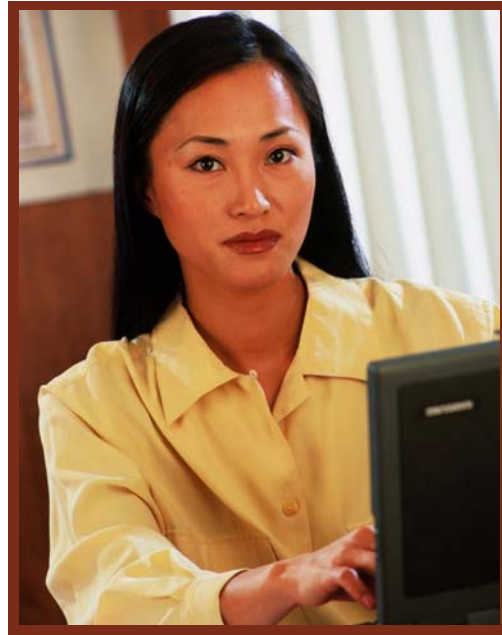


Semiannual Report to the Congress

October 1, 2004 – March 31, 2005

Volume 53



**Office of Inspector General
U.S. Department of Labor**

A Message from the Inspector General

This *Semiannual Report to the Congress* summarizes the significant activities of the Office of Inspector General (OIG) for the six-month period ending March 31, 2005. During this reporting period, our audits of Department of Labor (DOL) programs and operations resulted in \$5.6 million in questioned costs. Our investigative work led to 302 indictments, 217 convictions, and nearly \$50 million in monetary accomplishments. I am pleased to submit this record of our accomplishments. Among our most significant results this period was a decision by a DOL Administrative Review Board ordering Florida to reimburse the Department \$11.4 million in misspent job training funds previously questioned by an OIG audit. The Board reversed an administrative law judge ruling and allowed the costs.

Through our audit program we continue to focus on assessing programs or functions, identifying systemic problems, and recommending constructive solutions to improve the effectiveness and efficiency of DOL operations. Chief among our recommendations this reporting period is the need for the Department to separate its procurement functions from program functions by creating an independent acquisition office led by an Acquisitions Officer who reports directly to the Deputy Secretary. Our recommendation is based on findings in three comprehensive audits involving two major DOL agencies where we found problems with the award, documentation, monitoring, and/or contract termination processes.

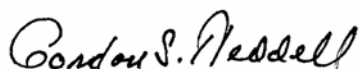
In another significant audit completed this reporting period we confirmed allegations that managers of the Kittrell Job Corps Center manipulated student records, potentially resulting in overpayments for their services. The OIG also found opportunities for improvement relative to Information Technology security controls involving some of DOL's most critical IT systems.

Our audits also identified areas where the Department has achieved success, most significantly in the financial management area, as evidenced by the Department receiving an unqualified opinion on its consolidated financial statements for the eighth year in row.

OIG investigations continue to combat abuses of DOL programs that serve American workers and to combat labor racketeering in the workplace. Among our recent successes were the guilty plea of a Gambino crime-family associate to conspiracy charges relative to a scheme in which he defrauded the Carpenter's and Laborer's Union benefit funds of more than \$7 million.

Also significant was the guilty plea of a union official to conspiracy charges related to a \$1 million embezzlement of the Hudson County District Council of Laborers and its benefit funds. Also notable were the indictments in Virginia of seven defendants on charges of conspiracy, visa fraud, and money laundering, where two of the defendants allegedly filed more than 900 fraudulent foreign labor certification applications on behalf of foreign nationals seeking entry into the United States; and the indictment of 32 members and associates of the Gambino Organized Crime family, including the acting boss, for alleged racketeering and other crimes, including extortion and union embezzlement in the New York City area.

The OIG will continue its efforts to promote the integrity and efficiency of programs that serve American workers and retirees by detecting and identifying ways to prevent waste, fraud, and abuse. In this regard, we will continue to work with the Secretary and officials of the Department to maximize the economy and effectiveness of DOL programs and operations.



Gordon S. Heddell
Inspector General

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Selected Statistics

Investigative recoveries, cost-efficiencies, restitutions, fines and penalties, forfeitures, and civil monetary action	\$49.6 million
Investigative cases opened.....	212
Investigative cases closed	164
Investigative cases referred for prosecution	314
Investigative cases referred for administrative/civil action	165
Indictments.....	302
Convictions	217
Debarments	88
Audit and evaluation reports issued.....	60
Total questioned costs	\$5.6 million
Outstanding questioned costs resolved during this period	\$1 million
Allowed ¹	\$200,000
Disallowed ²	\$800,000

Note: The OIG conducts criminal investigations of individuals that can lead to prosecutions based on criminal complaints, warrants, informations, indictments, or pre-trial diversion agreements. Successful prosecutions may carry sentences such as fines, restitutions, forfeitures, or other monetary penalties. The OIG financial accomplishments, which include administrative and civil actions, are further detailed and defined in the Appendix of this report.

¹ *Allowed* means a questioned cost that DOL has not sustained.

² *Disallowed* means a questioned cost that DOL has sustained or has agreed should not be charged to the government.

Significant Concerns

The OIG provides information and assistance to the Department and Congress in achieving efficient and effective management of DOL programs. As part of our effort to focus attention on mission-critical management problems and their resolution, the OIG has identified the following areas that we consider vulnerable to mismanagement, error, fraud, waste, or abuse.

The Permanent Foreign Labor Certification Program

The OIG is concerned about abuse of DOL's Permanent Foreign Labor Certification program. This abuse may result in the unlawful admission of foreign nationals and economic hardship for domestic workers. During this reporting period, an OIG audit found that the Employment and Training Administration's (ETA's) San Francisco regional office (SFRO) may be certifying inaccurate, deficient, or possibly fraudulent labor certification applications. These applications were submitted to SFRO through California's Employment Development Department, along with a warning from state investigators that the applications were flawed. We found no evidence that SFRO considered investigators' findings; however, the SFRO approved the applications in question.

New regulations, effective March 2005, provided for electronic submission of applications for the Permanent program directly to ETA national processing centers. A prior OIG audit cautioned that removing human review of applications by State Workforce Agencies, such as that provided by California investigators, might increase fraud due to reduced controls on application information. However, the new system does include some positive developments in the area of fraud detection.

Under the new rule, ETA will verify whether employers seeking certifications are bona fide business entities with employees on the payroll. Using selection criteria based on potential fraud indicators, the electronic system will identify applications for audit. In addition, the OIG will be informed of possible fraud cases. These improvements are the result of the cooperative efforts of ETA, the OIG, and others. What remains for the Department is to diligently implement changes so that expediting the processing of backlogged applications does not come at the expense of certifying fraudulent applications.

Additional regulatory changes to the program are also needed. For example, although the approved labor certification bears the name of a specific alien worker, that certification may be used to hire another worker. Our investigations have shown that this practice, known as substitution, encourages fraud involving the sale of approved certifications to foreign workers for up to \$20,000. In addition to prohibiting substitution, we believe regulations should limit the life of a certification to 90 days to discourage abuses.

Procurement and Systems Planning Concerns

Improperly managed and awarded procurements by the Department of Labor are of concern to the OIG. This concern is compounded in cases where the Department, as a result of poor systems planning, is not using millions of dollars' worth of purchased products. Based on our recent audit work, the OIG identified actions the Department should take to improve this situation.

In the case of a DOL sole-source contract awarded to Meganet Corporation for encryption software and services, our audit found that the contract was not properly awarded, modified, or managed. This was largely due to inadequate separation between DOL's information technology (IT) program function and procurement function, which currently fall under the jurisdiction of the same DOL official. We recommended that DOL separate its procurement function from program functions by creating an independent acquisition office.

This audit also found that DOL did not use \$3.8 million worth of encryption purchases from Meganet and could not support its reasons for abandoning that investment. We therefore recommended that the Department establish a process for an independent review and approval of decisions to abandon contracts or to not use products already purchased. The need for this process is further illustrated by a prior OIG audit that found the Occupational Safety and Health Administration (OSHA) invested millions in the redesign of a mission-critical data system that resulted in no benefit to the Department.

