducted jointly with the IRS Criminal Investigative Division, the EPA OIG, and the FBI. *U.S. v. Wallace Jorgensen, U.S. v. Gina Jorgensen* (W.D. Washington)

Foreign Labor Certification Program

In addition, the Foreign Labor Certification Program, also administered by ETA, remains vulnerable to individuals who set up criminal enterprises to avoid the immigration and certification process administered by the Immigration and Naturalization Service (INS) and the Department of Labor.

Computer Company President Pled Guilty in Illegal Alien Scheme

On November 23, 1999, Syamala Kamineni, the president of Deep Sai Consulting, pled guilty to criminal charges of harboring illegal aliens and knowingly hiring illegal aliens and was sentenced to one year of probation. In addition, on December 6, 1999, the company pled guilty to harboring illegal aliens. The scheme carried out by Kamineni involved her filing approximately 200 labor condition application forms with ETA, and attesting that her company, Deep Sai, had computer programming and consulting jobs (supposedly paying \$40,000 to \$60,000 per year) for aliens in the United States when in fact there were no such jobs available. By completing and filing the labor condition applications with DOL, Kamineni caused visa petitions to be issued by the INS. The INS petitions granted visa status to numerous aliens who arrived in the United States from India without employment in the computer industry. Some of the aliens admitted to paying Kamineni approximately \$3,000 each for obtaining the visas. This was a joint investigation with the INS. *U.S. v. Kamineni* (N.D. Georgia)

Immigration Attorney Pled Guilty to Visa Fraud

On November 17, 1999, Justin Ong, the owner of an immigration law practice in Houston, Texas, entered a guilty plea to charges of visa fraud and filing a false income tax return. Sentencing is scheduled for May 2000, and per his plea agreement, Ong will surrender his law license and not seek future employment in any job relating to immigration work. He also agreed to cooperate with IRS authorities and to pay over \$90,000 in back taxes, penalties, and interest owed to the government. The investigation determined that Ong represented a number of Chinese aliens who sought

immigration visas and permanent residence in the United States. He admitted giving two clients false immigration documents to facilitate their admission as students at Houston Community College in December 1995. The college verified to INS authorities that the identification numbers presented by the students did not match the names on the forms. In a related scheme, Ong admitted to substantially under-reporting income earned from his law practice in 1996 on an income tax return filed with the IRS in October 1997. The OIG participated jointly in this investigation with the U.S. Department of State, FBI, IRS, and INS. *U.S. v. Ong* (S.D. Texas)

Business Owners Indicted for Immigration Visa Fraud

On February 22, 2000, Antonina Peralta, the owner of Inter-World Immigration Service of Los Angeles, California, and Americus Ramos, a board and care home consultant, were indicted on charges of conspiracy to submit false statements and to commit visa fraud, making false statements, and aiding and abetting. In a separate indictment on the same day, their disbarred attorney, John Heine, was charged with making false statements and aiding and abetting. In November 1999, Julieta Cortez, the owner of Triumph Immigration Service, pled guilty to making false statements to DOL because she filed a fraudulent labor condition application.

The investigation revealed that Peralta had allegedly been involved since the early 1990s in a conspiracy with Ramos and Cortez to submit fraudulent employment-based immigration petitions to the California Employment Development Department, DOL, and INS. It is alleged that Peralta contracted with Ramos and Cortez, who created fictitious companies and stole the identities of legitimate companies. This information was allegedly used on at least 100 fraudulent petitions for Peralta's clients, who sought to remain in the United States temporarily on H-1B nonimmigrant visas or to obtain employment status via the labor certification program. Heine allegedly acted as the attorney representing the aliens and petitioning companies. He was listed as an attorney in good standing with the State Bar of California, when in fact he had been suspended in 1993 and disbarred in 1995. It is alleged that Heine was used as an intermediary to prevent the government from corresponding with companies and thus discovering the fraud, as their identities were used without their knowledge. This was a joint DOL OIG, INS, and California Employment Development Department investigation. *U.S. v. Peralta, et al.* (C.D. California)





*Promoting the
Economic
Security of
Workers and
Families*

A Secure Workforce

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

In support of the Department's goal, the OIG works to safeguard workers' and retirees' benefit programs by enhancing program performance and accountability. This includes conducting sufficient activities to assess and make recommendations to enhance significantly the Department's ability to administer and safeguard the billions of dollars in employment, unemployment, and disability compensation benefit programs effectively and to protect employee pension, healthcare, and welfare benefit plans.

OIG Audit Yields More Than \$2.5 Million in Unemployment Insurance Tax Contributions

During calendar year (CY) 1999, we followed up with the State Employment Security Agencies to determine what effect Employment Security Manual (ESM) revisions made in response to a prior OIG audit had on states' success in identifying hidden (or unreported) wages and collecting related tax contributions from employers through field tax audits. ETA revised the ESM in February 1999 in response to a recommendation in an OIG report entitled *Improvements Are Needed in the Evaluation of Audit Quality and the Reporting of Blocked Claim Audits* (OA Report No. 03-98-008-03-315, issued September 25, 1998). Blocked claim audits are one of the more effective ways to identify hidden wages. However, the report disclosed that many states were discouraged from conducting this type of audit because it did not meet the definition of a reportable audit (output) on ETA's 581 Contributions Operations report. ETA revised the definition, allowing states to get credit for conducting blocked claim audits beginning in CY 1999. In our follow-up, 23 states reported that they had identified more than 13,000 employees who had been misclassified by their employers and had recovered more than \$2.5 million of Unemployment Insurance (UI) tax contributions as a result of blocked claim audits conducted during CY 1999 that would not have been conducted without the ESM revisions. In addition, we found that 13 states plan to report blocked claim audit results in CY 2000, while another 13 states (or 25 percent) still have no plans to perform blocked claim audits. (OA Report No. 03-00-005-03-315, issued March 10, 2000)

Review of Pension and Welfare Benefits Administration's Enforcement and Training Programs

The OIG conducted an evaluation of the effectiveness of the Pension and Welfare Benefits Administration's (PWBA's) enforcement program based on the agency's reported performance data and an assessment of the adequacy of the training programs provided to PWBA's employees in support of the enforcement program. The review was conducted, in part, to respond to an anonymous complaint alleging that investigators and auditors in PWBA cannot effectively investigate criminal activities

because they do not possess the proper criminal investigative training and law enforcement powers afforded to GS-1811 criminal investigators/special agents. In determining the effectiveness of the enforcement program, we reviewed PWBA's fiscal year (FY) 1998 and 1999 performance goals and results, though our evaluation did not involve verification of the validity of the data reported by the agency. In our review, we found that PWBA exceeded its baseline and revised enforcement performance objectives in FYs 1998 and 1999. To this end, PWBA utilized a variety of strategies including:

- identifying civil violations and achieving appropriate correction in the least obtrusive and most cost-effective manner;
- investigating cases in which meaningful monetary or injunctive relief could be obtained;
- referring evidence of criminal activity, whether or not pursued by PWBA, to the appropriate U.S. Attorney's office or to the appropriate state attorney's office;
- correcting abusive practices by service providers and financial institutions that offer a variety of administrative, financial, consulting, and other types of services to employee benefit plans, enabling PWBA to leverage its enforcement resources; and
- targeting and investigating violations in which plan participants are most susceptible to actual loss of benefits or in which "populations" of plan participants are potentially exposed to the greatest risk of falling victim to unlawful conduct.

Based on the performance data reported by the agency and the strategies employed in carrying out the program, we concluded that PWBA's enforcement program is effective. With respect to the training of employees in support of the enforcement program, we found that PWBA's training initiatives to provide and maintain a level of proficiency for its investigators and auditors are appropriate for the enforcement of the Employee Retirement Income Security Act (ERISA). However, we did identify areas in which actions could be implemented to enhance the existing training programs. These include:

- ensuring that new employee training and mentoring programs are available for new investigators and auditors in each of the 10 regions;

- conducting an individual employee survey of the training needs of investigators and auditors during FY 2000;
- developing and implementing new training courses as warranted by the employee survey;
- reviewing PWBA's financial institutions class for its applicability to casework, timing of scheduling of employees for the class, and contents; and
- having each regional office maintain a roster of individuals who can best make use of the various Federal Law Enforcement Training Center courses offered.

PWBA agreed with our recommendations. (OACE Report No. 2E-12-121-0001, issued March 24, 2000)

Audit Resolution

\$71 Million Returned to Unemployment Trust Fund Following OIG Audit

On September 21, 1999, we issued an audit report on the administrative charges to the Unemployment Trust Fund (UTF) for services provided by the U.S. Department of the Treasury for collecting and processing Federal unemployment taxes and administering the UTF (OA Report No. 06-99-012-03-315). We reviewed total Treasury administrative charges of \$305,577,665 for FYs 1996, 1997, and 1998 and determined that the Treasury had overcharged the UTF during the audit period because the IRS's estimated costs had not been adjusted to actual costs during FYs 1996, 1997, and 1998. The IRS disagreed with our conclusion that it had overcharged the UTF, stating that there may have been additional costs that we did not include in our audit. However, after its own review, the Treasury Department credited the UTF \$71 million for excess administrative charges.

During this reporting period, the OIG opened 174 cases, closed 137 cases, and achieved 73 indictments, 75 convictions, and almost \$14.3 million in monetary accomplishments.

Unemployment Insurance Investigations

Enacted over 60 years ago as a Federal-state partnership, the Unemployment Insurance (UI) program is the Department's largest income-maintenance program. The UI program, which assists unemployed workers, is administered by State Employment Security Agencies (SESAs) in 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands under the oversight of the Employment and Training Administration. The Unemployment Trust Fund, which was established to ensure that adequate funding is available to pay unemployment compensation, is financed through employers' quarterly payroll tax assessments. The OIG remains concerned about the vulnerability of the UI program to fraud. In particular, the OIG has focused for the past four years on interstate, fictitious or fraudulent employer, and internal embezzlement schemes.

Participants in a Louisiana Counterfeiting Scheme Sentenced to Jail

On February 2, 2000, Malcolm Lawrence was sentenced to 21 months in a Federal correctional facility and 36 months' probation and was ordered to pay \$379,681 in restitution for his role as transporter and recruiter in a counterfeit-check scheme to defraud the Louisiana Department of Labor's (LDOL's) UI program of \$2 million. On January 19, 2000, Malcolm's brother, Delanie Lawrence, printer and deliverer of the fraudulent checks, was sentenced to 30 months' imprisonment and three years' probation and was ordered to pay restitution of \$575,000. Jonathan Coleman, the leader of the scheme, pled guilty in October 1999 to making, possessing, and circulating forged securities. As reported in our previous Semiannual Report, the Lawrence brothers were charged with and pled guilty to the same charges. The investigation revealed a scheme to create \$2 million in bogus payroll

checks bearing the encoded bank account routing number of the LDOL UI program. Coleman is awaiting sentencing. This joint investigation was conducted with the U.S. Secret Service and the Louisiana Department of Justice. *U.S. v. Lawrence, et al.* (E.D. Louisiana)

Defendants Allegedly Used Illegal Aliens to Defraud State of Illinois

On November 3, 1999, Roberto Valle de la Paz, Joaquin Aceves-Villareal, and Diana T. Leon, also known as Patricia Valle, were arrested by a joint task force. Earlier in the year, these three individuals, as well as Jorge Luis Valle de la Paz, Roberto Rivera, and Antonio Ocampo-Garcia, were indicted on state charges of theft and forgery for allegedly participating in a scheme to collect fraudulent UI benefits from the Illinois Department of Employment Security (IDES). The defendants were allegedly involved in a scheme to collect multiple benefits by using the false identities of aliens who worked illegally in the Chicago area. According to state law, the former workers on whose wages the claims were based were not legal U.S. residents and therefore were not eligible for benefits. The investigation found that from approximately November 1994 to January 1999, the defendants allegedly defrauded IDES by assisting illegal aliens with filing fraudulent UI benefit claims for a fee. Over 100 fraudulent claims were made, resulting in the issuance of checks mailed to addresses controlled by the defendants and losses to IDES of over \$400,000. This investigation was worked jointly with IDES, the U.S. Postal Inspection Service, the Social Security Administration (SSA) OIG, the INS, and the Illinois State Police. *State of Illinois v. Leon, et al.* (State of Illinois)

Sentencing in Fictitious Company UI Fraud Scheme

Dawn Biddiscombe has been sentenced for her role in a fictitious employer UI scheme to defraud the Massachusetts Division of Employment and Training (MDET) of \$352,120. Biddiscombe was sentenced on March 2, 2000, to five months' confinement in a community facility, five months' home confinement and three years' probation and was ordered to pay \$113,852 in restitution. She is one of 15 individuals to be charged in this case and the fifth to be sentenced. Previously, Biddiscombe, Diane Bruno, Joshua Riley, Janet Jefferson, and Mary Vitagliano pled guilty to various charges including conspiracy, mail fraud,

and unauthorized use of social security numbers. The members of the group admitted that, along with ringleader James Donovan, they had filed 40 fraudulent unemployment claims over a four-year period. The investigation found that the defendants filed bogus claims by reporting previous employment at two fictitious companies, Talk Boston, Inc., and the X-Call Corporation. Donovan, using various fake names, pretended to be a representative of the companies, which were supposed to offer sex-talk lines, and falsely verified the purported employment of his co-conspirators when contacted by MDET. This is the result of a joint U.S. Postal Inspection Service, SSA OIG, MDET, and DOL OIG investigation. *U.S. v. Donovan, et al.* (D. Massachusetts)

Defendant Sentenced for Defrauding State of Michigan

On March 23, 2000, John Crawford Jr. was sentenced to three years' probation, including 120 days under house arrest, and was ordered to pay \$5,022 in restitution. Crawford had pled guilty to mail fraud after he was charged for his role in a scheme to defraud the State of Michigan Unemployment Agency. An OIG investigation determined that Crawford had conspired with several individuals who said that they were employed by T & M Builders, Inc., and other companies and subsequently stated that they were laid off. Crawford, who was a bookkeeper for the now-defunct T & M, split the proceeds with these individuals after they had cashed the fraudulently obtained checks. Since 1993, Crawford was found to have created or reactivated 15 companies and allowed over 100 individuals to file claims to collect UI benefits of \$627,600. The OIG investigation prevented approximately \$350,000 in additional benefits from being paid out by ceasing payments on active claims. *U.S. v. Crawford* (E.D. Michigan)

Former Pennsylvania UI Claims Interviewer Indicted for Alleged Fraud

On March 31, 2000, Enrique Rosario, a former employee of the Pennsylvania Department of Labor and Industry's Allentown Job Center, pled guilty to charges of conspiracy and mail fraud. Previously, on December 2, 1999, Rosario, J. Carmen Vera, a crew chief for migrant

workers of various orchards in the Reading, Pennsylvania, area, Jesus Rodriguez, the owner and operator of Rodriguez Mini Market in Bethlehem, Pennsylvania, and Ivan Leon were charged with conspiracy and mail fraud for allegedly conducting a scheme to defraud the UI program using fictitious employers, false statements, diverted benefits checks, and kickbacks. Rosario allegedly authorized the mailing of hundreds of benefits checks, totaling \$146,584, to addresses that were accessible to him. Vera allegedly solicited ineligible migrant workers to apply for UI benefits and provided them with mailing addresses and check-cashing services. Leon established fictitious companies that enabled ineligible claimants to qualify for UI benefits. Leon also assisted Rosario by either cashing or depositing about 90 fraudulent benefit checks totaling \$12,833 and providing access to his account. Rodriguez assisted in Rosario's scheme by allegedly cashing about 30 fraudulent benefit checks amounting to \$8,304. *U.S. v. Rosario, et al.* (E.D. Pennsylvania)

The Office of Workers' Compensation Programs (OWCP) administers three major disability-compensation programs under the Employment Standards Administration (ESA) that provide benefits to workers who experience work-related injuries or diseases. These include:

- *the Black Lung Benefits Act (Black Lung Disability Trust Fund), which provides monetary and medical benefits to former coal mine workers totally disabled by pneumoconiosis (black lung), a crippling respiratory condition, and their survivors;*
- *the Federal Employees' Compensation Act (FECA), which provides workers' compensation coverage to Federal and postal workers. This includes wage replacement and medical and vocational rehabilitation benefits for work-related injury and occupational disease; and*
- *the Longshore and Harbor Workers' Compensation Act, which provides monetary, medical, and vocational rehabilitation benefits to maritime workers and various other special classes of private-industry employees who are disabled or killed on the job.*

The following summaries depict investigative work in this area.

Two Doctors Guilty of Defrauding Black Lung Program

“Operation Octagon” is a continuing Federal-state task force investigation that is looking into healthcare fraud and drug diversion in southwest Virginia. The task force is made up of members from DOL OIG, the Virginia Department of Health Professions (DHP), Virginia’s Office of the Attorney General Medicaid Fraud Control Unit, the Virginia State Police, the Drug Enforcement Administration, the FBI, the IRS, and the U.S. Attorney’s Office. On January 31, 2000, Dr. Dinkar “Dan” Patel was sentenced to serve five years’ probation and ordered to pay a total of \$2 million in restitution to the Federal Black Lung, Medicare, and Medicaid programs. Of this amount, \$200,000 is payable to the Black Lung Disability Trust Fund. Dr. Patel was further ordered to provide 100 hours of indigent care to members of his community each year for the next five years. He was also ordered to pay fines, restitution, and civil forfeiture

settlements totaling over \$2 million. In addition, he is permanently restricted from issuing prescriptions for schedule II and III narcotics and must attend continuing medical education programs while on probation. Dr. Patel also was required to give up his Black Lung provider number for a period of 12 months and allow DOL and the Virginia DHP to have open access to his patient files for review. Dr. Patel had previously pled guilty in October 1999 to diverting controlled prescription medication illegally without seeing the patients. *U.S. v. Patel* (W.D. Virginia)

A second "Operation Octagon" investigation resulted in an October 19, 1999, guilty plea by Dr. Vasu D. Arora to an eight-count indictment charging him with healthcare fraud, mail fraud, money laundering, and illegal distribution of schedule II and III prescription drugs.

As part of his plea agreement, Dr. Arora agreed never to practice medicine again and to forfeit all assets named in his indictment, including his bank accounts, vehicles, and former clinic. The guilty plea resulted from an investigation that determined that Dr. Arora had billed the Black Lung and other government programs for unnecessary patient visits and treatment. Dr. Arora is awaiting sentencing. *U.S. v. Arora* (W.D. Virginia)

Black Lung Medical Provider Sentenced in Fraud Scheme

Gertrude Burdine, the owner of Southern Air Home Equipment, was sentenced on October 24, 1999, to 21 months' imprisonment and three years' probation and was ordered to pay restitution of \$442,000 to the Black Lung Disability Trust Fund. In March 1998, she was indicted, and in October 1998, she pled guilty to mail fraud in connection with her fraudulent receipt of funds from the Black Lung Disability Trust Fund. Information provided by ESA's Division of Coal Mine Workers' Compensation led to an OIG investigation that revealed that Burdine had submitted bills to OWCP for gaseous tank oxygen that was never supplied to the Black Lung claimants. As reported in our previous Semiannual Report, her co-defendants, Doris Jean McConnell and Marsha L. McConnell, and their company, Independent Home Medical Rentals, Inc., were sentenced in April 1999. These investigations were conducted with the IRS, the FBI, and the Virginia State Police. *U.S. v. Burdine* (W.D. Virginia)

Hospital Administrator and Employee Indicted for Alleged Embezzlement

As the result of an OIG joint investigation, American Development Corporation (ADC) and Donald Gene Cabell (a co-owner of ADC and former credit manager at Logan General Hospital [LGH]) were charged in a 10-count indictment with the embezzlement of funds from LGH. The November 9, 1999, indictment charged Cabell with diverting approximately \$347,000 from LGH to pay off debts incurred by ADC and for personal gain. LGH is a hospital located in rural Appalachia that receives the majority of its funding from the Federal Black Lung Disability Trust Fund (the Fund), Medicare, and Medicaid. The OIG became involved in the investigation when a review conducted by DOL found approximately 30 duplicate bills for claimants treated at LGH and covered under the Fund. Since 1991, LGH has received approximately \$10.5 million from the Fund for treating patients afflicted with pneumoconiosis. On February 25, 2000, a second indictment was handed down. The 24-count indictment charged C. David Morrison, LGH administrator and co-owner of ADC, Cabell, and ADC with embezzlement, conspiracy, money laundering, and submission of a fraudulent loan application. The indictment alleges that Morrison embezzled \$636,077 of LGH money to pay off investment debt and for personal gain. The indictment also charged that Morrison diverted more than \$4.5 million of income and FICA taxes that were withheld from his employees for two quarters in 1997 in order to finance other business ventures (particularly a strip mall). Owing to Morrison's and Cabell's actions, LGH had to file for bankruptcy. This investigation was conducted jointly by the OIG, the FBI, the IRS, West Virginia Medicaid Fraud Control, and the U.S. Attorney's Office. *U.S. v. Cabell, American Development Corporation, and Morrison* (S.D. West Virginia)

Vocational Counselor Pled Guilty to OWCP Fraud

On February 1, 2000, Herbert Donald Dockery, a former branch manager and a DOL-certified vocational counselor, pled guilty to one count of mail fraud and one count of wire fraud. As reported in our previous Semiannual Report, Dockery was indicted in August 1999 and charged with mail and wire fraud for submitting false medical claims to the government and other commercial entities. The indictment was the result of an investigation that disclosed that Dockery had devised and implemented various schemes

in order to defraud the OWCP and Newport News Shipbuilding (a Department of Defense contractor). As a manager with Crawford and Company, Dockery was responsible for administering vocational rehabilitation and medical case-management services to government employees and contractors. The investigation revealed that Dockery had arranged a compensation agreement authorizing the company to pay him 40 percent of the net profits produced by his office. Consequently, Dockery attempted to maximize the office's net profits by submitting false medical claims. Dockery is awaiting sentencing. This investigation was conducted jointly with the U.S. Department of Defense's Defense Criminal Investigative Service. *U.S. v. Dockery* (E.D. Virginia)

Former FECA Doctor Agreed to \$82,800 Civil Settlement

Dr. Maurice Romy, a former FECA medical provider, agreed to a civil settlement on October 14, 1999. Dr. Romy, a neurosurgeon and former owner of the SpineCenter, agreed to a settlement of \$82,800 for submitting false claims to OWCP for unnecessary diagnostic services. The OIG investigation found that Dr. Romy had submitted false claims and received kickbacks from an anesthesia company in return for exclusive referrals from his company. *U.S. v. Romy* (E.D. Pennsylvania)

Former FECA Recipient Ordered to Pay over \$65,000

On December 9, 1999, J.B. Standridge, a former employee with the U.S. Army Corps of Engineers, was sentenced to four months' imprisonment, four months' home detention and three years' probation and was ordered to pay \$65,874 in restitution. As a result of the OIG investigation and his sentencing, Standridge's OWCP benefits have been terminated, resulting in a \$220,816 overpayment and a future liability savings of \$260,588. On June 25, 1999, Standridge pled guilty to one count of making false statements about workers' compensation and one count of Social Security fraud. In 1983, Standridge, working as a temporary power-plant mechanic, filed a claim that he had injured his back while moving barrels and had been on temporary total disability. Standridge also applied for and received Social Security Disability benefits as a result of his injury. From 1994 to 1997, Standridge submitted four reporting forms to OWCP claiming he had not been employed or self-employed and also submitted documentation to the Social Security Administration (SSA) claiming he was not

employed. A joint investigation with the U.S. Army Corps of Engineers and the SSA OIG revealed that from approximately 1989 to 1997, Standridge was self-employed hauling cedar logs to area sawmills. In addition, during this time, Standridge personally built two houses in Atkins and Bull Shoals, Arkansas. From 1994 to 1997, Standridge received approximately \$121,778 in workers' compensation benefits. *U.S. v. Standridge* (E.D. Arkansas)

Former Employee Sentenced to Prison for FECA Fraud

On January 5, 2000, Donald Sutton, a former civilian employee at Fort Stewart, Georgia, was sentenced to four months' imprisonment, four months' house arrest, 200 hours' community service and three years' probation and was ordered to pay restitution of \$90,000. He pled guilty to FECA fraud after having been indicted in March 1999. Since 1995, Sutton was operating a family farm and received \$256,000 from the sale of crops and livestock, and he did not report this to OWCP. Sutton received in excess of \$200,000 in disability compensation. This was a joint investigation with the U.S. Army Criminal Investigative Division. *U.S. v. Sutton* (S.D. Georgia)

Former Illinois Postal Employee Sentenced to Jail and Ordered to Pay over \$75,000

On December 8, 1999, Wayne Krol, a former postal employee, was sentenced to five months' imprisonment, five months' home confinement, and three years' probation and was ordered to pay restitution of \$75,263 and a \$30,000 fine. In August 1999, Krol entered a guilty plea to one count of workers' compensation fraud. Krol was on the periodic rolls and received \$1,826 every month from OWCP for being totally disabled from an on-the-job injury to his knees and back suffered in 1992. As part of our investigation, we demonstrated that Krol was able to engage in strenuous garden activity and roughhousing on his front lawn, play basketball, and drive himself to an offtrack betting facility. The investigation also showed that for the last several years, Krol made weekly visits to casinos that are at least an hour's drive from his residence. Krol was also observed not carrying the cane nor wearing the back brace he claimed to need in order to be mobile. This case was worked jointly with the U.S. Postal Inspection Service. *U.S. v. Krol* (C.D. Illinois)

Former FECA Recipient Sentenced to 27 Months in Prison

On February 25, 2000, former postal employee Adam Sullivan was sentenced to 27 months' imprisonment and five years' probation and was ordered to pay \$60,836 in restitution. Sullivan had been convicted of 10 felony violations, including two counts of FECA fraud, three counts of mail fraud, and five counts of bank fraud. Sullivan had been a recipient of temporary total disability benefits since May 1994. The investigation was initiated when OWCP was advised that the U.S. Postal Service suspected he was working and not reporting his work or earnings to OWCP. Sullivan's former co-workers saw Sullivan's photograph displayed on a large billboard advertising his realtor and mortgage consultant business in a neighboring town. The investigation established that Sullivan had obtained a real estate sales license in April 1995. He formed a corporation called Diversified Services Bureau, Inc. (DSB) in February 1995 and received sales commissions and consultant fees through DSB. Sullivan did not report his work activity in reporting forms and letters to OWCP. In addition, from August 1995 through December 1995, Sullivan conducted a check-kiting scheme that resulted in a credit union loss of over \$20,000. This was a joint investigation with the U.S. Postal Inspection Service. *U.S. v. Sullivan* (W.D. Washington)

Former FECA Claimant Ordered to Pay over \$60,000 for Making False Statements

On December 17, 1999, Charles Critchell, a former U.S. postal employee, was sentenced to four years' probation and four months' home detention and was ordered to pay \$60,600 in restitution. In August 1999, Critchell pled guilty to making false statements to obtain Federal employees' compensation regarding his self-employment activities and earnings to OWCP. Critchell had sustained a traumatic workplace injury in September 1975 and subsequently applied for FECA benefits. The investigation revealed that Critchell delivered newspapers for *The Victoria Advocate* beginning in December 1988 and falsified each subsequent reporting form to OWCP, from September 27, 1989, through October 16, 1998. OWCP determined a future cost savings of \$233,023. This was a joint investigation with the U.S. Postal Inspection Service. *U.S. v. Critchell* (S.D. Texas)

**Former Postal Employee
Sentenced for FECA Fraud**

On January 14, 2000, Dorethea Walker, a former U.S. postal employee, was sentenced to three years' probation, six months' home detention, and 100 hours' community service and was ordered to pay restitution of \$23,556. Walker pled guilty on November 3, 1999, to one count of making false statements in conjunction with receiving Federal workers' compensation benefits. Walker, while receiving FECA benefits for an on-the-job injury, was employed as an office manager and financial advisor's assistant at Stoll Financial and was studying to become a licensed stockbroker. Walker failed to report her work or earnings to OWCP on certifying forms. She had been a FECA beneficiary since February 28, 1990. On October 20, 1999, Charles Stoll, the owner of Stoll Financial, Inc., entered into an out-of-court settlement with the Federal government and agreed to pay \$100,000 with no admission of guilt in assisting Walker in fraudulently enrolling in an OWCP job-retraining program. This investigation was conducted jointly with the U.S. Postal Inspection Service. *U.S. v. Walker* (S.D. Florida)

**FECA Recipient's Widow
Failed to Report
Remarriage**

On December 14, 1999, Eva Teresa Wilkes, the former widow of an OWCP recipient, was sentenced to 60 months' probation and was ordered to pay \$206,973 in restitution to OWCP. In September 1999, Wilkes pled guilty to making false statements to obtain Federal employees' compensation after having been indicted for fraudulently collecting monthly widow benefits from OWCP from July 1975 to January 1998. Wilkes collected widow benefits from OWCP owing to the job-related death of her late husband, Jerry Lee Granger, who had died in 1971 during his employment as an aircraft mechanic at the Davis-Monthan Air Force Base. Wilkes fraudulently collected monthly widow benefits by failing to report to OWCP that she was remarried on October 8, 1977. The OWCP would have automatically terminated Wilkes' claim had she reported her marriage as required. *U.S. v. Wilkes* (D. Arizona)

FECA Recipient Failed to Report Employment as Archaeologist

On December 14, 1999, former postal employee Eugene F. Castroville Jr. was indicted on charges of making oral and written false statements to a physician and to the OIG. Thirty-five mail fraud counts and 30 wire fraud counts were included in the indictment for the long-running scheme that netted him in excess of \$445,000 in compensation payments. The investigation found that Castroville concealed from OWCP the earnings he made from supervising archaeological digs and expeditions and from fees rendered to him in return for appraisals of various antiques and Civil War memorabilia. The income that he earned from these endeavors was traced to the taxpayer identification number linked with a company called Archaeological Excavations, Inc., which he had registered as a tax-exempt nonprofit group. Castroville's claim for benefits dated back to 1976 when he was working as a letter carrier in Virginia. This investigation was conducted jointly with the U.S. Postal Inspection Service. *U.S. v. Castroville* (D. Delaware)





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

Quality Workplaces

The key priorities for this strategic goal are to foster safe and healthy workplaces; influence international bodies addressing core labor standards and international child labor issues; increase the representation, advancement, and promotion of women, people of color, veterans, and the disabled in jobs; promote increased compliance with Family and Medical Leave Act requirements; and increase the number of workers with access to quality child care outside the family.

In support of the Department's goal, the OIG works to optimize the use of funds appropriated for worker protection and workplace safety programs by enhancing program performance and accountability. This includes conducting sufficient activities to assess and make recommendations to enhance significantly DOL's effectiveness and efficiency in ensuring workplace protections, safety, and health for more than 100 million workers in more than 6 million workplaces.

**Occupational Safety and
Health Coverage of State
and Local Government
Workers in Federal OSHA
States Is Inadequate**

Responsibility for the nation's occupational safety and health program is divided between the Federal Government, through the Occupational Safety and Health Administration (OSHA), and those states that have DOL-approved Occupational Safety and Health (OSH) plans. The state-run programs are administered and operated with Federal approval and generally cover both private- and public-sector employers. In states that rely on the Federal Government for enforcement, state and local government employees are excluded from coverage under the OSH Act where the state does not have an approved OSH plan. Consequently, some state and local government employees do not have adequate safety and health protections in the workplace.

Twenty-nine states and territories do not have the authority to operate state OSH plans. Our audit found that 17 of the 29 states lacked some important elements of an adequate public-sector safety and health program, including two states (Alabama and Delaware) that had no program. We also found that nine states do not extend workplace safety and health coverage to their approximately 2.3 million local government workers. Furthermore, there is little information compiled and readily available to evaluate injuries and illnesses in the public workplace for the Federal OSHA states.

Our audit concluded that there are significant disparities among the states in the levels of OSH protections provided to public-sector workers within the Federal OSHA states. We found significant lapses in the scope, depth, and degree of coverage. Although several states we examined have established risk-control offices and various other programs to control the costs of workplace injuries and illnesses in the public sector, their efforts are only part of the solution. These programs do not provide the kind of comprehensive safeguards afforded other state and local government workers that enhance workplace safety and healthful workplace conditions.

We recommended that OSHA:

- seek amendments to the OSH Act to provide specific coverage for all public-sector workers;
- encourage those states with programs lacking the most basic protections and those states missing important program elements to seek the necessary state legislation and policies to protect the health and safety of their public workers adequately; and
- establish a clearinghouse to publicize the best practices used by other state programs.

OSHA generally agreed with our conclusions and recommendations, and we will continue to work with the agency to identify solutions. (OA Report No. 05-00-001-10-001, issued February 9, 2000)

Black Lung Disability Program Is Vulnerable to Fraud and Excessive Billing

The OIG evaluation of fraud vulnerability and excessive medical expenditures in the Black Lung Disability Program was initiated based on OIG investigations revealing substantial fraudulent billing by providers in the areas of home oxygen and arterial blood gas testing. As part of our review, we conducted a best-practices analysis of recent reforms enacted by the Health Care Financing Administration (HCFA) to contain fraud and to lower home oxygen costs. Our comparison of the HCFA and Black Lung programs showed significant disparities between the two programs in regard to potential home oxygen allowances.

Oxygen Modality	HCFA	Black Lung
Monthly allowance for oxygen concentrators	\$228.80	\$409.82
Annual stationary gaseous oxygen allowance (2 liters per minute)	\$2,745.00	\$69,927.00
Annual portable gaseous oxygen allowance (2 liters per minute)	\$431.64	\$34,463.75

Based on OIG recommendations, the Employment Standards Administration (ESA) has agreed to implement additional internal controls and monitoring to reduce the program's vulnerability to fraud and excessive costs in the areas of blood gas tests and home oxygen. In addition, ESA will dramatically reduce automated payment allowances for home oxygen to levels consistent with those established by HCFA. ESA has also agreed to eliminate its \$75-per-item payment allowance for supply costs associated with oxygen delivery. When implemented, these measures should reduce ESA's vulnerability to fraud and excessive billing. (OACE Report No. 2E-04-433-0001, issued October 27, 1999)

Evaluation of the Office of Federal Contract Compliance Programs' Scheduling of Supply and Service Reviews

The OIG conducted a review of the methods and criteria used by the Office of Federal Contract Compliance Programs (OFCCP) for scheduling supply and service contractors for compliance evaluations, and of the application of the agency's scheduling criteria. These evaluations are needed to ensure that Federal contractors are complying with the equal employment opportunity and affirmative action obligations of their contracts.

We focused on whether the Equal Employment Data System (EEDS) list generates a statistically valid sample to select contractors for compliance review; how OFCCP is using the EEDS to select contractors for compliance reviews; and whether OFCCP is uniformly applying the contractor-selection process throughout the United States.