Finally, our audit of Mine Safety and Health Administration procurement found that the agency demonstrated a pattern of disregard for acquisition requirements and did not adhere to the principle of full and open competition. Here too we concluded that lack of separation of the procurement function allowed program staff to exert undue influence over the procurement process. Recurrent problems such as these highlight the need for improving DOL-wide procurement practices to prevent violation of acquisition requirements and wasteful spending.

Oversight of Grantees and Contractors

The OIG has raised concerns about grant and contract accountability in the Department, and ETA has undertaken an initiative to improve grant administration. The bulk of DOL expenditures on employment and training take the form of grants. Direct Federal oversight of these grants is difficult because a large share of the funding is passed down through the states to subgrantees and contractors. During this reporting period, OIG audits found that grantees and contractors continued to charge unallowable costs, manipulate performance data, and otherwise fail to meet program requirements, as outlined in the examples below.

For example, the State of Arkansas improperly allocated \$860,000 in WIA grant funds to Nestle Corporation for purposes prohibited under the act. Funds intended for upgrading the skills of incumbent workers were used to train new hires. Before Nestle's Jonesboro, Arkansas, facility was built or employees hired, the funds were improperly promised to Nestle as an

incentive for the company to locate in Arkansas. In addition, the State improperly used almost \$350,000 in Unemployment Insurance grants to pay for vacant office space. We recommended that DOL recover these costs.

In another example, the Kittrell Job Corps Center of North Carolina improperly manipulated student attendance and training records to improve the center's reported performance. This not only violated program requirements, but it also had a financial impact on Job Corps, because centers are reimbursed for operating expenses, receive bonus and incentive payments, and are awarded contract option years based on performance data. In response to a related OIG audit, ETA is now requiring its regional staff to validate Job Corps data as part of their routine monitoring procedures.

As a final example, an OIG audit identified compliance problems with the Indiana Department of Labor's management of an OSHA safety and health consultation program from October 1999 through September 2002. The OIG found instances of funds not expended in accordance with regulations, unallowable costs, and noncompliance with provisions with their agreements with DOL.

The OIG is reviewing ETA's efforts to improve overall grant accountability, with the aim of determining whether ETA's planned improvements are being implemented.

Major Management Challenges at DOL

The Reports Consolidation Act of 2000 (P.L. 106-531) requires the OIG to identify the most serious management challenges faced by the Labor Department. These challenges and the Department's response to them are published in the Department's annual report. The challenges identified by the OIG in DOL fiscal year 2004 annual report are:

- reduction of improper payments,
- Unemployment Insurance safeguards,
- integrity of foreign labor certification programs,
- financial and performance accountability,
- systems planning and development,
- information systems security,
- security of employee benefit plan assets,
- accounting for real property, and
- Workforce Investment Act reauthorization.

The challenges in their entirety are on the OIG's Web site (www.oig.dol.gov).

Procurement

In FY 2003, DOL spent \$1.5 billion on procurement activities and initiated more than 12,000 procurement actions. With this amount of dollars at stake, it is important for the Department to examine its procurement policies. As a result of hotline complaints received by the OIG, we conducted two comprehensive audits related to departmental procurement issues during this period and provided substantive comments to a revised internal DOL policy directive related to grant and procurement authority. Of greatest concern to the OIG in this area is the need to separate procurement duties from operational or program duties. To improve the performance and ensure the accountability, the OIG recommended a number of changes to the existing procurement program.

\$3.8 Million Contract Improperly Awarded for Encryption Products

Following receipt of a hotline complaint and a subsequent memorandum from the Assistant Secretary for Administration and Management, the OIG initiated an audit of DOL's contract with Meganet Corporation to purchase file-encryption software and related services. The objectives were to determine:

- whether the sole-source contract awarded to Meganet was in compliance with government-wide procurement regulations and DOL procurement policies;
- whether DOL provided adequate justification for not using the products purchased through the Meganet contract and, if so, whether DOL adequately justified not attempting to recover the \$3.8 million paid to Meganet; and
- the current status of DOL's file and e-mail encryption capability.

We found significant irregularities in DOL's process for awarding the Meganet contract. Specifically, there was:

- no documentary evidence that the need to purchase encryption software was reviewed by DOL's Technical Review Board, which is composed of IT executives from DOL agencies;
- inadequate documentation of the evaluations of pre-proposal submissions;
- no written justification for the use of a sole-source contract;
- a lack of disclosure by the then Deputy Chief Information Officer of an apparent conflict of interest; and
- a possible bias in preparing the Statement of Work.

We also found that the Department's reasons for deciding not to use the products purchased from Meganet were not supported. Although DOL officials stated that the software did not perform as expected, there were no test results or other documentation to support these assertions. The OIG tested the software in a configuration described in the Meganet contract and found the software did function. We concluded that the Meganet contract was

not properly awarded, modified, or managed because of a lack of organizational separation of duties, inadequate oversight, and insufficient internal controls. Furthermore, individuals knowingly made decisions and took actions that violated government regulations and DOL policies and that may not have been in DOL's best operating or financial interests. As a result, the contract may have been improperly awarded on a sole-source basis, \$3.8 million in Meganet products have gone unused without adequate justification, and DOL spent an additional \$1.6 million (as of December 2004) on another product to satisfy some of the same technical requirements that Meganet's products solved.

Currently the Office of the Assistant Secretary for Administration and Management (OASAM) is responsible for DOL's procurement function and for its IT function. Among our recommendations were that DOL should properly separate its procurement and programmatic responsibilities and put effective controls in place, including a process for an independent review and approval of decisions to abandon contracts or to not use products already purchased. The OIG believes that unless such recommendations are implemented, DOL will continue to be at risk for wasteful and abusive practices, as evident in its handling of the Meganet contract. DOL responded that it has already made some policy and staffing changes, plans to implement additional controls, and will "give careful consideration" to the reasons behind our recommendation that procurement and programmatic responsibilities be separated. ([Report 05-05-005-07-720, issued March 31, 2005](#))

MSHA Procurements Disregarded Acquisition Rules

To determine the merits of a series of allegations received by the OIG Hotline, the OIG audited the Mine Safety and Health Administration's (MSHA's) procurement and contracting procedures, as well as related personnel matters, for June 1, 2000, through December 31, 2002. Within the Department, MSHA is one of only two agencies that has acquisition authority for the purchase and lease of Federal information-processing resources. Our audit found the following:

- MSHA did not always ensure that the government received best value or that vendors were treated fairly in the award of contracts.
- MSHA circumvented requirements to procure office furniture and travel management services from specific sources.
- A potential conflict of interest existed in the award of contracts to a company owned by a contracting officer's spouse.
- Excessive unauthorized commitments and ratifications were made.
- Deficiencies existed in how MSHA administered some of its contracts.

The overall cause for the problems we identified was a long-term history of MSHA management that accepted and fostered a lack of commitment to procurement principles, which was facilitated by a lack of separation of the procurement from the program function. This lack of separation of duties allowed program staff to exert undue influence over procurement personnel—an environment that resulted in MSHA being unable to ensure that contracts were in the government's best interest and that all eligible contractors were afforded a fair opportunity to provide supplies or services to MSHA.

Prior to the issuance of our report, the OIG reviewed contract files for procurements made by MSHA in FYs 2003 and 2004. We observed a degree of file documentation that, had MSHA documented its procurement actions and rationale for its choices of procurement instruments to the same extent during the period included in our audit, would have addressed some of the findings in this report.

We recommended that DOL rescind MSHA's procurement authority, reassign such authority, and ensure that said authority is completely independent of MSHA. The Department responded that it would be important to assess the full breadth and effectiveness of recent procurement reforms in order to make a more informed judgment on our recommendation. In addition, DOL indicated that MSHA has instituted procurement reforms. ([Report 25-05-001-06-001, issued October 29, 2004](#))

Weaknesses in OASAM Procurement

As indicated in the Financial Management section of this report, during our audit of the Department's financial statements, we noted four new reportable conditions. One of these involved weaknesses found in our testing of the OASAM procurement office. The procurement office processed approximately \$296 million of the \$622 million of new FY 2004 procurements for supplies and services. We identified weaknesses in the areas of file documentation, file organization, and compliance with Federal Acquisition Regulations requirements regarding contract competition.