The review found that:

- OFCCP uses a random sort of contractors listed in the EEDS who are selected based on their employment patterns for minorities and women;
- the EEDS does not provide an accurate listing of Federal contractors because the data are not current when they get to OFCCP and because employers may not report accurately regarding their status as Federal contractors and/or subcontractors;

- the EEDS list is distributed to district offices, who must then schedule contractors for compliance review in consecutive order; and
- OFCCP's national office does not have an internal monitoring system to determine district offices' compliance with the contractor-scheduling procedures.

We recommended that OFCCP explore using other data available to the agency to verify contractor coverage and develop and implement a system for national office monitoring of its district offices' compliance in scheduling supply and service contractors for evaluations.

The agency agreed with our findings and recommendations. (OACE Report No. 2E-04-410-0001, issued March 31, 2000)

The OIG assists the Department in promoting the safety and health of workers by ensuring that worker protections are being properly administered by the Department and that violations of laws are investigated.

During this reporting period, the OIG opened 6 cases, closed 7 cases, and achieved 7 indictments, 4 convictions, and over \$4.5 million in monetary accomplishments. The following are examples of investigations of abuses found in this area.

Company President Pled Guilty in Kickback Scheme

On March 20, 2000, Krikor Diramerian, the president of T.D. Engineering and Construction, Inc., pled guilty to one count of conspiracy. Diramerian had conspired with the company vice president, Edmond Thomas (who was sentenced in September 1999), to induce 26 employees to kick back portions of their salaries on a weekly basis during three Federally funded projects. Thereafter, Diramerian had weekly payroll certifications submitted that falsely stated that the employees had not paid any rebates (kickbacks) from their salaries. T.D. Engineering had obtained three government contracts totaling over \$1.5 million to restore earthquake-damaged walls along city streets in Simi Valley, California, that were damaged by the Northridge earthquake of 1994. In 1995, the company employed workers to repair the earthquake-damaged walls for the projects, which were funded by the Federal Emergency Management Agency (FEMA) and the Federal Highway Administration.

The OIG witnessed Diramerian paying an employee \$1,000 to remove a complaint that the employee had filed regarding the kickback scheme. Diramerian also paid each employee \$200 to sign a statement that said that they were paid the prevailing wage. Diramerian also told employees that DOL was investigating the company because of the kickback scheme and instructed them to lie to the investigators, promising to return the money from the kickbacks to them when the investigation was over. This investigation was conducted jointly with the FEMA OIG and the DOL Wage and Hour Division. *U.S. v. Diramerian* (C.D. California)

**Company Officials Agreed
to \$200,000 Civil
Settlement**

On February 14, 2000, Comprehensive Community Services, Inc. (CCSI) entered into a plea agreement in which CCSI was ordered to pay the Federal Government \$200,000. CCSI had been indicted on two counts of making false statements. Under the plea agreement, criminal charges were dismissed after CCSI agreed to a civil plea under the False Claims Act. The investigation found that the company had falsified certifications stating its employees were severely disabled in order to obtain preferential treatment from the Department of Defense (DOD) on service contracts at Tinker Air Force Base. As a result of the falsified certifications, DOD gave CCSI preferential treatment in its procurement process. Over a four-year period, CCSI obtained four government contracts totaling over \$3.4 million for janitorial service and commissary jobs at the base. CCSI, through DOL, was allowed to pay less than the prevailing wage under the Service Contract Act because its employees were allegedly handicapped. This joint investigation was conducted with the FBI, the Defense Criminal Investigative Service, and the Air Force Office of Special Investigations. *U.S. v. Comprehensive Community Services, Inc.* (W.D. Oklahoma)

**Landlords Agreed to
\$850,000 Civil Settlement
in Fraudulent Wages
Scheme**

Beginning in the early 1990s, Blackstone Realty Management received a total of over \$50 million in Federal monies. Blackstone Realty owned and operated several Department of Housing and Urban Development (HUD)-funded buildings housing over 1,000 tenants. The investigation found that Blackstone partners and associates had created maintenance companies, such as Old York Contracting and Old Colony Contracting, to handle the repairs and maintenance of these buildings. The companies provided poor maintenance and upkeep and billed labor costs of \$35 to \$45 per hour for electrical and plumbing work allegedly completed by licensed laborers and professionals. In reality, the labor was performed by unlicensed laborers who were paid \$5 to \$10 per hour and were not paid overtime as required by the Fair Labor Standards Act.

On January 13, 2000, Peter Hoffman, a partner of Blackstone Realty, entered into an \$850,000 civil settlement with the U.S. Attorney's Office.

A default judgement of over \$3 million was entered against Hoffman's associates, Abraham Woldiger and Abraham Taub. This agreement resulted from criminal pleas involving criminal activity in New York, Illinois, Rhode Island, New Jersey, and Pennsylvania. Another Blackstone partner, David Abrahamson, pled guilty on December 8, 1999, to one count of making false statements relative to a HUD program and settled a related New York civil case by agreeing to pay \$30,000. His law license was suspended in February 1999 and will be reinstated upon satisfaction of the civil judgement. On September 19, 1999, Woldiger and Taub pled guilty to one count of obstructing a Federal audit and were required to pay \$1.8 million in restitution as part of a global settlement for the criminal and civil cases. In June 1999, Bella Schon and Harry Schwartz, other Blackstone associates, pled guilty to one count of making false statements relative to a HUD program. The six defendants had been previously indicted on charges of conspiracy, theft from a government program, equity skimming, and obstruction of a Federal audit. The joint investigation was conducted with the FBI and the HUD OIG. *U.S. v. Blackstone* (E.D. New York), *U.S. v. Blackstone* (N.D. Illinois)





*Maintaining a
Departmental
Strategic
Management
Focus*

Departmental Management Focus

The Government Performance and Results Act (GPRA) demands a more focused, unified management approach to accomplish the goals established in the Department's Strategic Plan. Therefore, the Department has established an overarching strategic management focus to link strategic planning, resource allocation, and operational activities with program strategies effectively and to improve services provided to its customers.

In support of the Department's goal, the OIG assists DOL in maintaining an effective management process. This includes conducting sufficient activities and providing appropriate technical assistance to DOL management to ensure the effectiveness and efficiency in the management of DOL, the integrity of financial management systems, and the effective management of information technology.

During this reporting period, we continued to focus on helping the Department maintain an effective management process. This section highlights the audits and investigations conducted to this end.

Over \$15 Million Questioned Because of Inadequate Financial Management Systems

At the request of the ETA New York Regional Administrator, we performed an audit of the Puerto Rico Department of Labor and Human Resources (DLHR) covering ETA and OSHA grants for the period from July 1, 1993, to September 30, 1997, to assist in resolving open issues contained in single audit reports.

We found that DLHR did not maintain effective control over cash or properly account for and report financial activities. These conditions existed because financial management systems were inadequate and management did not implement corrective actions to address recommendations cited in single audits spanning over a decade. As a result, we questioned \$15.8 million. The OIG audit made the following findings:

- DLHR maintained excessive cash balances of Federal funds. The balance in the bank account used for Federal funds should have been no more than \$2.6 million. However, the average monthly balance of Federal funds rose from \$4.6 million in 1986 to \$28.5 million in 1997. Interest applicable to Federal funds for the period, July 1, 1986, through June 30, 1998, was \$9.5 million.
- Financial Status Reports were not accurate and accounting entries were not supported, resulting in questioned costs of \$6.3 million (\$1.9 million in excess costs and drawdowns and \$4.4 million in unsupported personal and nonpersonal service costs).

We recommended that ETA and OSHA recover a total of \$15.8 million plus an amount equal to interest owed the Federal Government since July 1, 1998. We also recommended that DLHR's letter-of-credit ability to draw funds be revoked and payment on a reimbursement basis be instituted. If deficiencies identified in this report are not corrected, we recommended that the two agencies invoke sanctions contained in 29 CFR 97.43. DLHR disagreed with the findings and recommendations. (OA Report No. 02-00-203-03-325, issued December 8, 1999)

**The Bureau of International
Labor Affairs Must Improve
Plans, Measures, and Controls**

The OIG reviewed the Bureau of International Labor Affairs' (ILAB's) agency mission, strategic and performance planning, budgeting, organization and staffing, agency functions and activities, performance measurement, working relationships, communication, and managerial controls.

ILAB appropriations have increased almost sevenfold during the last two fiscal years. However, ILAB's current management structure, managerial controls, evaluation methods, and the roles and responsibilities of individual staff were not designed to provide adequate accountability for this level of funding. The quality and effectiveness of any organization's managerial controls determine the level of risk associated with its activities and operations, and the absence of adequate management controls and evaluation methods poses a very high risk.

Therefore, we recommended that ILAB:

- revise its existing mission statement to focus on expected outcomes;
- revise its strategic and performance plans to include goals and measures that better represent ILAB's wide variety of responsibilities and functions;
- determine how the increased grant and contracting activities will be accomplished and who will accomplish each aspect of the process; and
- review, revise, and strengthen its managerial controls over grant contracting activities.

ILAB's response to the draft report included steps it has taken and is planning to take to address the recommendations. ILAB's response noted that it had discussed and received guidance from the Departmental GPRA team and the OIG on developing broad high-level goals that focused on the Secretary's priorities for ILAB. During our audit, which was subsequent to the discussion on high-level goals, we noted that ILAB's Office of International Economic Affairs and Office of International Organizations did not have goals. We continue to recommend that these plans be further improved to include ILAB's Office of International Economic Affairs and Office of International Organizations. (OA Report No. 17-00-008-01-070, issued March 24, 2000)

Technical Assistance Provided to ILAB

The OIG has been providing technical assistance to help monitor ILAB's progress toward the development of effective management controls over its grant program. In February, we provided current guidelines regarding proper management controls over grant activities, including the Revised Standards for Internal Control in the Federal Government, the DOL Manual Series chapters that cover grant activities, and the Joint Financial Management Improvement Program's Grant Financial System Requirements.

We participated in a general training program for selected ILAB staff to discuss what GPRA requires ILAB to do with regard to performance requirements and reporting for its grantees. We provided comments on a draft MOU between the Office of the Assistant Secretary for Administration and Management (OASAM) and ILAB for grant and contract program management and technical assistance.

According to information provided by OASAM and ILAB, since the OIG's review, both organizations have worked to develop complementary policies and procedures for establishing adequate management control over ILAB's grant programs including:

- a quarterly spending plan;
- a financial operating plan;
- the institution of incremental payments to the International Labor Organization (ILO);
- a reorganization of ILAB's Office of Foreign Relations to provide for a new unit to oversee ILAB grants; and
- modification of the cooperative agreement between the Department and the ILO to provide for independent evaluations of projects and for quarterly financial and programmatic reporting. (These modifications were the results of a two-day joint meeting between senior ILAB, ILO, and OASAM managers.)

In addition to the actions taken to date, the Department needs to take a number of corrective measures to provide adequate management control of ILAB's grant program. These include:

- finalizing the modifications to the cooperative agreement between the Department and the ILO; and

- implementing:
 - the quarterly spending plan,
 - the use of project codes for ILAB-funded projects,
 - the financial operating plan,
 - the reorganization of ILAB's Office of Foreign Relations,
 - the improved review of ILO invoices and provision of additional training to ILAB staff as needed, and
 - a joint assessment by ILAB and OASAM of the new policies and procedures for control over ILAB grants six months after implementation.

**\$106,757 Questioned Because
of Unreasonable Bonuses and
a Lack of Documentation**

Xpand Corporation is a small information technology consulting firm that received a noncompetitive cost-plus-fixed-fee contract under the U.S. Small Business Administration's "set-aside" program to provide technical support and assistance in re-engineering ETA's Training Technology Resource Center.

The OIG audited the CY 1997 costs Xpand claimed for reimbursement, and the CY 1998 direct costs portion of the costs claimed for reimbursement. We questioned \$106,757 of the \$1,427,426 audited under the DOL contract, primarily because:

- Xpand was unable to provide documentation to support certain consultant fees, communications costs, and purchases of supplies properly; and
- the two principals and owners of the corporation awarded themselves a total of \$74,874 in year-end bonuses (\$37,437 each) without the required prior review and approval by DOL. The OIG questioned \$58,090 of the bonuses, the portion OIG considered to be unreasonable. (OA Report No. 18-00-001-03-375, issued November 29, 1999)

**Audit Findings Support
Office Closure**

As the result of a congressional request, we audited selected aspects of the Office of Administrative Law Judges (OALJ). The request was precipitated by OALJ's plan to close its Long Beach, California, field office. The requesters expressed concern that closure of the office would

significantly impair the ability of area employers and workers to access the administrative adjudication process. They also noted that there was a large disparity between caseload figures provided by the OALJ Chief Judge and statistics cited by the Longshore Claims Association.

Based upon our analysis of testimonial, statistical, and financial evidence, we found no verifiable evidence that closure of the office would diminish access to the adjudication process. We found that the workload figures presented by the Chief Judge accurately reflected the caseload data recorded in the OALJ case-tracking system. Additionally, we found no legal or regulatory provisions that would limit the Chief Judge from exercising management prerogative to close the field office. (OA Report No. 09-00-201-01-060, issued March 22, 2000)

Technical Assistance Provided to DOL in Its Implementation of GPRA

The OIG has continued to assist the Department in the Government Performance and Results Act (GPRA) process as it prepared its FY 2001 Annual Performance Plan (APP) to ensure that DOL's performance goals are outcome based and directed toward measuring performance. As part of our continuing effort to assist the Department in "managing for results," we analyzed the annual performance goals of the Department's FYs 1999 and 2000 APP. We analyzed each goal and determined whether it was an outcome, an output, or an inadequate goal. Of the 48 FY 1999 and 54 FY 2000 performance goals, fewer than half of the Department's goals were outcome goals. We also found a substantial number of goals to be inadequate because they described strategies or processes and did not measure performance. As a result of our assessment, the Department revised a number of the goals to focus more on program results rather than processes. However, the development and refinement of performance goals is an ongoing process. We will continue to assist the Department in achieving an outcome-based performance plan.

The Department's Successful Y2K Transition

Beginning in FY 1998, the OIG and the Department agreed to work together to ensure that the Department's computer systems would be able to respond appropriately to the Y2K date-calculation issue. The objective for our Y2K effort was to determine whether the Department had assured that all mission-critical systems were Y2K compliant and

whether there were acceptable contingency plans or work-arounds in place to ensure continuity of operations.

Overall, the Department and the individual agencies responded very positively to the audit reports and worked very hard to ensure the compliance of their systems. We worked closely with the Department at all levels where information was shared and strategies were discussed related to areas of greatest concern. As the result of this cooperative effort, the Department experienced a successful Y2K transition. A complete listing of Y2K reports issued by the OIG is contained in the Audit Schedules Appendix of the report.

Audit Resolution

National Skill Standards Board Repays \$57,295 and Implements Enhanced Internal Controls

The National Skill Standards Board (NSSB) was created by the National Skill Standards Act of 1994 to serve as a catalyst in stimulating the development and adoption of a voluntary national system of skill standards. Departmental management requested that the OIG review the appropriateness of certain administrative expenditures made by the Board.

As previously reported, the OIG determined that the Board inappropriately spent over \$60,000 for unauthorized meals and refreshments at its board and committee meetings. Subsequently, the amount misspent was reduced to \$57,295 because of a duplication in the Board's billing process to the Department. The Board's Chairman acknowledged the inappropriate expenditures and commenced a series of measures to repay the misspent funds and to implement enhanced internal controls to prevent similar occurrences in the future. The NSSB has completed the repayment of \$57,295 in non-Federal funds to the Department and has documented to the OIG that the additional internal controls have been implemented. Accordingly, the audit recommendations are resolved and closed. (OA Report No. 18-99-012-01-300, issued September 24, 1999)

The Chief Financial Officers Act of 1990 requires agencies to report annually to Congress on their financial status and any other information needed to fairly present the agencies' financial position and results of operations. The Department prepares annual financial statements, which we audit. The Department has additional financial management reporting requirements under the Federal Managers' Financial Integrity Act and the Federal Financial Management Improvement Act of 1996. The OIG considers compliance with these Acts as a part of our audit of the financial statements. The Department's financial statements for FY 1999 reflect \$32.6 billion in net costs. Approximately 90 percent were funds expended by state and local governments, and the balance was for benefit payments and services provided directly by the Department.

Unqualified Audit Opinion Issued on DOL Financial Statements

For the third straight year, the Department received an unqualified opinion on its consolidated financial statements. An unqualified, or clean, opinion means that in the auditor's opinion, the Department's financial position and results of operation are presented fairly in its financial statements, in all material respects, in accordance with generally accepted accounting principles.

Although the *Report on Internal Control* reflects no material weaknesses, we continue to note many reportable conditions that need management's attention. Finally, our *Report on Compliance with Laws and Regulations* documents five subsidiary systems that do not meet one or more of the criteria for Federal accounting systems referenced in the FFMIA.

Report on Internal Control

As a result of our audit work, we often identify issues related to internal controls that we believe will improve operations or result in other operating efficiencies. Our Report on Internal Control did not disclose any material weaknesses; however, we did note several reportable conditions, most of which were initially identified in prior years. Some significant findings include the following:

- **Electronic Data-Processing Controls**

Our audit identified deficiencies concerning general controls and security of the electronic data-processing systems that support the financial statements of the Department. For example, we identified improvements including:

- entity-wide security program planning;
- access controls to detect unauthorized access;
- controls to prevent modifications to existing programs;
- mechanisms to monitor and control system software;
- segregation of duties among information technology staff; and
- contingency planning to minimize interruption of operations.

The Office of the Chief Information Officer has developed a draft Computer Security Handbook (currently in the final approval process) that will address these deficiencies.

- **Accounting for Grants**

We found that deficiencies continue to exist in ETA's accounting for grants. For example, we found that:

- the grant cost accrual represented an unreasonable percentage of total grant costs because an estimated \$2.8 billion in FY 1999 grant costs were not recorded in the general ledger during the fiscal year;
- grants totaling \$444 million were understated because costs were entered erroneously or were not recorded at all;
- transfers of funds by JTPA grantees were not monitored for compliance with the regulations and were not recorded in ETA's accounting records;
- there were no written grant accounting procedures for use at the regional offices, resulting in inefficiencies and procedural errors in the grant accounting function; and
- regional offices do not consistently reconcile the cash transactions recorded in the Department of Health and Human Services' Payment Management System with those recorded in the Grant and Contract Management Information System although the Office of Regional Management issued instructions requiring such reconciliations.

ETA has taken significant corrective action on many of the weaknesses.

- **Funds with the Treasury**

The Department continues to have problems reconciling its accounts with the Treasury. As a result, the Department cannot ensure that all deposits and disbursements are accurately recorded. The differences also indicate increased vulnerability to fraud, waste, and mismanagement.

- **Wage and Hour Division**

Back Wage Collection and Disbursement System – The Back Wage Collection and Disbursement System (BCDS), which is maintained by the Wage and Hour Division's (WHD) regional offices, records and tracks information on funds collected from employers for which WHD has assumed responsibility for locating and paying employees owed back wages.

WHD does not maintain sufficient control over information recorded in the BCDS, and certain policies and practices exercised by the regional offices preclude the use of this system as a reliable subsidiary for back wages. In February 2000, WHD provided a design plan for a new BCDS; however, the plan lacks sufficient detail and does not provide time frames and milestones for completion of the system's design and implementation. Management has begun the design and implementation of a new BCDS, which if implemented as designed and with the appropriate policies and procedures will provide the necessary controls.

Civil Monetary Penalties System – We previously recommended that WHD install a civil monetary penalties (CMP) tracking system to track penalties assessed against employers who violate the Fair Labor Standards Act and related laws. The new civil monetary penalties tracking system is substantially complete. Although some system features and reports are still lacking, WHD has agreed to make necessary changes to the CMP system and continue to strengthen internal controls.

- **Federal Employees' Compensation Act Program**

We updated the status of prior year findings and continued to note weaknesses related to segregation of duties, reconciliation of funds with the Treasury, continuing eligibility, and accounts receivable.

- **Fines and Penalties**

Recording of Revenue Transactions – The Pension and Welfare Benefits Administration (PWBA) generates revenue as a result of penalties imposed on pension plan administrators for Employee Retirement Income Security Act (ERISA) violations. PWBA's revenue transactions were not recorded as of the date that a legally enforceable claim was established. PWBA believes that the notice of penalty assessment represents the final order. The OIG disagrees, believing that a valid revenue exists when the final order is effective and the claim is enforceable, which should be 30 days after a notice of intent is sent.

Reconciling the Department of Labor Accounting and Reporting System (DOLAR\$) to Subsidiary System – The Mine Safety and Health Administration (MSHA) recognizes revenue as a result of assessments of civil monetary penalties for violations of the Federal Mine Safety and Health Act. MSHA has improved its accounting systems by providing a database with transaction level detail; however, final totals do not agree with DOLAR\$. MSHA is currently performing monthly reconciliations and is modifying its system to include transaction entry dates. MSHA expects that all system modifications will be completed during FY 2000.

- **Property and Equipment**

Job Corps' Real and Personal Property – The OIG found that the Job Corps continues to use manual spreadsheets, which are updated and recorded in the general ledger at year-end only and are not reconcilable to the cost reports submitted by contractors. During FY 1999, ETA implemented the Construction-in-Progress module of the Department's existing property system, resulting in a fully integrated real property subsidiary ledger.

Also during FY 1999, the International Union of Operating Engineers interface with DOL's property system was implemented, resulting in an integrated personal property system for a substantial portion of ETA personal property. During FY 2000, ETA plans to integrate its personal property system fully.

SESA Real Property – SESA real property accountability was transferred from the ETA regional offices to the national office during FY 1999. ETA plans to complete a comprehensive review of SESA real property during FY 2000, which includes performing a real property inventory and obtaining state certifications.

- **Unemployment Trust Fund**

Trust Fund Administrative Assessments—ETA needs supporting data to document that DOL's administrative charges to the Unemployment Trust Fund represent actual expenditures in accordance with the budget. Management is reviewing appropriation language and the intent of congressional action to determine the allowable use of these funds.

Federal Employees' Unemployment Compensation—In previous audits of the UTF, we noted the need to establish an accounting system for the Federal Employees' Compensation (FEC) account. Management expects to correct flaws in the crosswalk between the FEC system and DOLAR\$ during FY 2000.

- **Black Lung Disability Trust Fund**

- Several assumptions used in its actuarial model have not been recently updated or reviewed.
- ESA management is revising elements of the actuarial model such as the age distribution, new entrant assumptions, and mortality table updates. The changes are expected to be completed during FY 2000.

- **Accounts Receivable**

We previously noted the need for agency guidance on the proper identification, accounting, collection, and reporting for accounts receivable. The Department issued a revised Debt Management section of the DOL Manual Series on December 10, 1999.

- **Performance Measures**

We previously reported the need for the Unemployment Insurance Service to verify the accuracy of non-Federal entity data reported to DOL and used for performance measurement. A verification process has been piloted, and full implementation is planned in FY 2001.

Report on Compliance with Laws and Regulations

To obtain reasonable assurance that the financial statements are free of material misstatements, we performed tests of DOL's compliance with certain provisions of laws and regulations, because noncompliance could have a direct and material effect on the determination of financial statement amounts. We also performed tests of other laws and regulations.

- **Federal Financial Management Improvement Act of 1996**

This act requires us to report whether DOL's financial management systems substantially comply with the Federal financial management systems requirements, applicable accounting standards, and the United States Standard General Ledger at the transaction level. The OIG audit found that four systems remain noncompliant:

- Wage and Hour's back wage system;
- Wage and Hour's civil monetary penalties system;
- MSHA's penalty tracking system; and
- Job Corps' personal property system.

In addition, the ETA grants costs system did not substantially comply with FFMIA requirements. The Department is working to correct these deficiencies within the required three-year time frame.

- **Debt Management**

Five DOL agencies or programs have not referred all receivables, totaling approximately \$12 million, that have been delinquent for a period of 180 days to the Department of the Treasury for collection as required by the Debt Collection Improvement Act of 1996.

- **Grant Closeout Process**

Although ETA has revised its grant closeout tracking system, several areas remain to be corrected. Also, the number of grants and contracts that need to be closed is in excess of 2,000. During the second quarter of FY 2000, ETA has stated that it has closed over 950 of these grants and expects to close approximately 1,000 additional grants this fiscal year.

- **Establishment of Advisory Council by UTF**

During FY 1997, we noted that the Advisory Council on Unemployment Compensation had not been reestablished. Discussions have begun in order to reestablish the Council in FY 2000. (OA Report No. 12-00-003-13-001, issued February 29, 2000)

Longshore and District of Columbia Trust Funds

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 such as piers and dry docks. The LHWCA Fund provides compensation and, in certain cases, medical care payments to employees disabled from injuries. The original LHWCA was extended to cover a variety of other employees through additional Acts including the District of Columbia Workmen's Compensation Act (DCCA). The Employment Standards Administration, Division of Longshore and Harbor Workers' Compensation, has direct responsibility for the administration of these funds.

FY 1999 LHWCA and DCCA Special Fund Financial Statements

The OIG's opinion is unqualified for these two special funds. However, the report on the LHWCA noted certain internal control weaknesses. The LHWCA does not have adequate controls in place to ensure that payments are promptly suspended after a claimant's death. Payments made to claimants after their deaths totaling approximately \$1.453 million were identified. The LHWCA does not allow for recovery of overpayments except as an offset against future payments. The program has initiated efforts to be included in the monthly social security number matches already being performed by the other OWCP benefit programs. In addition, a prior-year weakness still exists in the internal controls for the reporting and authorization of payments to rehabilitation service providers. An automated system was developed and implemented during FY 1999. However, many district offices have not fully converted to the new system. Once district offices have fully converted, this weakness should be corrected. (OA Report Nos. 12-004-04-432 and 12-005-04-432, issued March 21, 2000)

The OIG's Office of Investigations is charged with conducting investigations into possible criminal activities within the Department's programs or conducted by employees of the Department. The OIG believes that the prosecution of individuals who have violated the high standards that all Federal employees are measured against will have the long-term effect of promoting integrity in the Federal workforce.

During this reporting period, the OIG opened 14 cases, closed 14 cases, and achieved 5 indictments, 6 convictions, and over \$350,000 in monetary accomplishments. Some of the more significant examples are depicted below.

Former Claims Examiner Charged with Diverting Payments

On March 29, 2000, Linda J. Elbeck, a Wage and Hour Division (WHD) investigator, was indicted by a Federal grand jury and charged with theft of government property and obstruction of justice. The investigation revealed that in July 1995, while employed as a claims examiner with the Office of Workers' Compensation Programs (OWCP), Elbeck diverted approximately \$161,000 in FECA funds of a deceased claimant by changing the electronic funds transfer payment address to her own account. These payments continued until September 1999, when they were terminated because the claimant had not sent in the required OWCP reporting forms. Following Elbeck's transfer to her job as a WHD investigator in May 1998, it was discovered that the FECA file for the deceased claimant was missing. Subsequently, Elbeck was interviewed and confessed to stealing the FECA payments. Elbeck allegedly disposed of the FECA file after she received a grand jury subpoena requiring that she produce the missing file and financial records. As a result of this investigation, OWCP is rewriting the procedures for inputting payment address changes into its computers. This investigation was conducted jointly with the FBI. *U.S. v. Elbeck* (D. of Colorado)

Former OWCP Employee Pled Guilty to Theft of Public Money

On March 14, 2000, Bonifacio Garcia, a former employee of OWCP, pled guilty to charges of theft of public money, wire fraud, and making a false tax return. Garcia was indicted on January 26, 2000, after having been arrested the previous week in the Philippines, based on a criminal complaint charging him with theft of public money for his involvement in embezzling \$861,508 over a four-year period from OWCP. During an audit of OWCP, the OIG discovered an unusually large number of payments intended for OWCP claimants that had been sent to three supplemental bank accounts later identified as owned by Garcia. In furtherance of the scheme, Garcia canceled the payments in the OWCP computer system after the fund transfers were completed. In August 1998, after 19 years of employment with OWCP, Garcia resigned his position as a workers' compensation assistant shortly after the audit began. During his interview with the OIG, Garcia admitted to taking the money. Two days after the interview, Garcia fled to the Philippines and was a fugitive until his arrest. OWCP, as a result of this investigation, has changed the procedures on the segregation of duties and supervisory review over the access control of electronic funds transfers and has improved the reconciliation of funds with the Treasury. The FBI assisted with certain aspects of the investigation. *U.S. v. Garcia* (W.D. Washington)

Former Mine Inspector Sentenced to 18 Months in Prison

On April 4, 2000, Ronald Lee Morgan, a former Mine Safety and Health Administration inspector, was sentenced to 18 months in a Federal prison and two years' probation after being found guilty of one count of making false statements on his official mine safety inspection notes and one count of making false statements on his time and activity data forms. Although many coal operators have been convicted of not properly running a dust survey, Morgan is the first Federal mine inspector to have been found guilty of this crime. Morgan was indicted in May 1999 and was charged with six counts of making false statements concerning his inspection activities and lying to the OIG during the investigation. The investigation found that Morgan failed to run a complete dust survey inspection properly and falsified his inspection notes to make it appear that he was underground when in fact he was in the mine office for most of the day. *U.S. v. Morgan* (W.D. Virginia)





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

Labor Racketeering

The OIG at the Department of Labor has a unique “external” function that looks outside of the Department’s programs and personnel and focuses on the influence of labor racketeering and organized crime in the nation’s labor unions. Labor racketeering is the infiltration, domination, and use of a union for personal benefit by illegal, violent, or fraudulent means. Although labor racketeering can be conducted by anyone, the history of the labor movement shows that the most substantial corruption of unions is conducted by organized crime families and syndicates.

Since its inception, the OIG’s Labor Racketeering Program has conducted criminal investigations uncovering millions of dollars of workers’ dues and benefit monies siphoned off by organized crime through outright embezzlement or more sophisticated devices, such as loans or excessive fees paid to corrupt union and benefit plan service providers. However, the union membership is not the only group that is impacted by organized crime. Because organized crime’s exercise of market power is usually concealed from public view, millions of consumers unknowingly pay organized crime what amounts to a “tax” or surcharge on a wide range of goods and services. By controlling the key union Local, organized crime can control the pricing in an entire industry. The public also suffers when organized crime orchestrates illicit strikes and work slowdowns or resorts to violence to maintain its operation of labor rackets. In the end, labor racketeering undermines public confidence in the collective bargaining system and compromises the reputation of all honest union members.

While the government has made great advances in reducing the influence of traditional organized crime in the labor racketeering arena, victory cannot be declared with any certainty. The OIG remains vigilant over the strength of traditional La Cosa Nostra crime groups in the labor union area as well as union-related employee benefit plans. In addition, the OIG is increasing its scrutiny of newly emerging nontraditional organized criminal groups and their potential influence on the nation’s labor unions.

During this reporting period, the OIG opened 52 labor racketeering cases, closed 46 cases and achieved 85 indictments, 39 convictions, and nearly \$12.2 million in monetary accomplishments.

Government Reaches New Reform Agreement with Laborers International Union

The government has made great strides in removing corruption from labor unions. In 1986, the President's Commission on Organized Crime identified four of the nation's largest labor unions as being heavily influenced by organized crime. Since its inception, the OIG has devoted one-third of its labor racketeering program to investigations of these four unions: the International Brotherhood of Teamsters, the Laborers International Union of North America (LIUNA), the Hotel Employees and Restaurant Employees International Union, and the International Longshoremen's Association. In addition, our current investigative efforts focus on persistent La Cosa Nostra efforts to maintain its influence in certain critical industries.

On January 20, 2000, the Department of Justice (DOJ) reached a new agreement with LIUNA that requires the union to continue the reform efforts and prodemocracy movement that began five years ago under earlier agreements, the most current of which expired on January 31, 2000. The agreement continues to 2006 and binds LIUNA to maintain its efforts in ousting corrupt union members and officials, implementing hiring hall reforms, and maintaining direct membership election of union officers. LIUNA agreed not to remove any of the ethics and disciplinary officers without good cause and may not replace them without the consent of DOJ. LIUNA also committed to the retention of an independent elections officer for the 2001 and 2006 elections. The agreement provides for immediate access to judicial relief if LIUNA attempts to undercut its reforms in any material way. In return for LIUNA's agreement to continue its reform effort to the year 2006, DOJ will not implement a signed consent decree that would have placed LIUNA under the supervision and oversight of court-appointed officers. The DOL OIG will provide information through DOJ to assist the monitor in his efforts to reform the union.

This agreement is the culmination of several years of negotiations with LIUNA. In late 1994, the government began negotiating with LIUNA to compel it to rid itself of its decades-old history of corruption and organized crime influence. At that time, LIUNA was served with a draft complaint of

the civil provisions of the Racketeer Influenced and Corrupt Organizations Act (Civil RICO) statute, threatening to compel court supervised reforms.

LIUNA agreed not to contest the complaint in return for the opportunity to voluntarily institute reforms and cleanse itself of corrupt members and officials. In February 1995, the government and LIUNA entered into an initial 90 day agreement to carry out its internal reform program. LIUNA's activities in the reform process were monitored by the DOJ, the FBI, and the DOL OIG. The agreement was extended for another three years through 1998 and then for one-year periods ending in January 1999 and January 2000.

The reform process by LIUNA has resulted in a number of disciplinary actions against LIUNA officials. To date, 226 individuals, 127 of whom were alleged to have ties to organized crime, have left LIUNA owing to expulsions and suspensions from disciplinary charges, retirement, or resignation.

In addition, LIUNA implemented reforms to eliminate abuses in its local hiring halls and financial corruption and mismanagement in the union. This has resulted in the imposition of 40 trusteeships and supervisions of various District Councils and other subordinate entities by LIUNA, the removal of approximately 200 officers, and the implementation of better financial management and greater democracy in many of the Locals. LIUNA has also agreed to court-appointed officers to eliminate corruption in the Chicago district council, Local 210 in Buffalo, New York, and the Mason Tenders District Council in New York City. In 1996, LIUNA held its first direct secret ballot election for the International president and secretary treasurer. This vote was the first contested election for the LIUNA presidency. LIUNA has amended its constitution to provide for direct secret ballot election by rank-and-file union members of all of its International officers, including vice presidents, beginning in 2001.

Findings from criminal investigations conducted by the OIG and the FBI are the predicate that support the government's Civil RICO complaint against LIUNA.

The following cases are illustrative of the work that the OIG performs to rid unions of corruption.