Changes Needed in DOL Procurement Regulations

The Department is currently revising its internal policy and procedures regarding procurement. Because of recent audit work in this area, we provided input and made suggestions on how to address our audit findings through changes to DOL policies and procedures.

Within the Department of Labor, OASAM has overall responsibility for DOL's procurement functions, as well as overall responsibility for all major administrative functions. This creates an organizational conflict of interest whenever a procurement action involves products or services. The OIG believes the lack of separation of duties does not allow for sufficient oversight or accountability for procurements and increases the risk that operational needs and desires will override sound procurement practices.

The OIG's overarching concern is the need for separation of duties. As described in this section, recent OIG audits have shown that problems arise when program officials, instead of contracting experts, drive procurement policy and decisions. It follows that officials who have procurement authority should not also have responsibility for operational or program areas. To address these concerns, the OIG's comments on the proposed DOL policy revision on procurement include a recommendation that procurement executives be higher than, and organizationally separate from, program and operations officials.

Information Technology

The Department operates sensitive systems comprising major applications, general support systems, and mission-critical systems. DOL relies on these critical information systems to monitor and analyze the nation's labor market and economic activities, manage workforce services, and protect and compensate American workers. The Department continues to focus on improving its information security program. For example, the Department was proactive in establishing IT security work groups to develop better policies and procedures in logical access control, change control management, and contingency planning.

Last year, the OIG noted that the Department had weaknesses in both risk assessment and certification and accreditation processes. We continue to test in both areas to determine whether progress has been made.

Stronger IT Controls Needed Over Financial Systems

The OIG assessed IT application controls over the Department of Labor Accounting and Related Systems (DOLAR\$), the Department's core financial and accounting system that supports the financial statements. The OIG also assessed the general and application controls of PeoplePower, the Department-wide human resource/payroll system. We also tested and updated the audit findings and recommendations identified in previous years. Moreover, the OIG issued a report to summarize all audit work performed in support of the FY 2004 DOL financial statement audit.

DOLAR\$ Application Controls

Regarding DOLAR\$ application controls, we noted that the Office of the Chief Financial Officer (OCFO) has made progress in addressing IT control weaknesses identified in prior years. However, we also noted recurring recommendations, originating in FY 2002, that have not been fully implemented. Based on the current year testing results, we found weaknesses in application security controls over the DOLAR\$ system. We also made 17 new findings and 36 associated control recommendations for improvements in general, application, and security controls.

PeoplePower

Regarding PeoplePower, we found weaknesses in the design and implementation of security and application controls. We identified 16 application control findings and made 37 related recommendations for DOL to reduce the risk over payroll subsystems and data. Among our findings, we noted that PeoplePower had an incomplete security plan, lacked a segregation of duties policy, and was weak in monitoring procedures and password controls. For input and output controls, the system had weak edit checks and reconciliation procedures, as well as weak retention and storage procedures over sensitive output. We also found problems in certification and

accreditation, audit trails, and processing controls. Although we found security and application control weaknesses, we did not identify any significant issues with the integrity of data in PeoplePower.

We recommended that OCFO establish procedures and controls to ensure full compliance with the federal IT security standards. In general, OCFO agreed with our recommendations and proposed action plans that address the security issues raised in our findings.

Summary Report

This report summarized all audit work performed in support of the FY 2004 DOL financial statement audit, some of which was reported previously. We assessed the effectiveness of IT general, application, and security controls over 14 systems operated by 7 agencies in support of DOL financial statements. The audit provided DOL with information on weaknesses in key security controls, as well as with recommendations to improve IT security.

The summary report described weaknesses in the design and operation of internal controls, which could adversely affect the reliability of financial and performance reporting, and in the system's compliance with laws and regulations. To correct the problems, we recommended that DOL strengthen controls over access to and protection of financial information by implementing appropriate controls for application, logical security, and business continuity recovery.

Based on our recommendations, DOL has developed new policies and procedures to address the weaknesses noted above, including (1) revising the Department's IT security policy and procedures to provide improved logical access and technical control guidance; (2) developing a technical standards manual that serves as a repository of approved enterprise security standards; (3) revising DOL security test and evaluation procedures; (4) developing an internal independent verification and validation process; and (5) coordinating application processing priorities to improve disaster recovery and contingency planning.

These weaknesses were a reportable condition in the DOL FY 2004 financial statement audit, which is discussed in the Financial Management section of this report.

We determined that the recommendations in this summary report are resolved based on the actions and time frames described in DOL's response. To ensure complete implementation of corrective actions, which is necessary to close out these recommendations and reportable conditions, the OIG will continue to monitor the progress and conduct follow-up testing during its audit of the FY 2005 DOL financial statements. ([Report 23-05-004-07-001, issued October 18, 2004](#); [Report 23-05-022-13-001, issued October 18, 2004](#); and [Report 23-05-002-13-001, issued October 18, 2004](#))

Financial Management

Consolidated Financial Statement Audit

The OIG issued an unqualified opinion on DOL's consolidated financial statement for the eighth consecutive year. We found that DOL substantially complied with the standards of the Federal Financial Management Improvement Act (FFMIA). The act's standards require agencies to implement and maintain systems that provide timely, accurate, and useful information upon which to base decisions and to ensure accountability on an ongoing basis.

Reportable Conditions

We noted four new areas involving internal controls that we consider to be reportable conditions, although we do not consider them to be material weaknesses. We also noted seven outstanding reportable conditions from prior years that continue to require management's attention. The new reportable conditions, including any subsequent agency action are discussed in the Office of Workers' Compensation Programs, Information Technology, and Procurement sections of this report, respectively.

New Reportable Conditions

- Inaccurate Federal Employees' Compensation Act (FECA) Medical Bill Payments
- FECA Medical Bill Receivables
- Stronger IT Controls Needed Over Financial Systems
- Weaknesses in OASAM Procurement

Outstanding Reportable Conditions

The outstanding reportable conditions from prior years include Job Corps real property, FECA payments, IT security controls over financial information, deficiencies in accounting for grants, capitalized assets, UI benefit overpayments, and implementation of managerial cost accounting.

In IT security controls over financial information, continuing weaknesses were identified with the Department's technical security standards and policies; logging, monitoring, and response controls; system administration procedures; and the overall security framework. DOL has not coordinated comprehensive disaster recovery tests to ensure the Department's network and applications can be recovered in the case of a disaster. Testing conducted in FY 2004 identified that DOL agencies were in varying stages of disaster recovery plan development and testing. In addition, the Department had not coordinated disaster recovery efforts across all agencies or conducted a Department-wide test of disaster recovery plans. The Department has indicated that it has taken or is undertaking corrective action. In order to close out these reportable conditions, the OIG will evaluate the corrective actions during our audit of the FY 2005 DOL financial statements. ([Report 22-05-004-13-001, issued November 15, 2004](#))

Employee Misconduct Investigations

The OIG investigates allegations of wrongdoing by those entrusted to carry out departmental programs and activities. Below is an example of this type of investigation.

DOL Contractor Sentenced for Falsifying Employment Application

A former MSHA computer contractor, Salahuddin Khattak, pled guilty on March 10, 2005, to charges of making false statements and was sentenced to three months plus two years' probation for falsifying documentation regarding his security background information on more than one occasion. Khattak failed to disclose two trips to Pakistan, and he had falsely stated his place of birth on the form. He also misrepresented his marital status. In addition, Khattak falsified information on a Federal application when he applied for permanent employment with DOL. This was a joint investigation with the FBI and the State Department's Diplomatic Security Service. *U.S. v. Khattak* (E.D. Virginia)

Audit Resolution

When the OIG questions costs claimed by a grantee, the Department reviews the expenditure and determines whether it was allowable under the applicable rules and regulations. If the Department determines that the costs were unallowable, a debt is established. The grantee has appeal rights both within and outside the Department. Below is an example of the audit resolution process.