General President of Laborers International Union Pled Guilty to Mail Fraud

On January 27, 2000, Arthur A. Coia, the former general president of LIUNA, pled guilty to one count of mail fraud. As per his plea agreement, Coia was sentenced to two years' probation and was ordered to pay a \$10,000 fine and make approximately \$100,000 in restitution to the State of Rhode Island and the town of Barrington, Rhode Island, for taxes owed. Additionally, Coia will be barred from holding any future position with LIUNA or its subordinate entities and from being an employee of any labor union for a period of five years. Coia resigned as general president of LIUNA effective January 1, 2000. The investigation found that he had evaded over \$100,000 in excise taxes in connection with the storage and use of several luxurious and expensive automobiles. Coia was assisted by a group of automobile businesses that had a substantial car-leasing contract with LIUNA. The investigation was conducted jointly with the Department's Office of Labor-Management Standards (OLMS) and the FBI. *U.S. v. Coia* (D. Massachusetts)

Civil RICO Settlement Reached with Laborers Union Local 210

On January 24, 2000, a consent decree was entered in Federal court that settled a civil suit filed on November 18, 1999, under Civil RICO, by the government and LIUNA against Local Union 210 of Buffalo, New York. The goal of the agreement is to ensure that Local 210 is rid of domination and influence by members and associates of the Buffalo La Cosa Nostra (LCN) organized crime family. The court order provides for a Federal court-appointed liaison officer to oversee Local 210 and supervise the ongoing efforts to end the influence of organized crime in the affairs of the Local, providing for a freely democratic Local in which all members may participate in elections and union business without fear of intimidation. The investigation showed substantive evidence demonstrating that the affairs of Local 210 have been influenced by LCN members for more than 20 years.

As part of LIUNA's initial internal attempt to clean up the organized crime influence in Local 210, the Local entered a settlement agreement with the

International Union to place itself under a period of supervision in March 1996. All officers at Local 210 were removed from office, reform policies were instituted, labor contracts were negotiated, and referral hiring hall practices were implemented. In June 1996, LIUNA brought charges against 28 members and officers of Local 210 for subjecting the union to the influence of organized crime. Following disciplinary hearings in November 1996, five individuals agreed to sever all ties to the union, 11 were found to be “made” members of the Buffalo LCN, two were found to be associates, and four were found to have obstructed the investigation. All were permanently barred from employment or holding office in the union. On February 17, 1998, LIUNA’s executive board asked for the imposition of a trusteeship over Local 210 because the period of supervision proved to be inadequate to eradicate and remedy the effects of the influence of the Buffalo LCN over Local 210. The trusteeship began on April 22, 1998, and resulted in changes in hiring hall practices and the removal of 20 members for subjecting the union to the influence of organized crime. Because these efforts have proved to be insufficient to root out the remaining influence of the LCN, the current consent decree was submitted to the court, placing Local 210 under judicial supervision. *U.S. v. LIUNA Local 210* (W.D. New York)

Organized Crime Families Indicted for Alleged Extortion

On December 2, 1999, three separate indictments were issued against 39 defendants, including members and associates of five different La Cosa Nostra families: the DeCavalcante, Bonanno, Colombo, Gambino, and Luchese organized crime families. The indictments allege that the DeCavalcante family acted as a criminal enterprise that enriched its members and preserved its powers through the extortionate control of businesses and persons by threats of physical and economic harm, loan-sharking, illegal bookmaking, the purchase and sale of stolen property and counterfeit goods, theft and robbery, murder, and intimidation. The racketeering indictment also seeks forfeiture of \$2.5 million, representing the proceeds of the charged acts of racketeering. The investigation centered around the historic control of the New York City construction industry by organized crime. Activity in the construction industry is divided among several organized crime families and controlled by the Luchese family. It is alleged that the DeCavalcante family would use influence with the Luchese family to obtain contracts in the painting industry and would utilize DeCavalcante-sponsored contractors using nonunion labor in violation of collective bargaining agreements. The DOL OIG participated jointly in this investigation with the FBI and the New York City Police Department. *U.S. v. DeCavalcante, et al.* (E.D. New York)

Teamsters Local Member Sentenced for Extortion and Arson

On October 5, 1999, Joseph Tavares Jr., a member of Teamsters Local 996, was sentenced to 15 1/2 years' imprisonment and three years' probation and was ordered to pay \$268,000 in restitution. As reported in our previous Semiannual Report, Tavares was found guilty of arson, conspiracy to commit arson, attempted extortion, and robbery. In April 1999, Tavares' co-conspirator, George E. Cambra, the owner of Movie Production Trucks, Inc., had pled guilty to conspiracy to commit arson. Indicted in February 1999, Tavares and Cambra were found to have conspired to burn trucks owned by their competitors, Mokulua Consultants and Auto Mastics, who were hired to provide the trucks for a television pilot filming in Hawaii. The joint investigation with the FBI, the IRS, Bureau of Alcohol, Tobacco, and Firearms, PWBA, and OLMS found that Tavares had set fire to film-production trucks owned by competitors, threatened to kill a Disney Pictures production manager, and robbed tourists at a film site. *U.S. v. Tavares* (D. Hawaii)

Ex-Union Official Sentenced for Racketeering in Florida

On October 15, 1999, Joseph Gagne, former business manager and vice president of International Union of Operating Engineers (IUOE) Local Union 675 of Fort Lauderdale, Florida, was sentenced to 18 months' imprisonment and three years' probation for his conviction on racketeering and racketeering conspiracy charges. In addition, former IUOE Local 675 president Dennis Walton pled guilty in September 1999 and was sentenced to 18 months' imprisonment and three years' probation. In the March 1999 trial, Walton's case resulted in a hung jury, Gagne was found guilty, and Roy Savigliano, former business agent and treasurer, was acquitted. The former officials were indicted on charges of threatened and actual violence and economic injury to members who opposed them in union elections held in 1982, 1991, 1992, and 1994. For example, employers were subjected to physical beatings as well as damage to expensive machinery by fire, explosives, shooting with firearms, and placing sand in machinery oil or hydraulic fluid. This investigation was conducted jointly with the FBI, PWBA, and OLMS. *U.S. v. Gagne* (S.D. Florida)

Pension Investigative Activities

While today's labor unions may represent a smaller segment of the workforce, the fact remains that union pension and benefit plans control hundreds of billions of dollars in assets. Our cases have shown that these vast sums of money remain vulnerable to corrupt union officials and organized criminal elements.

Pension Investment Consultant Found Guilty in Hawaii

On February 8, 2000, a jury found Anthony DiPace, an investment consultant, guilty of 11 counts of mail fraud. DiPace was charged with mail fraud in connection with the Hotel Union and Hotel Industry of Hawaii Pension Plan and Trust. The Trust, established pursuant to a collective bargaining agreement between Local 5 of the Hotel Employees and Restaurant Employees International Union, the AFL-CIO, and certain hotels in Hawaii, has in excess of \$170 million in assets. The investigation found that DiPace, in an effort to become the Fund's monitor, falsely represented his qualifications by claiming to have more Taft-Hartley Fund clients than he actually had, inflating the amount of their total assets, and misrepresenting his credentials relating to the length of his membership in a particular club. He is awaiting sentencing. The joint investigation was conducted with PWBA, the FBI, and the IRS. *U.S. v. DiPace* (D. Hawaii)

Bahamas Insurance Executive Receives 20 Years in Jail and \$1 Million Fine

On January 7, 2000, George Wilson, the former president and sole shareholder of the Winston Hill Assurance Company, was sentenced to 20 years in prison and assessed a \$1 million fine for his role in a complex insurance fraud scheme. Wilson was convicted in September 1999 of conspiracy, mail fraud, and money laundering. Wilson and Norwood Rolle (a principal officer of the firm who is now awaiting extradition) were indicted in October 1998. The investigation showed that Wilson and Rolle promoted Winston Hill as a reliable, well-established insurer with assets of over \$70 million in the Bahamas, when in fact they knew that their company's holdings were worthless. Between January 1989 and March 1991, Winston Hill's agents collected more than \$34 million in

premiums from American customers. Wilson and Rolle funneled several million dollars to accounts in the Bahamas, and Wilson used these gains to purchase a beachfront mansion and a resort hotel. When the company failed in October 1991, it left thousands of American policyholders and burdened them with at least \$18 million in unpaid claims. Many of these victims were members of health plans that collapsed in the aftermath of Winston Hill's bankruptcy. This was a joint investigation with the FBI. *U.S. v. Wilson* (S.D. Texas)

Pension Plan Advisor Convicted of Embezzlement

Robert McCarthy, a certified public accountant and bankruptcy advisor, was convicted on October 13, 1999, of embezzlement from an employee benefit plan, money laundering, conspiracy to create false ERISA documents, maintaining false documents required by ERISA, and embezzlement of bankruptcy assets. McCarthy was hired by Lloyd's Shopping Centers, Inc., in 1994 and negotiated a contract that gave him the voting rights to the majority of the company stock if he pulled it out of bankruptcy. This investigation discovered that McCarthy stole \$402,000 from another bankruptcy client, Discount Harry, Inc., to pay a tax lien of Lloyd's, which brought it out of bankruptcy and allowed him to gain control of the company. Once McCarthy had control of Lloyd's, he embezzled over \$1.4 million from the employee pension plan and \$635,000 from the 401(k) plan to pay corporate debts in an attempt to increase the value of company stock. He is scheduled to be sentenced in April 2000. The joint investigation was conducted with the IRS and PWBA. *U.S. v. McCarthy* (S.D. New York)

Union Officers and Advisors Pled Guilty in Kickback and Embezzlement Scheme

On December 9, 1999, two former officials and two service providers of the Retail, Wholesale, Department Store Local Union 29 pled guilty to charges related to a bribery and kickback scheme. John Kraemer, former Local 29 consultant, and Thomas Leddy, former Local 29 accountant, pled guilty to charges of conspiracy to pay and receive kickbacks for Leddy's \$125,000 payment to Kraemer influencing his decision to hire Leddy as Local 29's accountant. Originally indicted in March 1999, Kraemer, Frances Fitzpatrick, former Local 29 administrator, and Kraemer's wife, Judith Kraemer, former Local 29 consultant, pled guilty to charges of conspiracy to embezzle funds from the Local 29 Health and

Welfare Fund. The conspiracy related to the payment to Judith Kraemer, a “no show” employee of the Fund, of over \$125,000 in salary from 1992 to 1996. Additionally, John Kraemer was charged with paying bribes to former Local 29 president Paul Freda. On June 28, 1999, Freda was charged and pled guilty to embezzling \$25,000 in union funds and permitting a prohibited person (John Kraemer) to act in connection with ERISA funds. In 1997, Local 29 was placed under trusteeship by the International Union, and the trusteeship remains in effect. In April 2000, five defendants will be sentenced. This investigation was conducted jointly with the U.S. Attorney’s Office and PWBA. *U.S. v. Kraemer, et al.* (E.D. New York)

In a related matter, the Kraemer investigation uncovered additional corruption by 10 service providers of Local 29’s benefit plans. This resulted in the filing of a civil action in September 1999 and a settlement on January 13, 2000, by three providers. Mutual Association Administrators, Inc., former third-party administrator, reimbursed Local 29’s Health and Welfare Fund \$35,000 for unpaid medical claims. Additionally, William Ornstein, former investment advisor, paid the fund \$30,000 for losses related to his failure to diversify fund investments. On September 17, 1999, Stuart Salles, former counsel, repaid the fund \$180,000 for unauthorized medical and dental expenses paid on behalf of Salles, his wife, and his daughters. Additional settlements are anticipated. *U.S. v. Salles, U.S. v. Mutual Association Administrators, Inc., and U.S. v. Ornstein* (S.D. New York)

Investment Advisor Jailed for Pension Plan Embezzlement

On January 25, 2000, Allan Huppe, owner of Navy Street Bancorp, was sentenced to 36 months’ imprisonment and 36 months’ supervised release and was ordered to pay restitution of \$750,000. As reported in our previous Semiannual Report, a Federal jury found him guilty of wire fraud and embezzlement from an employee benefit plan in July 1999 for his role in embezzling \$750,000 from the Highland Nursing Home, Inc., Retirement Plan of Massena, New York. Originally indicted in August 1998, Huppe had claimed to be an investment advisor and had convinced Edward and Elizabeth Kaneb, Highland Retirement Plan trustees, to give him access to retirement plan assets on two occasions in 1993. Huppe indicated he would use the funds to trade in highly rated financial instruments and repay the retirement plan out of trading profits. The investigation revealed a complex scheme involving wire transfers between banks in Canada, New York, Nigeria, Japan, and Bermuda with funds ultimately deposited in Huppe’s bank accounts and used for various personal purposes. This investigation was conducted jointly with the FBI and PWBA. *U.S. v. Huppe* (N.D. New York)

Investment Brokers Convicted in Kickback Scheme

On January 10, 2000, Mulk Raj Dass and Chloe Peterson, two investment brokers for Infinity Investment Group, were sentenced for their role in the loss of \$9.3 million from the pension fund of Teamsters Local Union 875 in Queens, New York. Dass was sentenced to 80 months' imprisonment and 36 months' supervised release and was ordered to pay restitution of \$100,000. Peterson received six months' imprisonment and 36 months' supervised release and was ordered to pay restitution of \$20,000. Both were convicted by a trial jury in March 1999 on five counts, including conspiracy to pay a kickback, conspiracy to commit wire fraud, wire fraud, and money laundering. Originally indicted in December 1997, Peterson and Dass engaged in an investment scheme against the fund with Sanford Pollack, Local 875 fund attorney, who was sentenced in April 1997. The investigation revealed that Pollack induced the fund to divert pension assets to high-risk offshore investments in exchange for kickbacks from Dass and Peterson. As a result, \$9.3 million of fund assets were transferred into a third-party account and subsequently embezzled by transfer into various accounts held by the defendants and others. This investigation was conducted jointly with the FBI. *U.S. v. Dass, Peterson* (E.D. New York)

Pension Trustee Charged with Alleged Embezzlement

On November 12, 1999, Anthony V. Montesano III, the owner of three private sanitation waste removal companies, was charged with allegedly embezzling from his companies' pension plan. Montesano is the sole trustee of Monty's Waste Disposal, Inc., and Affiliated Companies Pension Plan, which provides retirement benefits for his companies' employees. The investigation found that Montesano allegedly had wired over \$500,000 in 1994 and 1995 from the pension fund to Monty's Waste Disposal corporate accounts. These diversions allegedly allowed him to make loans to business associates and to pay for various personal expenses. Montesano's companies are currently involved in Chapter 11 bankruptcy proceedings. *U.S. v. Montesano* (E.D. New York)





*Strengthening
Departmental
Programs*

Legislative Issues



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

- *authorizing the Department to access unemployment insurance and social security wage records for purposes of program evaluation;*
- *ensuring the integrity of the Federal Employees' Compensation Act;*
- *ensuring that DOL's information technology oversight is adequate;*
- *amending the Occupational Safety and Health Act to provide specific coverage for all state and local government employees; and*
- *granting the Inspectors General statutory law enforcement authority.*

Authorize the Department to Access Unemployment Insurance and Social Security Wage Records for Purposes of Program Evaluation

The Department of Labor needs the authority to access wage records for various purposes, in particular to measure the outcomes of program participants effectively. This includes measuring the long-term impact of employment and training services on job retention and earnings and identifying individuals who are receiving workers' compensation disability benefits from the Department but who are actually working. With respect to measuring the long-term impact of DOL employment and training programs, we have been concerned with the Department's inability to provide critical outcome information.

Our experience has been that outcome information is very difficult to obtain, especially if agencies cannot access Unemployment Insurance (UI) and Social Security Administration (SSA) wage records.

The OIG has the authority to issue subpoenas to obtain UI wage records. However, the OIG is not always able to obtain UI wage records in a timely manner, as states often invoke Federal UI policies and/or state nondisclosure statutes to hinder our access. We are hopeful that some

clarification will be forthcoming that will help us gain unimpeded access (i.e., without having to issue a subpoena). However, even if there were no Federal impediments, states may still invoke their own nondisclosure statutes, in which case we would be forced to issue subpoenas and perhaps litigate to have them enforced. The OIG is working with the Department with respect to its policies and guidelines regarding the confidentiality and disclosure of UI records.

As part of our oversight role, the OIG often needs to have access to UI wage records without resorting to our subpoena authority. While the subpoena is an effective tool in obtaining the requested data, it is often time-consuming and difficult. The lack of access has proven to be a major impediment to our ability to assess long-term program impact.

Ensure the Integrity of the Federal Employees' Compensation Act

There are three areas in the Federal Employees' Compensation Act (FECA) in which legislative changes would result in significant savings for the Federal Government. These issues include changing benefits for older beneficiaries, returning a three-day waiting period to the beginning of the claims process, and providing the OIG and the Office of Workers' Compensation Programs (OWCP) the authority to access the SSA's wage records in order to identify claimants defrauding the program.

- Move people into a form of retirement (FECA annuity or Office of Personnel Management retirement) after a certain age if they are still injured:

Currently, FECA beneficiaries are not required to "retire" at any age. Consequently, a large percentage of FECA beneficiaries have effectively retired on workers' compensation and continue to receive tax-free compensation beyond the normal retirement age.

The OIG is concerned that there is an unintended incentive for claimants to remain on the disability rolls because their tax-free benefits may be greater than their taxed benefits in a Federal retirement program. This type of legislative change would ultimately deter beneficiaries from "retiring" on FECA and would result in cost savings for the Federal Government.

- Require a three-day waiting period before the continuation of pay (COP) period begins following injury:

FECA currently has a provision that allows employees who

sustain disabling job-related traumatic injuries to receive continuation of their regular pay for a period not to exceed 45 calendar days after the injuries. This COP period was included in the statute to overcome any temporary income loss due to delays in adjudication of their claims. Prior to 1974, FECA required employees to use accrued sick leave or leave without pay for a period of three days before the COP period began. This three-day period was established in order to limit the number of frivolous claims coming into the Office of Workers' Compensation Programs. Currently, the three-day period is *at the end* of the COP period. The FECA statute should be changed back to requiring a three-day waiting period at the beginning of the compensation process.