Florida Ordered to Repay \$11.4 Million in Misspent Funds

In February 2005, the Department's Administrative Review Board ordered the State of Florida to reimburse the Department \$11.4 million in job training funds questioned in a 1998 OIG audit report. The Board asserted that the State failed to show that Job Training Partnership Act funds were spent for lawful purposes. The 1998 OIG audit found that Florida used the funds to supplant adult education costs that should have been borne by the State. Although ETA disallowed the \$11.4 million, a DOL administrative law judge ruled that the expenditures were proper and reversed the disallowance. This ruling was appealed to the Board. (Report Number 04-98-005-03-340; issued September 25, 1998)

The OIG at the Department of Labor is unique among inspectors general in that it has an “external” program function to conduct criminal investigations to combat the influence of labor racketeering and organized crime in the nation’s labor unions. Labor racketeering is the infiltration, domination, and/or use of a union or employee benefit plan for personal benefit by illegal, violent, or fraudulent means. Organized crime is defined as activities carried out by groups with a formalized structure whose primary objective is to obtain money through illegal activities. Traditionally, organized crime has been carried out by La Cosa Nostra (LCN) groups, also known as the “mob” or the “Mafia.” According to the Department of Justice, however, there has been a rapid rise in transnational organized crime groups engaging in new criminal enterprises. There are now organized crime groups that include people from Asia, Russia, Eastern Europe, Nigeria, and West Africa.

Labor racketeering activities carried out by organized crime groups affect the general public in many ways. Because organized crime’s exercise of market power is usually concealed from public view, millions of consumers unknowingly pay what amounts to a tax or surcharge on a wide range of goods and services. In addition, by controlling a key union local, organized crime can control the pricing in an entire industry. The public also suffers when organized crime orchestrates illicit strikes and work slowdowns or resorts to violence to maintain its operation of labor rackets.

Over the past two decades, the OIG has conducted extensive criminal investigations of labor racketeering. Traditionally, organized crime has been involved in loan-sharking, gambling, benefit plan fraud, violence against union members, embezzlement, and extortion. OIG investigations have uncovered millions of dollars of workers’ dues and benefit monies that have been siphoned off by organized crime through embezzlement or more sophisticated devices, such as fraudulent loans or excessive fees paid to corrupt union and benefit plan service providers. Our investigations continue to identify complex financial and investment schemes used to defraud pension assets, resulting in millions of dollars in losses to plan participants.

Our current investigations are finding that nontraditional organized crime groups are engaging in racketeering and other crimes against workers in both union and nonunion environments. Moreover, they are exploiting the Department of Labor’s foreign labor certification and Unemployment Insurance programs. The following cases are illustrative of our work in helping to eradicate both traditional and nontraditional labor racketeering in the nation’s labor unions, employee benefit plans, and workplaces.

Benefit Plan Investigations

The OIG is responsible for combating corruption involving the monies in union-sponsored benefit plans. These pension plans and health and welfare benefit plans comprise hundreds of billions of dollars in assets. Our investigations have shown that this money remains vulnerable to corrupt union officials and organized crime influence. Pension plan service providers to pension plans continue to be a strong focus of the OIG's investigations.

LCN Associate Pleads Guilty to Embezzling \$7 Million from Benefit Plan

On November 22, 2004, Mario Garafola, a Gambino Crime Family associate and company owner, pled guilty to conspiracy charges for a scheme that involved embezzling employee benefit plan funds and laundering money. The investigation revealed that Garafola defrauded the Carpenter's Union and the Laborer's Union benefit funds of more than \$7 million. He circumvented a collective bargaining agreement by operating one of the companies as a nonunion shop while using the same employees and equipment as the unionized one. By doing so, he avoided paying benefits to union benefit funds. This investigation was conducted jointly with the FBI. *U.S. v. Garafola* (E.D. New York)

Former Union Benefit Fund Director Charged in Embezzlement Scheme

A former executive director of the National Plastering Industry's Joint Apprenticeship Trust Fund, located in Landover, Maryland, and the Trust Fund's former office manager were charged on March 15, 2005, with defrauding the fund, the Department of Interior, and DOL's Job Corps program of more than \$917,000 over a five-year period. They were charged with bank and mail fraud and money laundering. The trust fund is a nonprofit training entity governed by the Operative Plasterers' and Cement Masons' International Association to provide pre-apprenticeship career training for disadvantaged youth at Job Corps centers.

The investigation found that the two former employees allegedly generated checks to current, former, and fictitious vendors for nonexistent expenses. They also took funds from unions belonging to the association, the Union's trust funds, and contractors and employers in the form of employee benefit contributions. The two former employees then deposited the funds in a hidden account to be used for personal expenses. This investigation was conducted with the IRS Criminal Investigations Division (CID), the Department of Interior OIG, and DOL's Employee Benefits Security Administration (EBSA).

Internal Union Investigations

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

Union Official Pleads Guilty to Embezzling More Than \$1 Million

On January 7, 2005, Carmelo Sita pled guilty to conspiracy charges related to an embezzlement of just over \$1 million from the Hudson County District Council of Laborers and its benefit funds and to falsifying reports of a benefit plan covered by the Employee Retirement Income Security Act (ERISA). Sita admitted that from January 1995 through March 1999, he conspired with others, who have previously pled, to take more than \$1 million from eight bank accounts that were maintained for union members and plan participants. This investigation was conducted jointly with EBSA and the FBI. *U.S. v. Sita* (D. New Jersey)

Former Union Presidents Convicted of Embezzlement

Joseph Nardone Sr., the founder and retired president of Local 148 of the Novelty and Production Workers Union, and his son, Joseph Nardone Jr., were both convicted at trial for their embezzlement scheme against Local 148. The Nardones were indicted in October 2002 and charged with conspiracy to embezzle in excess of \$350,000 in welfare funds and union funds as a result of a multifaceted fraud scheme. From 1996 through 2001, the Nardones created unnecessary construction projects at the union's Jersey City office building. They conspired with Stanley Rothman, a contractor who had previously pled guilty, to skim \$250,000 from the inflated costs of the construction projects.

As a result of this investigation, numerous other Local 148 officers and business agents have also been convicted. Local 148 is presently under a Federal Court-ordered trusteeship because of corruption and abuse of fiduciary powers. This investigation was conducted jointly with the Department of Housing and Urban Development OIG and EBSA. *U.S. v. Nardone, et al.* (D. New Jersey)

Company Owners Plead Guilty in Complex Scheme

On March 29, 2005, Carlos Gomez and Mary Gildea, the owners of Lanco Scaffolding, pled guilty to charges of conspiracy, mail fraud, and making false statements on pension plan documents covered under ERISA. The investigation revealed that they had allegedly evaded paying payroll taxes,

workers' compensation premiums, and payments to both the Carpenter's Union and the Laborer's Union ERISA benefit funds. In addition, one of the owners was charged with submitting false tax returns.

The scaffolding company supplied, erected, and dismantled scaffolding equipment for construction projects. Because the company had collective bargaining agreements with both the Laborer's and the Carpenter's Unions, it was required to make payments to the benefit funds. As a result of the above crimes, the losses to the various benefit funds, insurance companies, and the IRS is estimated to be more than \$4.7 million. This investigation was conducted jointly with the IRS CID, the FBI, EBSA, and the Insurance Fraud Bureau of Massachusetts. *U.S. v. Gomez, et al.* (D. Massachusetts)

Defendant Caught in Kickback Scheme

Jeffrey Respler, owner of Plumbing Solutions Inc., pled guilty on December 3, 2004, to conspiring with Donald Sclafani, president of Plumbers' Union Local 1, to sell property at an inflated rate and kick back the \$1.3 million difference to Sclafani. The money used to pay for the inflated property came from the Plumbers' Union Trade Education Fund. Respler also pled guilty to bribing New York City plumbing inspectors and to committing perjury.

This investigation was conducted jointly with EBSA, the New York State Attorney General Office's Organized Crime Task Force and the New York City Department of Environmental Protection OIG. *State of New York v. Respler*

Father and Son Charged for Defrauding Union Association

On December 2, 2004, a father and son were charged after an investigation found that they used Unity House, Inc., for personal benefit at the expense of its members. Unity House is a labor support organization that provides services to three union locals in Hawaii. The men were charged with mail fraud, wire fraud, filing false tax returns, making illegal payments to a labor union, and forfeiture allegations. One of the defendants was also charged with witness tampering. The investigation found that one of the individuals conspired to shift control of Unity House from its members by converting it into a non-membership-based nonprofit organization.