- Obtain access to SSA records to identify those individuals whose benefits need to be reduced or who need to be removed from the FECA rolls:

This is fully discussed under the proposal to authorize the Department to access UI and SSA wage records for purposes of program evaluation.

We support legislation such as H.R. 3829, which contains provisions to address a number of our concerns. These include requiring income reporting for total disability recipients; permitting the OIG and the Department to access SSA records for FECA purposes; and requiring a three-day waiting period before the COP period begins following injury.

Ensure That DOL's Information Technology Oversight Is Adequate

The OIG is concerned about the need for a long-term oversight strategy in the area of information technology (IT). The IT area is a high-cost, critically important function of the Department. Many of the Department's programs are dependent on the data they collect and maintain. Among the issues that should be reviewed are:

- information security, integrity, and reliability;
- major system acquisitions;
- disaster recovery;
- IT cost reduction and increased efficiency; and
- Internet/intranet usage and management.

The OIG is also concerned about the security of DOL's computer systems and the data they contain. We recognize that a unified approach to computer system security and integrity is vital and would be more effective than a piecemeal approach

To this end, we support any legislative proposals, such as S. 1993, that contain provisions to:

- provide a comprehensive framework for establishing and ensuring the effectiveness of controls over information resources that support Federal operations and assets;
- recognize the highly networked nature of the Federal computing environment, including the need for Federal Government interoperability, and in the implementation of improved security management measures, assure that opportunities for interoperability are not adversely affected;
- provide effective government-wide management and oversight of the related information security risks, including coordination of information security efforts throughout the civilian, national security, and law enforcement communities;
- provide for development and maintenance of the minimum controls required to protect Federal information and information systems; and
- provide a mechanism for improved oversight of Federal agency information security programs.

In addition, under S. 1993, the Inspectors General would play an important role in helping to ensure computer security and integrity through annual evaluations of agency information security programs and practices.

Amend the Occupational Safety and Health Act to Provide Specific Coverage for All State and Local Government Employees

Responsibility for the nation's occupational safety and health program is divided between the Federal Government, through the Occupational Safety and Health Administration (OSHA), and those states that have DOL-approved Occupational Safety and Health (OSH) plans. Those

state-run programs are administered and operated with Federal approval and generally cover both private- and public-sector employees. In states that rely on the Federal Government for enforcement, state and local government employees are excluded from coverage under the OSH Act. Consequently, some state and local government employees do not have adequate safety and health protections in the workplace.

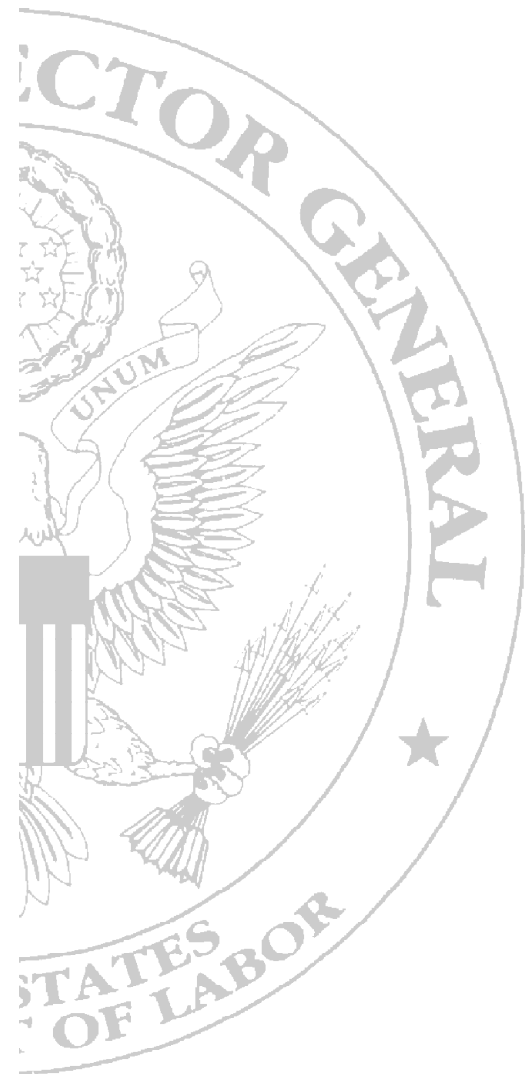
In an audit report, which is fully discussed in the “Quality Workplaces” section of this report, we recommended that OSHA seek to amend the OSH Act to provide specific coverage for all public-sector workers. This would help ensure that all workers are afforded a safe and healthy workplace.

Legislative Proposal to Grant Inspectors General Statutory Law Enforcement Authority

For many years, the OIG has operated with temporary law enforcement authority, first with case-by-case deputation and later with an organizational blanket deputation through a memorandum of understanding (MOU) with the Department of Justice (DOJ). Throughout those years, we have advocated permanent law enforcement authority through legislation.

Recently, a legislative proposal was submitted by the Administration to Congress for consideration to grant the statutory Inspectors General law enforcement authority. The Department of Labor OIG would support such legislation. It is our understanding that the proposed bill virtually mirrors the framework under which our agents are currently deputized under the MOU with the DOJ and will not change the authorities we use. Under the proposal, we would continue to follow DOJ operational guidelines; conform to DOJ’s training and qualification requirements; and coordinate extensively through the cognizant U.S. Attorney’s Office.





*Reports and
Statistics*

Appendix



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Information Was Refused None

Section 5(a)(6) - List of Audit Reports 126-133

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

Questioned Costs

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

Disallowed Costs

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

These schedules depict the activity during the six-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 Six Months Old

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

Reports Issued by the OIG

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

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

	Number of Reports	Dollar Value (\$ millions)
A. For which no management decision had been made as of the commencement of the reporting period	5	6.8
B. Which were issued during the reporting period	<u>2</u>	<u>4.3</u>
Subtotals (A + B)	7	11.1
C. For which a management decision was made during the reporting period	2	
• Dollar value of recommendations that were agreed to by management		4.6
• Dollar value of recommendations that were not agreed to by management		<u>0.0</u>
D. For which no management decision had been made as of the end of the reporting period	<u>5</u>	<u>6.5</u>
E. For which no management decision has been made within six months of issuance	<u>3</u>	<u>2.2</u>

	Number of Reports	Funds Recommended for Better Use (\$ millions)
A. For which final action had not been taken as of the commencement of the reporting period*	4	9.4
B. On which management decisions were made during the reporting period	<u>2</u>	<u>4.6</u>
Subtotals (A + B)	6	14.0
C. For which final action was taken during the reporting period	2	
• Dollar value of recommendations that were actually completed		4.6
• Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		<u>0.0</u>
D. For which no final action had been taken by the end of the period*	<u>4</u>	<u>9.4</u>

*Does not include one audit, with a recommendation that funds be put to better use in the amount of \$137,127, which is currently under appeal.

**Resolution Activity Related to OIG
Issued Audit Reports (Questioned Costs)**

Appendix

	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)	54	86.4
B. Which were issued during the reporting period	<u>26</u>	<u>53.0</u>
Subtotals (A + B)	80	139.4
C. For which a management decision was made during the reporting period	13	
• Dollar value of disallowed costs*		77.2
• Dollar value of costs not disallowed		<u>2.7</u>
D. For which no management decision had been made as of the end of the reporting period	<u>67</u>	<u>59.5</u>
E. For which no management decision has been made within six months of issuance	<u>39</u>	<u>29.5</u>

*Includes \$23.2 million of additional costs disallowed by the contracting officer during resolution of audit findings.

Appendix

Agency Final Actions Related to OIG Issued Audit Reports (Disallowed Costs)

	Number of Reports	Disallowed Costs (\$ millions)
A. For which final action had not been taken as of the commencement of the reporting period	68	12.0
B. On which management decisions were made during the reporting period	<u>26</u>	<u>74.2</u>
Subtotals (A + B)	94	86.2
C. For which final action was taken during the reporting period*		
• Dollar value of disallowed costs that were recovered		72.9
• Dollar value of disallowed costs that were written off by management		<u>0.3</u>
D. For which no final action had been taken by the end of the reporting period	<u>74</u>	<u>13.0**</u>

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

**Does not include \$23.0 million of disallowed costs which are under appeal.

**Delinquent Debts Owed to DOL
(As of March 31, 2000)**

Appendix

Agency/ Program	Accounts Receivable Current	Accounts Receivable Delinquent	Accounts Receivable Total
BLS	\$0	\$58,340	\$58,340
ESA:			
Black Lung	35,724,325	3,681,912	39,406,237
FECA	23,950,285	15,865,742	39,816,027
Longshore	592,875	182,125	775,000
Back Wage	2,284,645	944,046	3,228,691
CMP	917,673	5,116,600	6,034,273
ETA	55,726	14,316,464	14,372,190
MSHA	1,898,154	6,788,366	8,686,520
OSHA	9,510,624	37,044,002	46,554,626
PWBA	<u>1,267,057</u>	<u>10,089,980</u>	<u>11,357,037</u>
Total	<u>\$76,201,364</u>	<u>\$94,087,577</u>	<u>\$170,288,941</u>

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

Summary of Audit Finding Resolution

Fiscal Year of Issuance	Number of Reports with Questioned/Unsupported Costs or FPBU ¹ Recommendations	Total Questioned/Unsupported Costs or FPBU Recommendations (\$)	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Management Concurrence (\$)
1992	135	128,854,297	70,493,173	51,320,327	15,397,858	3,774,988
1993	107	30,750,412	11,497,060	4,382,195	4,835,093	2,279,772
1994	84	36,750,685	14,558,875	4,749,767	5,098,814	4,710,294
1995	74	11,075,810	4,017,879	1,112,756	1,853,854	1,051,269
1996	80	77,886,855	70,154,082	17,724,604	50,899,627	1,529,851
1997	81	51,617,420	32,510,734	17,850,330	5,291,706	9,368,698
1998	25	27,903,776	24,759,806	10,127,273	262,596	14,369,937
1999	38	77,002,711	\$88,430,983 ²	81,468,073	146,992	6,815,918
2000 ³	28	34,067,160	0	0	0	0

¹ Funds Put to Better Use

² Includes concurrence with \$65,196,587 of audit questioned/unsupported costs or FPBU recommendations, plus \$23,234,396 of additional costs disallowed by DOL Contracting Officers as a result of audit resolution.

³ As of March 31, 2000

Monetary Audit Finding Resolution: Questioned or Unsupported Costs

Fiscal Year of Issuance	Number of Reports with Questioned/Unsupported Costs	Questioned/Unsupported Costs (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
1992	129	86,650,803	1992	17,593,752	1,052,295	2,051,481	14,489,976
			1993	5,356,209	4,507,998	824,770	14,513,417
			1994	3,563,743	1,425,039	2,739,341	13,912,780
			1995	1,716,599	359,057	5,651,533	9,618,789
			1996	0	121,685	1,379,310	8,117,794
			1997	0	1,353,640	1,302,337	5,461,817
			1998	0	5,000	852,803	4,604,014
			1999	0	4,682	0	4,599,332
			2000	0	228,061	596,283	3,774,988
YTD* Totals *Year to Date	129	86,650,803		28,230,303	9,057,457	15,397,858	3,774,988
1993	102	30,486,668	1993	7,157,258	141,040	965,848	6,050,370
			1994	3,862,476	522,238	93,549	9,297,059
			1995	53,229	292,241	1,450,938	7,607,109
			1996	33,904	1,310,561	41,051	6,289,401
			1997	280,493	492,803	99,593	5,977,498
			1998	0	1,128,721	2,063,315	2,785,462
			1999	0	384,891	0	2,400,571
2000	0	0	120,799	2,279,772			
YTD Totals	102	30,486,668		11,387,360	4,272,495	4,835,093	2,279,772

Monetary Audit Finding Resolution: Questioned or Unsupported Costs

Fiscal Year of Issuance	Number of Reports with Questioned/Unsupported Costs	Questioned/Unsupported Costs (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
1994	83	34,850,685	1994	2,234,529	281,554	38,534	1,914,441
			1995	8,182,628	635,826	1,153,093	8,308,150
			1996	507,762	518,590	1,241,750	7,055,572
			1997	467,029	57,052	1,038,501	6,427,048
			1998	1,266,927	1,211,207	732,756	5,750,012
			1999	0	107,472	201,789	5,440,751
			2000	0	38,066	692,391	4,710,294
YTD Totals	83	34,850,685		12,658,875	2,849,767	5,098,814	4,710,294
1995	74	11,075,810	1995	1,423,617	31,522	2,384	1,389,711
			1996	663,335	216,896	331,436	1,504,714
			1997	1,394,126	136,805	3,235	2,758,800
			1998	433,559	626,905	1,381,297	1,184,157
			1999	52,750	39,280	30,769	1,166,858
			2000	50,492	61,348	104,733	1,051,269
YTD Totals	74	11,075,810		4,017,879	1,112,756	1,853,854	1,051,269
1996	77	11,602,411	1996	966,308	350,404	602	615,302
			1997	1,403,519	799,321	6,771	1,212,729
			1998	1,030,269	175,833	84,578	1,982,587
			1999	346,508	470,309	230,855	1,627,931
			2000	475,667	28,742	576,821	1,498,035
YTD Totals	77	11,602,411		4,222,271	1,824,609	899,627	1,498,035

Monetary Audit Finding Resolution: Questioned or Unsupported Costs

Fiscal Year of Issuance	Number of Reports with Questioned/Unsupported Costs	Questioned/Unsupported Costs (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
1997	72	28,028,226	1997	3,890,134	1,544,155	814,113	1,531,866
			1998	2,219,981	2,156,581	90,098	1,505,168
			1999	2,998,677	1,130,676	968,701	2,404,468
			2000	315,680	474,129	18,794	2,227,225
YTD Totals	72	28,028,226		9,424,472	5,305,541	1,891,706	2,227,225
1998	21	23,611,939	1998	6,114,199	5,182,808	0	931,391
			1999	14,348,256	1,120,018	28,699	14,130,930
			2000	180,514	1,391,698	233,897	12,685,849
YTD Totals	21	23,611,939		20,642,969	7,694,524	262,596	12,685,849
1999	30	65,154,720	1999	2,454,668	1,446,468	131,992	876,208
			2000	76,303,022 ¹	71,035,139	15,000	6,129,091
YTD Totals	30	65,154,720		78,757,690	72,481,607	146,992	6,129,091
2000	26	29,737,358	2000	0	0	0	0
YTD Totals	26	29,737,358		0	0	0	0

¹ Includes concurrence with \$53,068,626 of audit questioned costs, plus \$23,234,396 of additional costs disallowed by DOL contracting officers as a result of audit resolution.

Monetary Audit Finding Resolution: Funds Put to Better Use

Fiscal Year of Issuance	Number of Reports with Funds Put to Better Use Recommendations	Funds Recommended for Better Use (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
1992	6	42,203,494	1992 1993	42,262,870 0	452,391 41,810,479	0 0	41,810,479 0
YTD Totals	6	42,203,494		42,262,870	42,262,870	0	0
1993	5	263,744	1993 1994 1995	29,700 80,000 0	29,700 0 80,000	0 0 0	0 80,000 0
YTD Totals	5	263,744		109,700	109,700	0	0
1994	1	1,900,000	1994 1995	1,900,000 0	0 1,900,000	0 0	1,900,000 0
YTD Totals	1	1,900,000		1,900,000	1,900,000	0	0
1995	0	0	1995	0	0	0	0
YTD Totals	0	0		0	0	0	0

Monetary Audit Finding Resolution: Funds Put to Better Use

Fiscal Year of Issuance	Number of Reports with Funds Put to Better Use Recommendations	Funds Recommended for Better Use (\$)	Year	Management Concurrence (\$)	Recoveries (\$)	Adjustments (\$)	Balance from Concurrence (\$)
1996	3	66,284,444	1996	15,900,000	0	0	15,900,000
			1997	0	8,000,000	0	7,900,000
			1998	50,031,816	0	50,000,000	7,931,816
			1999	0	7,900,000	0	31,816
			2000	0	0	0	31,816
YTD Totals	3	66,284,444		65,931,816	15,900,000	50,000,000	31,816
1997	9	23,589,194	1997	769,831	769,831	0	0
			1998	18,779,304	3,206,513	0	15,572,791
			1999	3,537,127	8,568,445	3,400,000	7,141,473
			2000	0	0	0	7,141,473
YTD Totals	9	23,589,194		23,086,262	12,544,789	3,400,000	7,141,473
1998	4	4,291,837	1998	582,608	582,608	0	0
			1999	3,534,229	1,850,141	0	1,684,088
			2000	0	0	0	1,684,088
YTD Totals	4	4,291,837		4,116,837	2,432,749	0	1,684,088
1999	8	11,847,991	1999	5,043,293	4,356,466	0	686,827
			2000	4,630,000	4,630,000	0	686,827
YTD Totals	8	11,847,991		9,673,293	8,986,466	0	686,827
2000	2	4,329,802	2000	0	0	0	0
YTD Totals	2	4,329,802		0	0	0	0