In addition, the father, who was president of Unity House, allegedly approved a \$40,000 loan to a former state lawmaker without the knowledge of the organization's board of directors. The lawmaker later introduced legislation favorable to the defendant. The son was named as the listing agent for two residential properties sold by Unity House, which generated \$15,000 in commissions. He also allegedly caused Unity House to make two unlawful loans worth a total of \$35,000 to a new labor union called the Hawaii Hospital and Health Care Workers Union. Both loans were alleged to be illegal payments under the Taft-Hartley Act. This was a joint investigation with DOL's EBSA and Office of Labor Management Standards, the FBI, and the IRS.

Ringleader Pleads Guilty and Associate Is Convicted in Multiple Schemes

On January 10, 2005, the principal defendant, James Duff, pled guilty to charges of RICO conspiracy, money laundering conspiracy, mail fraud, wire fraud, money laundering, and filing false tax returns for multiple fraud schemes. In February 2005, one of Duff's associates, William Stratton, a former business agent of Liquor and Allied Workers Union Local 3, was convicted of all these charges except wire and tax fraud. Between 1990 and 2002, Duff's associates were awarded City of Chicago contracts and subcontracts in excess of \$100 million based on fraudulently obtained women- and minority-owned business status. The investigation was conducted with the IRS, the FBI, DOL's Office of Labor Management Standards, and EBSA. *U.S. v. Duff, et al.* (N.D. Illinois)

Former Union President Sentenced to Nearly Six Years in Prison

On February 18, 2005, Walter Browne, former president of the National Federation of Public and Private Employees, was sentenced to 70 months' incarceration and 3 years' probation. Browne's sister, Patricia Browne Devaney, a former administrative assistant to the union, received a sentence of 27 months in jail and 5 years' probation. Both are barred from any union activity for 13 years each. In addition to the forfeiture of nearly \$600,000 ordered in December 2004, Devaney was ordered to pay more than \$87,000 to the union.

Browne and Devaney were convicted in June 2004 on charges that included RICO violations, embezzlement of union assets, Taft-Hartley Act violations (stemming from the unlawful receipt of more than \$300,000 from multiple employers), bank fraud, mail fraud, theft of honest services, and record-keeping violations. The investigation found that from 1994 through 2002, Browne and Devaney engaged in racketeering by using their positions within the union to dominate and control its operation for their personal gain through various means, including credit card abuse, issuing unauthorized payroll checks, and submitting false vouchers. *U.S. v. Browne; U.S. v. Devaney* (S.D. Florida)

Labor-Management Investigations

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

LCN Crime Family Leadership Charged with Racketeering and Extortion

On March 2, 2005, in the Southern District of New York, 32 members and associates of the Gambino Crime Family were charged in a 53-count indictment for allegedly conducting wide-ranging racketeering crimes and other offenses spanning more than a decade. A president of the United Food and Commercial Workers Local 305 and a trustee of the local’s benefit funds were also charged with union benefit embezzlement and related fraud charges. The criminal offenses included assault, extortion of various individuals and businesses, loan-sharking, union embezzlement, illegal gambling, trafficking in stolen property and counterfeit goods, and mail fraud. The investigation found that this group allegedly infiltrated, controlled, extorted, and defrauded businesses and labor organizations, such as construction companies, a radio station, trucking companies, and restaurant and club owners. This was a joint investigation with the FBI and the Bronx District Attorney’s Office.

Mob Leaders and Union Officials Charged

On February 3, 2005, a Genovese LCN Family capo and three officers of the International Longshoremen’s Association (ILA) were charged with conspiracy, mail fraud, and theft of honest services. The investigation found that Genovese members allegedly directed the placement of Genovese associates into powerful positions with the ILA. Once in these positions, these individuals were instrumental in awarding benefit fund-related contracts to companies with ties to the Genovese LCN Family. This investigation is part of an ongoing initiative with the FBI and the Waterfront Commission of New York Harbor.

Chicago City Officials and Trucking Company Owners Charged in Bribery Scheme

Twenty-eight individuals have been charged in an investigation of the City of Chicago’s Hired Truck Program (HTP), including charges of RICO conspiracy involving bribery, extortion, mail fraud, and perjury. The HTP allowed four Departments (Streets and Sanitation, Transportation, Water, and Sewers) to hire trucking services on an as needed basis to supplement construction projects and daily operations. On March 9, 2005, Martin McDonagh pled guilty to charges of lying to federal agents about bribing a city employee to get into the HTP. Over a period of years, McDonagh paid more than \$35,000

to the city employee in order to receive preferential treatment for his trucking company. Another trucking company owner was accused of mail fraud for allegedly obtaining \$6.6 million in HTP work by giving campaign contributions and cash to city officials and falsely claiming his firm was eligible for jobs set aside for women-owned businesses.

The RICO conspiracy indictment of February 24, 2005, charged 14 individuals, including 6 former Chicago city employees, 10 trucking company owners (2 of the owners were also city employees), and an accountant with offenses related to HTP corruption. Several city employees allegedly operated Chicago's Departments of Water, Sewers, Streets & Sanitation, and Transportation as a racketeering enterprise by engaging in a pattern of fraud, extortion, bribery, and obstruction of justice between 1993 and 2004. HTP permitted the city to hire private trucking companies for projects in a no-bid process, spending \$40 million annually on the 172 trucking companies that participated in the program. Several HTP trucking companies were owned by either alleged mobsters or the family members of reputed mob figures. The investigation uncovered that city employees allegedly solicited trucking companies for cash, gifts, political contributions, or private labor in exchange for preferential treatment.

The OIG became involved with the investigation due to the trucking companies' affiliation with several unions and due to allegations of Minority Business Enterprise/Women's Business Enterprise fraud. This is a joint investigation with the FBI, the United States Postal Inspection Service (USPIS), and the IRS CID. *U.S. v. McDonagh* (N.D. Illinois)

Union Officials Charged with Taft-Hartley Violations

On November 29, 2004, an executive secretary-treasurer and the former president/executive director of the Michigan Regional Council of Carpenters (MRCC) were charged with conspiring to solicit and receive prohibited payments (Taft-Hartley Act violations) in the form of discounts from six different construction companies whose employees were represented by the MRCC. The investigation found that from January 1998 to December 1999, the former union officials allegedly conspired to solicit and obtain discounts exceeding \$147,000 on building materials, labor, and related costs in order to reduce the cost of constructing a new personal residence for the executive secretary-treasurer in Grosse Pointe Park, Michigan. This case was investigated with the FBI and EBSA.

Retired Union Official Charged with \$1.5 Million Extortion

A retired international representative of the United Food and Commercial Workers (UFCW) Union was charged on November 18, 2004, with Hobbs Act extortion, mail fraud, wire fraud, and interstate travel in aid of racketeering. The investigation also found that the former UFCW union official allegedly extorted approximately \$1.5 million from a supermarket chain from 1989 until the time of his arrest in September 2003 to keep the union from organizing the company. This investigation was conducted jointly with the FBI and the Boston Police Department.

Foreign Labor Certification

The Department's foreign labor certification (FLC) programs provide American employers access to foreign labor. The Permanent Foreign Labor Certification program allows an employer to hire a foreign worker to work permanently in the United States. Administration of this program is the responsibility of three Federal departments: Labor, Homeland Security, and State. Prior OIG audits have identified vulnerabilities in the FLC program, and our investigations continue to identify fraud against these programs.

FLC Applications May Have Been Approved Despite Notifications of Potential Fraud

We conducted an audit based on a complaint alleging that ETA's San Francisco regional office (SFRO) did not consider warnings, notification of potential fraud, or other application deficiencies identified by the State of California's Employment Development Department. The complaint also alleged that SFRO certified and/or processed as many applications as possible to reduce the backlog and to meet regional goals or quotas, with little or no regard to warnings of abuse, potential fraud, or application deficiencies.