Unresolved Audits over Six Months Old

Agency/Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs
Nonmonetary Recommendations and Questioned Costs:					
Management Decision Being Evaluated by OIG:					
ETA/STW	07/03/96	School-to-Work	05-96-003-03-385	13	135,298
ETA/WTW	09/20/99	Welfare-to-Work Formula Grant Implementation	03-99-018-03-386	1	0
Under Litigation or Alternative Dispute Resolution:					
ETA/JTPA	02/25/92	East Texas Council of Government	06-92-010-03-340	13	5,780,925
ETA/OJC	09/10/96	National Plastering Industries	18-96-024-03-370	2	145,344
ETA/OJC	04/21/97	Kimberly Industries, Inc.	18-97-016-03-370	1	4,041,655
ETA/OJC	06/02/99	Brero Construction Co.	18-99-009-03-370	6	1,418,410
Resolution of Single Audits Suspended Pending Completion of Current OIG Audit:					
ETA/OJC	04/02/96	Puerto Rico Volunteer Youth	02-96-208-03-370	21	219,435
ETA/OJC	04/02/96	Puerto Rico Volunteer Youth	02-96-209-03-370	13	1,716
ETA/OJC	05/23/96	Puerto Rico Volunteer Youth	02-96-248-03-370	6	0
ETA/OJC	05/23/96	Puerto Rico Volunteer Youth	02-96-249-03-370	6	0
MULTI/ALL DOL	04/01/96	Puerto Rico Dept. of Labor and Human Resources	02-96-210-50-598	39	287,065
MULTI/ALL DOL	04/01/96	Puerto Rico Dept. of Labor and Human Resources	02-96-211-50-598	28	15,943
MULTI/ALL DOL	04/01/96	Puerto Rico Dept. of Labor and Human Resources	02-96-212-50-598	28	60,680
Being Resolved in Conjunction with DOL Consolidated Financial Statement Audit:					
ESA/ADMIN	08/18/94	ESA Salaries and Expenses	03-94-008-04-001	2	0
ETA/OJC	08/19/96	Job Corps Combining Schedules	12-96-004-03-370	3	0
OASAM/ADMIN	09/02/94	FY1993 DOL Consolidated Financials	12-94-012-07-001	2	0
OASAM/ADMIN	06/15/95	FY1994 DOL Consolidated Financials	12-95-004-07-001	2	0

Unresolved Audits over Six Months Old

Agency/Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs
CFO/ADMIN	08/19/96	FY1995 DOL Management Comments	12-96-016-13-001	2	0
CFO/ADMIN	05/01/96	FY1995 DOL Consolidated Financials	12-96-007-13-001	1	0
CFO/ADMIN	02/28/97	FY1996 DOL Consolidated Financials	12-97-005-13-001	3	0
CFO/ADMIN	02/27/98	FY1997 DOL Consolidated Financials	12-98-002-13-001	12	0
CFO/ADMIN	10/19/98	FY1997 DOL Management Advisory Comments	12-99-001-13-001	4	0
CFO/ADMIN	02/26/99	FY1998 DOL Consolidated Financials	12-99-002-13-001	4	0
Working with U.S. Department of Education to Resolve:					
ETA/STW	05/09/97	School-to-Work	05-97-002-03-385	17	16,821
ETA/STW	05/09/97	School-to-Work	05-97-003-03-385	21	34,847
Pending Indirect Cost Negotiations:					
OASAM/OPGM	11/04/94	Homebuilders Institute	18-95-001-07-735	1	628,158
OASAM/OPGM	11/04/94	Homebuilders Institute	18-95-002-07-735	2	748,379
OASAM/OPGM	11/04/94	Homebuilders Craft Skills	18-95-003-07-735	7	353,479
OASAM/OPGM	08/14/97	Consulting and Program Management	18-97-025-07-735	4	604,510
Still Within 360-Day Resolution Timetable (180 Days at State Level + 180 Days at Federal Level):					
ETA/JTPA	09/07/99	Atlanta PIC PY 1996 JTPA Contracts	04-99-007-03-340	3	543,117
ETA/JTPA	09/23/99	South Texas Workforce Development Board	18-99-503-03-340	1	19,811
ETA/STW	09/23/99	Lancaster County School District #001	18-99-505-03-385	1	11,884
Audit Under Appeal at State Level:					
ETA/JTPA	02/26/96	City of Chicago JTPA	05-96-001-03-340	3	679,773
ETA in Disagreement with OIG:					
ETA/JTPA	02/20/97	Comparative Analysis of JTPA	02-96-258-03-340	2	0

Unresolved Audits over Six Months Old

Agency/Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs
Management Decision Not Yet Issued by Agency:					
ETA/ADMIN	04/07/98	Community and Senior Service	18-98-007-03-001	8	89,576
ETA/UIS	09/26/97	Virgin Island Unemployment Insurance	02-97-220-03-315	8	269,404
ETA/UIS	03/27/98	Iowa Workforce Development	05-98-003-03-315	1	0
ETA/UIS	09/21/99	Admin. Charges to the Unemployment Trust Fund	06-99-012-03-315	2	0
ETA/USES	11/13/98	State of Indiana (Single Audit)	12-99-501-03-320	5	503,535
ETA/SESA	01/17/96	Proposed FY 96 Rental Rates	06-96-001-03-325	5	344,822
ETA/SESA	03/21/97	DOL Equity in SESA Real Property	06-97-010-03-325	1	79,346
ETA/SESA	08/13/97	DOL Equity in SESA Real Property	06-97-051-03-325	1	3,952,692
ETA/SESA	08/21/97	DOL Equity in SESA Real Property	06-97-053-03-325	1	739,444
ETA/SESA	08/22/97	DOL Equity in SESA Real Property	06-97-054-03-325	1	542,465
ETA/SESA	09/30/97	DOL Equity in SESA Real Property	06-97-056-03-325	7	0
ETA/JTPA	09/25/98	Cherokee Nation	06-98-009-03-340	9	529,272
ETA/JTPA	09/23/99	Eastern Kentucky CEP	18-99-504-03-340	1	51,397
ETA/JTPA	09/22/99	New Mexico Service Delivery Area	06-99-008-03-340	13	360,106
ETA/DINAP	09/24/99	Phoenix Indian Center	09-99-008-03-355	16	183,709
ETA/DOWP	09/24/99	NCSC/NSCERC	18-99-011-03-360	10	2,778,260
ETA/DSFP	02/27/96	Puerto Rico Department of Labor	18-96-005-03-365	8	1,876,909
ETA/OJC	02/19/99	Advantage Resource Group	18-99-008-03-370	1	23,036
ETA/OJC	07/23/99	Keystone Job Corps Center	04-99-006-03-370	1	0
ETA/OJC	09/22/99	Talking Leaves Job Corps Center	06-99-010-03-370	12	1,052,574
ETA/STW	09/28/98	STW Opportunities Program in Iowa	05-98-006-03-385	2	0

Unresolved Audits over Six Months Old

Agency/Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs
ETA/STW	05/14/99	School-to-Work Sustainability Roll-up	05-99-012-03-385	2	0
ETA/STW	09/23/99	Hawaii Department of Education	18-99-501-03-385	1	50,000
CFO/ADMIN	09/02/99	FY 1998 Management Advisory Comments	12-99-009-13-001	19	30
DOL/MULTI	09/16/99	Milwaukee Area American Indian Manpower	05-99-009-50-598	25	352,693
DOL/MULTI	09/20/99	SER Corporation of Kansas	05-99-021-50-598	3	3,783
Total Non-Monetary Recommendations and Questioned Costs:				437	29,530,303
Total Funds Recommended for Better Use:					
Management Decision Not Yet Issued by Agency:					
ETA/DOWP	09/24/99	NCSC/NSCERC	18-99-011-03-360	2	900,000
ETA/WTW	03/24/99	Policy and Technical Assistance to Improve WTW	05-99-008-03-386	1	800,000
ETA/WTW	09/20/99	Second Round Welfare-to-Work Survey Results	05-99-020-03-386	1	474,698
Total Funds Recommended for Better Use:				4	2,174,698
Total Non-Monetary Recommendations, Questioned Costs, and Funds Recommended for Better Use:				<u>441</u>	<u>31,705,001</u>

Final Audit Reports Issued by the OIG

Program Name Name of Report	Date Issued	Report Number	Number of Nonmonetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
<i>A Prepared Workforce</i>						
United States Employment Service						
Single Audit: State of Ohio - 98	10/26/99	18-00-516-03-320	6	0	0	0
Single Audit: State of Connecticut - 98	3/7/00	18-00-532-03-320	2	0	0	0
Job Training Partnership Act						
The Children's Village	11/15/99	02-00-201-03-340	1	80,938	0	0
Florida's Minority Teachers Program	1/24/00	04-00-001-03-340	3	2,957,400	0	0
Richland College: Title 3 Demonstration Grant	3/22/00	06-00-001-03-340	1	0	0	0
Youth Opportunity Pilot Grants: Additional Innovation Is Needed	3/22/00	06-00-002-03-340	4	0	0	0
Humanitas, Inc.	1/12/00	18-00-002-03-340	0	0	0	0
Single Audit: Ironton-Lawrence Co.	10/19/99	18-00-503-03-340	0	40,664	0	0
Single Audit: County of Camden, NJ	10/20/99	18-00-504-03-340	0	41,496	0	0
Single Audit: State of West Virginia - 98	10/20/99	18-00-505-03-340	1	2,132,797	0	0
Single Audit: State of Louisiana - 98	10/21/99	18-00-507-03-340	1	109,566	0	0
Single Audit: Genesee County, MI	10/21/99	18-00-509-03-340	0	13,480	0	0
Single Audit: Goodwill-Inland Counties	10/21/99	18-00-510-03-340	0	23,657	0	0
Single Audit: Marshall Islands - 97	10/21/99	18-00-511-03-340	0	18,702	0	0

Final Audit Reports Issued by the OIG

Program Name Name of Report	Date Issued	Report Number	Number of Nonmonetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
Single Audit: Atlantic Cape May Consortium	10/21/99	18-00-512-03-340	0	16,200	0	0
Single Audit: Commonwealth of Pennsylvania - 98	10/25/99	18-00-514-03-340	1	0	0	0
Single Audit: State of Maine - 98	10/26/99	18-00-515-03-340	3	0	0	0
Single Audit: Commonwealth of Kentucky - 97	1/10/00	18-00-518-03-340	0	42,039	0	0
Single Audit: Commonwealth of Kentucky - 98	1/10/00	18-00-519-03-340	0	60,546	0	0
Single Audit: State of Nevada - 98	1/10/00	18-00-521-03-340	1	0	0	0
Single Audit: State of North Carolina - 97	1/11/00	18-00-522-03-340	3	0	0	0
Single Audit: State of North Carolina - 98	1/11/00	18-00-523-03-340	3	0	0	0
Single Audit: State of New York - 98	2/28/00	18-00-526-03-340	1	0	0	0
Single Audit: State of Wisconsin - 98	2/28/00	18-00-527-03-340	2	0	0	0
Single Audit: State of Missouri - 98	3/1/00	18-00-528-03-340	2	5,711	0	0
Single Audit: State of Iowa - 98	3/6/00	18-00-529-03-340	5	0	0	0
Single Audit: State of Nebraska - 98	3/6/00	18-00-531-03-340	1	0	0	0
Indian and Native American Programs						
Powhatan Renape Nation	11/15/99	02-00-204-03-355	4	73,898	0	0
Older Workers Program						
National Urban League	11/19/99	02-00-202-03-360	0	0	0	0
National Senior Citizens Education and Research Center, Inc.	3/29/00	18-00-006-03-360	0	5,684,923	0	0

Final Audit Reports Issued by the OIG

Program Name Name of Report	Date Issued	Report Number	Number of Nonmonetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
Seasonal Farmworkers Program						
Puerto Rico Department of Labor and Human Resources: Proposed Stand-in Costs	2/14/00	18-00-004-03-365	0	53,290	0	0
Job Corps						
Sierra Nevada Job Corps Center	12/14/99	09-00-002-03-370	0	0	0	0
Job Corps Outcomes Measures System	2/29/00	17-00-007-03-370	0	0	0	0
Will H. Hall & Son, Inc.	1/31/00	18-00-003-03-370	0	1,365,278	0	981,462
National Plastering Industry's Joint Apprenticeship Trust Fund	3/30/00	18-00-005-03-370	0	536,359	0	0
School-to-Work Program						
Single Audit: Buffalo, NY Board of Education	10/21/99	18-00-508-03-385	0	25,881	0	0
Welfare-to-Work Program						
Baltimore City Office of Economic Development	03/22/00	03-00-001-03-386	3	0	120,800	0
Washington Alliance	03/27/00	03-00-004-03-386	9	13,867	4,209,002	0
Abraham Lincoln Centre	03/10/00	05-00-002-03-386	0	0	0	0
Chicago State University	2/16/00	05-00-003-03-386	0	0	0	0
Single Audit: Goodwill Industries of San Antonio	10/21/99	18-00-513-03-386	0	13,705	0	0
Workforce Investment Act						
Vermont One-Stop Readiness	2/8/00	02-00-205-03-390	4	0	0	0

Final Audit Reports Issued by the OIG

Program Name Name of Report	Date Issued	Report Number	Number of Nonmonetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
Connecticut One-Stop	2/22/00	02-00-206-03-390	5	0	0	0
New York One-Stop	2/22/00	02-00-207-03-390	6	0	0	0
Illinois One-Stop	3/14/00	02-00-209-03-390	3	0	0	0
California One-Stop	3/14/00	02-00-210-03-390	6	0	0	0
Florida's One-Stop Readiness	3/22/00	02-00-211-03-390	3	0	0	0
Impact of WIA Administrative Cost Limitation	12/30/99	20-00-001-03-390	0	0	0	0
Labor Statistics						
Consumer Price Index	12/7/99	17-00-003-11-001	0	0	0	0
Section Totals		49	84	13,310,397	4,329,802	981,462
<i>A Secure Workforce</i>						
Unemployment Insurance Service						
Results of Blocked Claim Audit	3/10/00	03-00-005-03-315	0	0	0	2,543,549
Y2K Audit of SESAs' Business Continuity and Contingency Plans	11/5/99	17-00-001-03-315	0	0	0	0
SESAs' Y2K End-to-End Testing	12/20/99	17-00-005-03-315	0	0	0	0
Single Audit: State of Indiana - 97	10/19/99	18-00-501-03-315	8	161,548	0	0
Single Audit: State of Indiana - 98	10/19/99	18-00-502-03-315	5	311,872	0	0
Single Audit: State of Rhode Island	10/20/99	18-00-506-03-315	3	0	0	0

Final Audit Reports Issued by the OIG

Program Name Name of Report	Date Issued	Report Number	Number of Nonmonetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
Single Audit: State of Minnesota - 98	1/10/00	18-00-517-03-315	3	0	0	0
Single Audit: State of Nevada - 97	1/10/00	18-00-520-03-315	2	0	0	0
Single Audit: State of Tennessee - 98	1/12/00	18-00-524-03-315	2	0	0	0
Single Audit: State of Alaska - 98	2/28/00	18-00-525-03-315	0	32,106	0	0
Single Audit: Commonwealth of Massachusetts - 98	3/6/00	18-00-530-03-315	1	0	0	0
Single Audit: Commonwealth of Virginia - 98	3/7/00	18-00-533-03-315	1	0	0	0
State Employment Security Agency						
Puerto Rico Department of Labor and Human Resources	12/8/99	02-00-203-03-325	6	15,814,678	0	0
Federal Employees' Compensation Act						
FY 1999 Special Reports	12/7/99	12-00-001-04-431	0	0	0	0
Longshore and Harbor Workers' Compensation						
FY 1999 Longshore Trust Fund Audit	3/21/00	12-00-004-04-432	0	0	0	0
FY 1999 DCAA Trust Fund Audit	3/21/00	12-00-005-04-432	0	0	0	0
Pension and Welfare Benefits Administration						
PWBA Service Providers	10/26/99	09-00-001-12-121	0	0	0	0
Section Totals		17	31	16,320,204	0	2,543,549

Final Audit Reports Issued by the OIG

Program Name Name of Report	Date Issued	Report Number	Number of Nonmonetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
<i>A Quality Workplace</i>						
Occupational Safety and Health Administration						
Coverage of Local Government Workers by OSHA	2/9/00	05-00-001-10-001	5	0	0	0
Bureau of International Labor Affairs						
Review of ILAB	3/24/00	17-00-008-01-070	4	0	0	0
Section Totals		2	9	0	0	0
<i>Departmental Management Focus</i>						
Employment and Training Administration						
Xpand Corporation	11/29/99	18-00-001-03-001	0	106,757	0	0
Employment Standards Administration						
Y2K End-to-End Testing	12/23/99	17-00-006-04-001	0	0	0	0
Office of Administrative Law Judges						
Proposed Closure of Long Beach, California Field Office	3/22/00	09-00-201-01-060	0	0	0	0
Office of the Assistant Secretary for Administration and Management						
Y2K Progress Report: DOL Enforcement Systems	12/14/99	17-00-004-07-001	0	0	0	0
FY 1999 Drug Control Fund Review	3/29/00	12-00-007-07-710	0	0	0	0
Followup Report: Integrated Payroll System	12/15/99	17-00-002-07-710	0	0	0	0

Final Audit Reports Issued by the OIG

Program Name Name of Report	Date Issued	Report Number	Number of Nonmonetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
Office of the Chief Financial Officer						
DOL Consolidated Financial Statement	2/29/00	12-00-003-13-001	37	0	0	0
FY 1999 Special Report on Retirement, Health and Life Insurance	12/17/99	12-00-002-13-001	0	0	0	0
Multiple Agencies						
AFL-CIO FSR and Indirect Costs	2/3/00	03-00-003-50-598	0	0	0	0
Section Totals		9	37	106,757	0	0
Report Totals		77	161	29,737,358	4,329,802	3,525,011