At the time of the audit, the State reviewed FLC applications before they were forwarded to SFRO for approval. If the State identified problems with the application, a form was attached stating the investigative results and the finding. We reviewed a judgmental sample of 35 applications for which California had prepared the form. According to the State, the applications and forms were forwarded to SFRO. We found the following:

- Although SFRO received the forms, we did not find any of these forms in the application files. The OIG was unable to make a definitive determination, but we believe that because this form was missing from the files and there was no other evidence of a Notice of Findings or other action taken on the application, SFRO may not have heeded warnings of potential abuse and/or fraud identified by California.
- In some cases, SFRO certified applications within a day or two of receipt, even though the State had found problems with the application.
- The SFRO Certifying Officer did not review subordinates' work to ensure that only bona fide applications were certified.
- Application files were purged of critical documents that should have been considered in the analysts' decisions to certify or deny applications.
- SFRO appeared to be working under a regionally mandated quota system, driving them to ignore questionable applications in order to achieve numerical results, with little or no management oversight. SFRO's emphasis was on reducing the FLC application backlog, as opposed to certifying only bona fide applications.

We recommended that DOL:

- implement oversight at SFRO to ensure FLC applications are processed in accordance with established rules and regulations;
- revise guidance regarding documentation to support final determinations; and
- direct the immediate discontinuance of any quota or production goal system that may result in questionable applications being approved.

In response, ETA stated the FLC programs had been reengineered with a new reporting structure and improved connection between field staff and national office policy guidance. The OIG believes that the changes should ensure improved oversight and should address our concerns about a quota system. However, the recommendation for revising documentation guidance is unresolved, as ETA stated it would consider the recommendation at a later time. (Report 06-05-001-03-321, issued March 29, 2005)

Retailers Charged in Complex Scheme

On November 9, 2004, multiple defendants were charged with conspiracy and alien smuggling in Georgia. The investigation found that since 1999, three of the defendants owned and operated gas station/convenience stores through which they allegedly gained considerable profits by the employment of undocumented alien workers. In addition to both labor and immigration violations, the other schemes included nonpayment of overtime wages and payroll taxes (federal, state, and unemployment insurance). This investigation is being conducted with the Immigration and Customs Enforcement (ICE), the Social Security Administration OIG, the USFIS, and local law enforcement agencies in the metro-Atlanta area.

Defendants Charged in Visa Fraud Scheme

Seven defendants were charged on March 9, 2005, with conspiracy, visa fraud, and money laundering. The owner of an immigration recruitment company allegedly conspired with others to illegally bring aliens into the United States through the submission of hundreds of fraudulent permanent labor certifications.

One of the defendants, Alice Jia, pled guilty on March 14, 2005, to charges of conspiracy and making false statements. She created fraudulent verifications of employment letters to show that the aliens had certain job experiences. Two of the defendants allegedly filed more than 900 labor certifications on behalf of Chinese nationals seeking entry into the United States, charging them up to \$90,000 per labor certification application.

In December 2004, Paul Mederos, an employer involved in the scheme, was sentenced to 33 months in prison, after pleading guilty to charges of conspiring to commit visa fraud, obstruction of justice, and tax fraud. Mederos agreed to forfeit \$211,000. *U.S. v. Mederos, et al* (E.D. Virginia)

The investigation revealed that the defendants allegedly falsely claimed that the employers had tried and failed to find qualified U.S. workers to fill the positions. This is a joint investigation with the FBI, the IRS CID, the Department of State OIG, and the Department of Homeland Security OIG.

Defendants Charged in Visa Fraud Scheme

On November 30, 2004, an immigration consultant, an attorney, and associates were charged with visa fraud and conspiracy in the Central District of California. It is alleged that the consultant, who targeted the Iranian community, and the attorney filed hundreds of fraudulent H-1B labor certification applications from 1993 to 2003. The investigation also revealed that two of the defendants instructed the aliens to pay their own payroll taxes for three to six months to make it appear that they were on the company's rolls. The consultants and his associates relied upon more than 200 Southern California businesses, ranging from medical clinics to pizza parlors to auto parts stores, to serve as applicants for their clients. This is a joint investigation with ICE and the IRS CID.

Workforce Investment Act

The goal of the Workforce Investment Act of 1998 (WIA) is to increase employment, retention, and earnings of participants and, in doing so, to improve the quality of the workforce to sustain economic growth, enhance productivity and competitiveness, and reduce welfare dependency. Authorization for WIA ended in 2003, and its reauthorization is pending before Congress.

More Than \$850,000 in Questioned Costs Identified in Grant Funds Awarded to Arkansas

Based on a request from the Arkansas Division of Legislative Audit, the OIG conducted an audit of WIA funds in Arkansas that had allegedly been promised to the Nestle Corporation as an incentive for the company to locate in the state. The audit found that the Arkansas Workforce Investment Board paid \$859,904 in WIA funds to Nestle to train newly hired workers under the guise of an incumbent worker training program. The board's definition of "incumbent worker" included newly hired workers, as opposed to current workers, which circumvented WIA rules. The board used the statewide incumbent worker training program to fund this project because Nestle's new hires did not qualify under the WIA on-the-job training program.

The preamble to the WIA regulations provides that incumbent worker training is usually developed with an employer to upgrade the skills of a particular workforce. We concluded that the \$859,904 was used to supplant some of Nestle's plant start-up training costs for a new workforce. The funds were promised to Nestle long before the plant was constructed or employees were hired. (Report 06-05-002-03-390, issued March 31, 2005)

We recommended that the Department disallow and recover from Arkansas the \$859,904 of WIA funds paid to Nestle. The State asserted that the board acted in good faith in making the decisions questioned in the OIG audit report. OIG's findings and recommendations remain unchanged. ([Report 06-05-002-03-390, issued March 31, 2005](#))

Job Corps

Job Corps, established by Congress in 1964 and currently authorized under the Workforce Investment Act of 1998, is recognized today as the nation's largest and most comprehensive residential education and job-training program for at-risk youths ages 16 through 24. More than 65,000 students participate annually in the program. The program is primarily carried out at residential facilities that provide intensive education, vocational training, youth development, counseling, job placement, and follow-up services. For FY 2005, more than \$1.5 billion was appropriated for Job Corps.

Job Corps Center Manipulated Student Records

The OIG conducted an audit of the Kittrell Job Corps Center, in Kittrell, North Carolina, to determine the merits of an OIG Hotline complaint alleging that center managers manipulated student attendance and training records to improperly inflate reported performance. Our audit substantiated this allegation. Performance data manipulation has financial implications for Job Corps because DOL reimburses operating expenses and awards bonuses and incentives to Job Corps contractors based on the performance data submitted.

We found that Management Training Corporation (MTC), the firm that manages Kittrell, overstated student attendance and, therefore, could potentially have been overpaid a maximum of \$664,000 for the period of January 2000 through December 2003. We also questioned the validity of \$112,000 in incentive fees paid to the center operator during the first year of its performance-based contract. In addition, Job Corps' oversight of center operations was compromised because reported performance affects management decision making and the level of center supervision.

Our recommendations included that ETA review student attendance records and supporting documentation to determine the correct amount of reimbursable expenses that should have been paid to MTC, review all Kittrell performance data and supporting documentation that factored into the incentive fees paid to MTC since its performance-based contract became effective, and recover any overpayments identified.

In response to our findings, ETA stated that the OIG presented strong evidence that center staff manipulated student attendance records to improve reported performance. ETA, however, stated that our reporting of the \$664,000 maximum potential refund of reimbursed operating expenses exaggerated the actual extent of the problem. The OIG included the maximum amount to quantify the potential financial risk to the government. The OIG recognizes that the actual extent of the problem is unknown. Also, ETA indicated that it did not believe that training records were intentionally manipulated for center gain. ETA cited poor management, imprecise record keeping, and human error as likely factors that contributed to the performance data irregularities pertaining to training records. Although ETA disagreed with our conclusions regarding certain data, it has begun

implementing all the recommendations. Moreover, in response to another OIG audit on a related subject, ETA is now requiring its regional staff to validate Job Corps data as part of their routine monitoring procedures. ([Report 09-05-001-03-370, issued March 30, 2005](#))

Audit Questions More Than \$824,000 in Center Costs

The OIG conducted a performance audit of Job Corps center operating costs at 12 contractor-operated centers from October 2003 through March 2004. The audit was conducted to determine whether Job Corps contractors hired by DOL to operate the centers were complying with laws, regulations, and Job Corps policies and procedures for center operating costs.

The audit found that, overall, Job Corps contractors were complying with laws, regulations, and Job Corps policies and procedures related to center operating costs. However, the OIG did identify three areas of noncompliance that related to specific contractor operations and one area of noncompliance that was a crosscutting issue found at several centers. We believe that instances of noncompliance can result in over-billing to the government and an increased possibility of fraud through the manipulation of accounting records.

Among our recommendations to the Department were the following:

- One contractor should refund \$786,977, because its documentation did not substantiate that costs were reasonable and allowable.
- One contractor should refund \$38,235, because it exceeded the statutory limitations for compensation to one of its employees.
- Each center should provide written accounting policies and procedures.
- Corrective actions should be taken by five Job Corps centers at which accounting deficiencies were identified.

The Department agreed with our recommendations. ([Report 03-05-004-03-70, issued March 31, 2005](#))

Unemployment Insurance

The Unemployment Insurance (UI) program, a Federal-state partnership, is the Department's largest income maintenance program. This multibillion-dollar program primarily provides income maintenance to individuals who have lost their jobs through no fault of their own, as determined under state law. OIG investigations are currently identifying UI fraud schemes that are more complex, costly, and far-reaching than in the past. These include schemes involving identity theft and nontraditional organized crime groups. In recent years, the program has suffered losses in the millions of dollars because of a variety of fraud schemes. In addition to our investigative work, OIG audits conducted during this period questioned costs claimed by two states. Highlighted below are selected accomplishments.

Identity Theft Ring Member Ordered to Pay More Than \$7.5 Million

On March 7, 2005, Rosa Mandujano, the fifth defendant to be sentenced, received 57 months' incarceration and three years' probation and was ordered to pay more than \$7.5 million in restitution for her role in a UI identity theft scheme. In May 2003, nine members of the Mandujano family were indicted on various charges, including conspiracy, mail fraud, identity theft, and conspiracy to launder money. This investigation found that family members conspired to defraud the State of California UI program. They opened approximately 100 mailboxes and established several business bank accounts to launder the money obtained from the scheme. *U.S. v. Mandujano, et al.* (E.D. California)

Former Texas State Employee Charged in Multifaceted UI Fraud Scheme

On December 16, 2004, a former Texas Workforce Commission employee and five associates were indicted for allegedly conspiring in a mail fraud scheme to defraud the State of Texas UI program. The investigation revealed that the defendants allegedly defrauded the program of approximately \$500,000 in UI checks over a five-year period. One of the defendants allegedly assisted individuals in obtaining UI benefits that they were not entitled to receive. In addition, this defendant created several fictitious employers and solicited bribes to file and process fraudulent claims for UI benefits. This was a joint investigation with the Texas Workforce Commission.

Defendants Charged in Identity Theft Ring

On December 16, 2004, a California farm laborer and three of his associates were indicted on charges of mail fraud, aiding and abetting, conspiracy, identity theft, and conspiracy to launder money. The investigation revealed that the defendants allegedly used payroll records and lists with 700 stolen

identities to file fraudulent claims for UI benefits with the California Employment Development Department (CEDD). This is a joint investigation with CEDD and USPIIS.

Trucking Company Official Pleads Guilty in UI Fraud Scheme

The G.E. Robinson Trucking Company pled guilty to tax fraud charges, while Marshall Gilley, the company's vice president, pled guilty to mail fraud charges on February 22, 2005. The company submitted fraudulent claims for partial UI benefits, stating the hours worked and income received as zero, even though their truck drivers were working and being paid unreported cash. As a result of their plea agreement, the company will pay more than \$37,000 in back taxes to the IRS for causing the filing of a false tax return. Gilley has already made restitution of \$67,323. This was a joint investigation with the IRS CID. *U.S. v. Robinson, et al.* (N.D. Georgia)

Former Washington State Employee Pleads Guilty to Defrauding UI Program

On March 8, 2005, Stanley Green, a former employee of the Washington Air National Guard, pled guilty to mail fraud charges and agreed to pay restitution of more than \$172,000 to the Washington State Employment Security Department. The investigation revealed that Green had collected UI benefits using servicemen's identification information from payroll records. Green fraudulently submitted claims under 15 separate identities and received more than 350 checks. This investigation was conducted with the assistance of the Social Security Administration OIG and the Washington State Employment Security's Department's Office of Special Investigations. *U.S. v. Green* (W.D. Washington)

Audit Questions \$137,000 in Information Technology Charges by North Carolina

Over the past several years, the OIG has conducted audits of data processing and IT costs charged to DOL grants by State Workforce Agencies. Most of these costs are related to the states processing UI claims. We recently audited North Carolina's costs for state fiscal years (SFYs) 1997 through 2000.

The North Carolina State Workforce Agency procures IT services from another North Carolina agency, which is responsible for all IT services used by the North Carolina state government. During SFY 1997 through 2000, the IT services agency charged more than \$16.5 million for services, of which almost \$13 million was charged to DOL grants. These amounts were based on estimated costs, which the IT agency is supposed to later reconcile with actual costs and recover or refund the differences. However, we found that North Carolina did not adjust estimated costs charged to DOL programs to actual costs incurred for SFYs 1997 through 1999. We recommended that the ETA ensure that North Carolina adjust the IT service cost charged to DOL

grants based on actual cost information for those years and refund any amounts that were overcharged. Overall, we found that the State overcharged DOL \$137,149 for SFY 1998, which the State agreed to refund to DOL. ([Report 03-05-003-03-315, issued November 3, 2004](#))

Nearly \$350,000 in Costs Questioned in Audit of Arkansas Unemployment Insurance Program

In the same audit discussed in the Workforce Investment Act section of this report, the OIG reviewed an allegation that the State of Arkansas's Employment Security Department used UI grants to pay for a substantial amount of vacant office space in Little Rock, Arkansas. We determined that 67% of the leased building in question had been vacant since April 2003, resulting in \$347,586 of questionable space costs charged to UI grants from April 2003 through October 2004. If this situation continues, additional costs of \$18,294 per month will continue to be charged improperly to DOL grants.

We recommended that the Department disallow and recover from Arkansas the \$347,586 of UI funds paid for costs of vacant space through October 2004, plus any additional unallowable space costs incurred since November 2004. The State asserted that the Employment Security Department acted in good faith in making the decisions questioned in the OIG audit report. OIG's findings and recommendations remain unchanged. ([Report 06-05-002-03-390, issued March 31, 2005](#))

Office of Workers' Compensation Programs

The Employment Standards Administration's (ESA's) Office of Workers' Compensation Programs administers four major disability compensation programs, which provide wage replacement benefits, medical treatment, vocational rehabilitation, and other benefits to certain workers or their dependents who experience work-related injury or occupational disease. Two of these program are the Federal Employees' Compensation Program (FECA), and the Black Lung Benefits Program. In the FECA program alone, more than \$2.4 billion in medical and death benefits and wage loss compensation was paid from July 1, 2003, to June 30, 2004, with more than half of those benefits paid to injured employees of the U.S. Postal Service, the Department of the Navy, and the Department of the Army. It is important to note that the removal of a single fraudulent claimant from Federal benefit rolls creates, on average, a \$300,000–\$500,000 savings for the government.

Fraud Schemes Involving OWCP

The OIG investigates fraud against OWCP's programs. Medical provider fraud can involve upcoding or billing for services not rendered. Claimant fraud can involve the concealment or false reporting of employment and income by an individual who continues to receive program benefits or services. Below are selected examples of our investigations in this area.

- On January 20, 2005, a California physician was indicted on 188 counts of health care fraud and mail fraud violations for defrauding federal and private health care providers. The investigation revealed that the physician had allegedly submitted false billings to FECA, the Travelers Insurance Company, and the Medicare program for about a five-year period. By upcoding, billing for services not rendered, and unbundling, the physician allegedly netted fraudulent payments of approximately \$159,000. The defendant had been paid over \$400,000 for rendering medical services to more than 30 FECA claimants since 1999. This case was investigated by a federal task force, which includes the U.S. Postal Service OIG, the USPIS, the Health and Human Services OIG, the Drug Enforcement Agency, the State of California Medical Board, the City of Fremont Police Department, and the Travelers Insurance Company.
- On March 21, 2005, a Pennsylvania woman was charged with converting government money for personal use. She allegedly forged and cashed checks for her mother-in-law, a beneficiary of Black Lung benefits, whose eligibility for such payments ceased at her death in 1975. The total loss was more than \$96,000.
- Carole Connor pled guilty on November 14, 2004, for mail fraud. The investigation revealed that she had forged her deceased mother's signature on Black Lung benefit sheets and beneficiary's checks.