Final Evaluation Reports Issued by the OIG

Program Name Name of Report	Date Issued	Report Number	Number of Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
<i>Prepared Workforce</i>						
Evaluation of ETA Awards Process for Welfare-to-Work Competitive Grants (Round 1)	3/30/00	2E-03-386-0001	3	0	N/A	N/A
Overview of the Formation of Local Workforce Investment Boards Under the Workforce Investment Act	3/30/00	2E-03-390-0001	0	0	N/A	N/A
<i>Secure Workforce</i>						
Review of Cost and Fraud Controls and Allowances for Home Oxygen in the Federal Black Lung Program	10/27/99	2E-04-433-0001	8	0	N/A	N/A
Review of PWBA's Enforcement and Training Programs	3/24/00	2E-12-121-0001	5	0	N/A	N/A
<i>Quality Workplaces</i>						
Evaluation of the Office of Federal Contract Compliance Programs' Scheduling Procedures (Supply and Service Reviews)	3/31/00	2E-04-410-0001	2	0	N/A	N/A

Appendix

Investigations: Financial Accomplishments

	Division Totals	Totals
Cases Opened:		
Program Fraud	204	
Labor Racketeering	51	255
Cases Closed:		
Program Fraud	181	
Labor Racketeering	46	227
Cases Referred for Prosecution:		
Program Fraud	121	
Labor Racketeering	90	211
Cases Referred for Administrative/Civil Action:		
Program Fraud	8	
Labor Racketeering	0	8
Indictments:		
Program Fraud	88	
Labor Racketeering	85	173
Convictions:		
Program Fraud	87	
Labor Racketeering	39	126
Debarments:		
Program Fraud	2	
Labor Racketeering	11	13
Recoveries, Cost Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:		
Program Fraud	\$26,741,080	
Labor Racketeering	\$12,198,750	\$38,939,830

Investigations: Detail of Accomplishments

Categories	Amount
Recoveries:	\$3,714,730
<p>(The dollar amount/value of an agency's action to recover or reprogram funds or to make other adjustments in response to OIG investigations.)</p>	
Cost Efficiencies:	\$6,447,538
<p>(The one-time or per annum dollar amount/value of management's commitment, in response to OIG investigations, to utilize the government's resources more efficiently.)</p>	
Restitutions:	\$15,645,450
<p>(The dollar amount/value of restitutions resulting from OIG criminal investigations.)</p>	
Fines/Penalties:	\$1,916,925
<p>(The dollar amount/value of fines, assessments, seizures, investigative/court costs, or other penalties resulting from OIG criminal investigations.)</p>	
Civil/Monetary Actions:	<u>\$11,215,282</u>
<p>(The dollar amount/value of forfeitures settlements, damages, judgements, court costs, or other penalties resulting from OIG civil investigations.)</p>	
Total:	<u><u>\$38,939,830</u></u>

Investigations Case List

	Indicted	Convicted	Sentenced	Monetary
Alien Certification				
Cortez, Juliet L.		X		
Deep Sai Consulting, Inc.	X	X		
Galvez-Lantion, Mae	X			
Heine, John H.	X			
Kamineni, Syamala	X	X	X	\$25
Krishna, Dasari Radha	X			
Lakireddy, Vijay Kamar	X			
Montalvo, Dr. Demetria	X			
Peralta, Antonina	X			
Ramos, Americus E.	X			
Reddy, Lakireddy Bali	X			
Scully, Matahom Sayson	X			
Vemireddy, Venkateswara	X			
Vullaganti, Raghu	X	X		
Total	13	4	1	\$25
Employee Misconduct				
Burke, Joseph	X			
Elbeck, Linda Joyce	X			
Flowers, Pamela A.		X	X	\$324
Garcia, Bonifacio		X		
London, Thurman			X	\$13,192
Morgan, Ronald		X		
Sitaras, Steven	X	X	X	
Ufondu, Ifeanyi	X	X	X	\$50,200
Ungar, Mendel	X			
Willard, Lewis		X	X	\$45
Total	5	6	5	\$63,761
ESA – Black Lung				
American Development Corp.	X			
Arora, M.D., Vasu		X		
Burdine, Gertrude			X	\$442,100
Cabell, Donald G.	X			
Canterbury, Melinda	X	X		
Cook, Timothy	X			
Davis, James Luther	X			
Fugate, Charles D.	X	X		
Morrison, C. David	X			
Motley, Cheryl Johnson	X			
Norton, M.D., Richard C.	X			
Patel M.D., Dinkar N.	X	X	X	\$2,000,000
Redman, Michael	X	X		
Total	11	5	2	\$2,442,100
ESA – FECA				
Billings, Charles W.		X		
Bohr Jr., Wilfred	X	X	X	\$4,603

Investigations Case List

	Indicted	Convicted	Sentenced	Monetary
Borquez, Paul D.	X			
Carter, J.W.	X	X	X	\$265
Cason, Dwight	X	X		
Castroville, Eugene	X	X		
Cook, William E.	X			
Critchell, Charles E.		X	X	\$60,625
Dennis, Donald	X			
Dockery, Herbert Donald		X		
Earnest, Barbara S.			X	\$10,050
Emergency Physicians Billing Service				\$115,000
Emerson, Shirley A.		X		
Evans, David L.			X	\$129,800
Fusco, Ronald	X			
Glick-Scroggins, Beth Ann		X	X	\$750
Gragg, Richard E.	X	X	X	\$125
Gross, Dr. George E.	X			
Groth, Patricia			X	\$27,811
Hart, Claire	X			
Hart, Debra	X			
Haywood, Perry	X			
Hoss, John L.			X	
Jimenez, Marilyn		X	X	\$37,100
Kelley, Kathleen L.			X	\$2,025
Kramer, John Yurick		X		
Krol, Wayne		X	X	\$105,363
Lopez, Roberto	X	X		
Miller, David W.		X		
Minnelli, Patricia A.		X		
Nessman, Lawrence			X	\$313,052
Nutt, Donnie Bobby		X		
Pacheco, Phillip L.	X			
Pouncey, Thaddis			X	\$5,980
Rennie, Thomas	X	X	X	\$13,312
Reyes, Patricia Yvonne			X	\$100
Richardson, Donald			X	\$28,651
Romy, Maurice				\$165,600
Schneider, John T.		X		
Sheehan, Robert D.			X	\$19,068
Standridge, J.			X	\$66,024
Sullivan, Adam		X	X	\$61,837
Sutton, Donald		X	X	\$90,100
Tarbox, Henry R.	X	X		
Tornabe, Lenny	X			
Velez, Nelson		X	X	\$25
Veilla, Jeffrey	X			
Walker, Dorethea		X	X	\$23,606
Wilkes, Eva Teresa			X	\$206,999
Total	20	25	24	\$1,487,871

Investigations Case List

	Indicted	Convicted	Sentenced	Monetary
ESA – Longshore				
Hundley, Kenneth W.	X	X		
Lowery, Danny Joe			X	\$46,569
Slater, Michael E.		X	X	\$6,517
Total	1	2	2	\$53,086
ESA – Wage and Hour				
Abrahamson, David		X		
Comprehensive Community Services, Inc.	X			\$200,000
Contemporary Framing Contractors, Inc.	X	X		
Diramerian, Krikor Garabet	X	X		
***Sealed ***	X			
***Sealed ***	X			
***Sealed ***	X			
Harrison, James Isaac	X	X		
Hoffman, Peter				\$950,000
Taub, Abraham				\$100,000
Woldiger, Abraham				\$3,142,182
Total	7	4	0	\$4,392,182
ESA – Other				
Lansing, Steven R.		X		
Total	0	1	0	
ETA – Other				
ABT Associates, Inc.				\$1,900,000
Total	0	0	0	\$1,900,000
ETA – JTPA				
Chief Leschi School				\$4,560,000
Cullers, Carmelita				\$10,000
Eck, Vicki E.			X	\$3,469
Finan, Michael P.	X			
Hayes, Angela A.				\$7,500
Jorgensen, Gina R.	X	X		
Jorgensen, Wallace	X	X		
Skime, Kevin			X	\$3,469
Total	3	2	2	\$4,584,438
ETA – Unemployment Insurance/SESA				
Aceves-Villareal, Joaquin		X	X	\$2,500
Allen, Joseph		X		
Allen, Kenneth J.	X			
Allen, Ronald C.	X			
Althen, Colleen K.		X	X	\$200
Austin, Julie E.	X			
Austin, Randy G.	X			
Bacon, Darrell C.		X	X	\$11,280

Investigations Case List

	Indicted	Convicted	Sentenced	Monetary
Bates, Stephen E.	X			
Biddiscombe, Dawn M.		X	X	\$114,652
Bruno, Diane T.		X	X	\$136,272
Coats, Michael		X	X	\$3,185
Copenhaver, Stephanie S.	X			
Crawford, John		X	X	\$5,472
David, Jack		X	X	\$2,452
Davis, Betty	X	X		
Delgado, Yvette	X			
Ellison, Rickie C.			X	\$8,395
English, Willie E.		X	X	\$4,494
Faller, Terri	X			
Fryson, Roy		X	X	\$6,770
Gaffney, Paul M.		X	X	\$7,150
Gardner, Robert D.			X	\$1,165
Ginnetti, Derek T.		X		
Goodwin, Sean		X	X	\$46
Graham, Frank S.		X	X	\$4,610
Gregory, Angela M.		X	X	\$3,618
Heard, Mark C.			X	\$6,180
Hodge, Ray E.	X			
Holdaway, Diane N.		X		
Iannacone, Anthony M.	X			
Jefferson, Janet M.		X	X	\$22,620
Johnson, Brian A.	X	X	X	\$10,841
Johnson, Darrin	X	X	X	\$2,842
Johnson, Rita		X	X	\$6,906
King-Elliott, Trudy		X	X	\$3,554
Lawrence, Delanie			X	\$576,100
Lawrence, Malcolm			X	\$379,882
Leon, Ivan	X			
Macias, Francisco Javier	X			
Malkin, Ira		X		
Morrison, Leslie A.		X	X	\$11,060
Nevin, Barbara	X			
Nevin, Frances	X			
Nolan, Robert	X	X	X	\$7,831
Orwig, Theresa M.	X			
Patino, Jose			X	\$39,051
Pollard-Bruner, Sandra	X	X	X	\$4,563
Price, Jacquelyn A.	X			
Race, Beverly	X			
Rencher, Tandy L.		X	X	\$1,800
Riley, Joshua R.		X	X	\$8,886
Robinson-Hayes, Avis		X	X	\$3,374
Rodriguez, Jesus	X			
Rosario Sr., Enrique	X			
Salas, Christine M.		X	X	\$1,533

Investigations Case List

	Indicted	Convicted	Sentenced	Monetary
Scott, Gregory L.		X	X	\$2,155
Steward, Cynthia	X			
Stoler, Bruce K.		X	X	\$11,660
Sublett, Joseph L.	X			
Taylor, Renaldo W.			X	\$6,221
Thomas, Joyce M.		X	X	\$328
Torns Jr., Samuel	X	X	X	\$9,360
Vera, Javier C.	X			
Vitagliano, Mary R.		X	X	\$23,906
Wiggins, Dawn R.		X	X	\$4,492
Wilhelm, William F.		X		
Total	28	38	39	\$1,457,406

Benefit Plan

Aguilar, Nestor	X			
Cipperoni, Joseph	X			
Computer Health Services of Dade, Inc.	X	X		
Corrigan, Michael	X	X		
Dass, Mulk Raj			X	\$100,100
Del Val, Tomasa Nancy			X	\$30,050
DiPace, Anthony G.		X		
Dipalma, James			X	\$500,100
***Sealed ***		X	X	\$538,070
Edward Esbin and Sons, Inc.			X	\$772,671
Esbin, Barry			X	\$500,100
Esbin, Lee			X	\$500,100
Esbin, Richard			X	\$500,100
F.N. Burt Co., Inc.	X	X	X	\$400
Fazio, Xavier			X	\$200,250
Feinberg, Michael	X	X		
Fitzpatrick, Frances		X		
Friedmann, David			X	\$200,250
Gallant, Leonard A.	X	X		
***Sealed ***	X			
***Sealed ***	X			
Harrington, Raquel		X	X	\$25,100
Hedges, Michael			X	\$200,250
***Sealed ***			X	\$750,300
Impulse Plumbing, Inc.			X	\$772,671
Johnsen, Thomas	X	X	X	\$365,100
Kohnstamm, Paul L.	X	X	X	\$118,125
Kraemer, John		X		
Kraemer, Judith		X		
Kravitz, Edward	X	X		
Laforgia, Nicholas			X	\$255,000
Leddy, Thomas		X		
Lupo, Gary	X			
Marzano, David C.	X			

Investigations Case List

	Indicted	Convicted	Sentenced	Monetary
Mayer, Douglas Harold	X			
McCarthy, Robert		X		
Miller, Dr. Robert	X			
Montesano III, Anthony	X			
Moore, Joseph	X	X	X	\$259,663
Mutual Assn. Administrators, Inc.				\$35,000
New England Job Center		X	X	\$200,000
Ornstein, William				\$30,000
Paladino Jr., Michael			X	\$2,000
Peloquin, Theodore	X	X	X	\$10,192
Perez, Lina		X	X	\$50,100
Peterson, Chloe			X	\$20,100
Pio, Jorge Alfredo	X			
Poland, David C.	X	X		
Punales, Jesus			X	\$50
Purtell, Richard F.		X	X	\$300,000
***Sealed ***	X	X		
***Sealed ***	X	X		
Stern, Harry	X			
Tavares, Joseph Patrick			X	\$268,000
Taylor, Leonard Keith		X	X	\$51
Valero, Diego	X	X	X	\$20,050
Wilson, George L.J.			X	\$1,000,900
Yeaman, David				\$1,500,000
Total	26	26	30	\$10,024,843
 Internal Union				
Anderson, James S.				\$1,569,316
Coleman, Karl	X	X		
Coupe, David Arnold		X		
Devito, Peter	X	X		
Ford, Fred		X		
Gagne, Joseph			X	\$100
Gigliotti, Frank J.	X			
Laughner, Robert J.	X	X		
Lopez, Frances V.	X			
Oneil, Kevin P.	X			
Schweinberg, Charles	X			
Smalis, Ernest	X	X		
Weeks, Kevin J.	X			
Total	9	6	1	\$1,569,416
 Labor – Management				
Abrams, Paul			X	\$968,812
Abruzzo, Joseph	X			
Antoniella, Anthony	X			
Arancio, Stephen	X			
Bennett, Fred			X	\$448,867

Investigations Case List

	Indicted	Convicted	Sentenced	Monetary
Boothe, Richard	X			
Borgnone, Salvatore	X			
Campanella Jr., John	X			
Campanella Sr., John	X			
Capichana, Mark	X			
Capo, Anthony	X			
Caracappa, Phillip	X			
Castore, Ralph	X			
Cerchio, Vincent	X			
Cheddie, Christopher	X			
Coia, Arthur A.	X	X	X	\$109,647
Deluca, Robert P.		X		
Dileo, Stephen A.			X	\$30,100
Ditorra, Thomas	X			
Duncan, Langston	X			
Frizzi, Anthony	X			
Gallo, James	X			
Gash, Stanley	X			
Giacobe, Joseph	X			
Greco, Anthony	X			
Juliano, Joseph	X			
Kaminski, Peter	X			
Kaplan, Benjamin			X	\$38,090
Keenan, Stephen	X			
Lee, Pan Hon	X			
Leto, Frank	X			
Maggio, John	X			
Melia, Frank	X			
Migliorato, Joseph	X			
Mouradian, William	X			
Muraca, Joseph	X			
***Sealed ***	X			
Ng, Yoke Lian	X			
Nicholson, Harry			X	\$30,100
Ong, Justin		X		
Palermo, Vincent	X			
Paloscio, Westley	X			
Pan, Wei Jian	X			
Pinsky, Robert	X			
Ponton, Harold	X			
Redulovich, Stefan	X			
Rivera, Felix	X			
Romano, Vincent	X			
Rotondo, Anthony	X			
Salemme Jr., Francis P.		X	X	
Salvata, Thomas	X			
Sclafani, Joseph	X			
Shea, Stephen	X			

Investigations Case List

	Indicted	Convicted	Sentenced	Monetary
Stripoli, Anthony	X			
Tufano, Louis	X			
Volpe, Robert	X			
Wing, Joseph	X	X	X	\$2,000
Total	49	6	8	\$1,627,616
Other – Labor Racketeering				
Multz, Lewis	X	X		
Total	1	1	0	

The OIG Hotline provides a communication link between the OIG and persons who want to report alleged violations of law, rules, or regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. During this reporting period, the OIG Hotline received a total of 2,407 contacts. Of these contacts, 203 allegations required additional review. Listed below is a breakdown of those 203 allegations.

Total Contacts for This Period **2407**

Allegation Reports by Source:

Hotline Operations - Calls, Letters, and Walk-ins from Individuals or Organizations	169
Letters from Congress	11
Letters from DOL Agencies	10
Incident Reports from DOL Agencies	3
Reports by Special Agents and Auditors	2
Letters from Non-DOL Government Agencies	7
Government Accounting Office (GAO)	1
Total	203

Allegation Reports by Referral:

Referred to Office of Audit	3
Referred to Office of Investigations Regional/Field Offices	28
Referred to DOL Program Management	111
Referred to Other Agencies	15
No Further Action Required	46
Total	203

United States Department of Labor Office of Inspector General



The OIG Hotline

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U.S. Department of Labor
Office of Inspector General
Room S-5506
200 Constitution Avenue, N.W.
Washington, D.C. 20210

The OIG Hotline is open to the public and to Federal employees 24 hours a day, 7 days a week to receive allegations of fraud, waste, and abuse. An operator is on duty during normal business hours. At all other times, a message can be recorded.