Over a period of 13 years, Conner fraudulently received more than \$71,000 in Black Lung benefits. *U.S. v. Connor* (S.D. Ohio)

- On March 31, 2005, Brian Tribble, a former postal employee, was convicted on charges of mail fraud, wire fraud, and making false statements to obtain FECA compensation. He was charged in December 2003 with falsifying information concerning his medical condition, as well as improvements in his condition that would allow him to return to work. Tribble had received approximately \$182,194 in direct compensation for work-related injuries. This investigation was a joint effort with the U.S. Postal Service OIG. *U.S. v. Tribble* (N.D. West Virginia)

Major Civil Settlement of \$325 Million Reached in Health Care Fraud Case

On December 30, 2004, HealthSouth Corporation agreed to pay \$325 million in a global settlement relating to findings that they defrauded OWCP, the Medicare program, and the Department of Defense's TRICARE program. OWCP's portion of the settlement was \$3.34 million. The investigation found that HealthSouth Corporation had billed for fraudulent outpatient therapy services and inpatient rehabilitation admissions. This investigation was conducted jointly with the U.S. Department of Health and Human Services OIG and the Office of General Counsel. *U.S. ex rel. James Devage v. HealthSouth Corporation, et al.* (W.D. Texas)

Inaccurate FECA Medical Bill Payments and Receivables Noted

As indicated in the Financial Management section of this report, during our audit of the Department's financial statements, we noted reportable conditions, two of which involve OWCP programs. OWCP contracts with a third party to perform medical bill processing. Our audit identified errors in the processing of medical bills. From a sample of 358 medical bills paid during October 1, 2003, to March 31, 2004, we found that 35 (10%) were not paid in the correct amount. ESA took steps to correct some of the weaknesses; our testing of the subsequent quarter found only 1 error in a sample of 47 (2.1%).

In addition, OWCP has not implemented a system to track and record medical bill overpayments as required by Joint Financial Management Improvement Program benefit system requirements. An *ad hoc* method of tracking and collecting overpayments has been set up until a receivable system can be implemented. The receivables will not be contained in the Department's general ledger until a system is implemented; until such time, accounts receivable will be understated.

Occupational Safety and Health Administration

The mission of the Occupational Safety and Health Administration (OSHA) is to ensure safe and healthful conditions for workers by authorizing the enforcement of the standards developed under the Occupational Safety and Health Act; to assist and encourage states in their efforts to ensure safe and healthful working conditions; and to provide for research, information, education, and training in the field of occupational safety and health. OSHA is responsible for the safety and health of workers in nearly every workplace in the United States.

More Than \$136K in Questioned Costs Identified in Audit of Indiana Consultation Program

OSHA provides funding to states through cooperative agreements to provide for free consultation services to employers. The consultation is a voluntary activity to be requested by employers who wish to learn about potential hazards at their workplace and how to eliminate or control the identified hazards within the agreed abatement period. Currently, 48 states (including Indiana) operate the OSHA on-site consultation programs, funded mainly by federal OSHA.

The Indiana Department of Labor (IDOL) was awarded more than \$1.9 million in OSHA funding to operate its on-site consultation program from October 1, 1999, through September 30, 2002. The OIG conducted an audit of IDOL to determine if funds for the cooperative agreements were expended in accordance with federal requirements. We found that IDOL lacked adequate management oversight and internal controls to ensure that procedures were followed. Our audit found Federal funds not expended in accordance with regulations, unallowable program costs, noncompliance with the cooperative agreements, and costs not supported by documentation. We questioned more than \$136,000 in costs.

We recommended that OSHA recover the questioned costs. In addition, we recommended, and IDOL agreed, that IDOL should ensure that costs claimed are adequately supported. IDOL disagreed or did not respond to our recommendations that it allocate employee costs to the cooperative agreement by using time reports and expend funds only for activities authorized by the cooperative agreements. ([Report 05-05-004-10-105, issued January 7, 2005](#))

OSHA Correctly Denied Nationally Recognized Testing Laboratory Application

OSHA requires that specified equipment and materials be tested and certified for safety by an OSHA-recognized organization. To enforce the standards, OSHA uses the Nationally Recognized Testing Laboratory (NRTL) program to identify organizations that meet OSHA standards for testing and certifying equipment and materials. Specific time period and testing scope are granted

if the applicant satisfactorily demonstrates capability in testing and evaluation of equipment, control of certified products, independence, and procedures to produce credible findings in accordance with OSHA standards.

In response to a hotline complaint, the OIG conducted a performance audit of OSHA's process to grant recognition as an NRTL. The complaint alleged negligence and misconduct by OSHA in the handling of an application for NRTL recognition. It also alleged that unqualified applicants received NRTL recognition, while the complainant's requests were ignored.

OSHA's records showed that the complainant did not meet two of the four primary requirements for recognition, and questions regarding compliance with a third primary requirement were never resolved. We determined that OSHA's decision was justified.

We did identify two areas where OSHA did not appropriately handle the complainant's application; however, these deficiencies did not adversely affect the outcome. We found that OSHA did not follow its regulations for accepting applications when processing the complainant's request for NRTL recognition and did not apply procedures for processing applications that were finalized while the application was open. We also identified two instances where either OSHA could not document any feedback or feedback was not timely.

We did not substantiate the allegation that OSHA unfairly favored several unqualified organizations by granting them NRTL recognition. Among our recommendations were that OSHA should make its procedures for review of laboratory independence mandatory under specified conditions, adhere to procedures when reviewing applications and performing on-site assessments so that incomplete applications are closed, and maintain a log of contacts with applicants. The agency agreed with our findings and recommendations and has begun to take corrective actions. In addition, OSHA indicated that it provided clarifications on the application process and its handling of the complainant's application. ([Report 05-05-002-10-001](#), issued March 31, 2005)

Charges Brought Against Company After Worker Dies on Construction Site

On December 9, 2004, the owner of a New York construction firm was indicted on multiple violations after a worker died in a worksite accident. The business owner was charged with making false statements, concealing facts in relation to documents required by ERISA, and violating OSHA standards. In addition, the investigation found that the owner allegedly employed illegal aliens and did not pay prevailing wages, as required on Federal job sites by the Davis-Bacon Act. The owner also allegedly made several collective bargaining agreements with Mason Tenders Union Local 79 under a variety of business names and failed to contribute to the funds. This joint investigation is being conducted with EBSA, ESA's Wage and Hour Division, OSHA, ICE, and the New York City Department of Investigation.

Legislative Recommendations

The Inspector General Act requires the OIG to review existing or proposed legislation and regulations and to make recommendations in the Semiannual Report concerning their impact on the economy and efficiency of the Department's programs and on the prevention of fraud and abuse.

Allow DOL Access to Wage Records

The Department of Labor and the Social Security Administration (SSA) currently have a memorandum of understanding (MOU) in place that allows State Workforce Agencies to access Social Security data on individuals who apply for Unemployment Insurance (UI). The MOU is a good first step. However, to reduce overpayments in employee benefit programs, including UI and FECA, the Department and the OIG need legislative authority to easily and expeditiously access state UI wage records, SSA wage records, and wage information from the National Directory of New Hires, which is maintained by the Department of Health and Human Services.

A provision in the State Unemployment Tax Authority (SUTA) Dumping Prevention Act of 2004 (Public Law 108-295) enables state agencies responsible for administration of unemployment compensation programs to obtain access to the National Directory of New Hires. By cross matching UI claims against this new-hire data, states could better detect overpayments to UI claimants who have gone back to work but who continue to collect UI benefits. However, this law does not provide DOL or the OIG with access to the National Directory of New Hires. Moreover, access to SSA and UI data would allow the Department to measure the long-term impact of employment and training services on job retention and earnings. Outcome information of this type for program participants is otherwise difficult to obtain.

Amend Pension Protection Laws

Legislative changes to ERISA and criminal penalties for ERISA violations would enhance the protection of assets in pension plans. To this end, the OIG recommends the following:

- Expand the authority of EBSA to correct substandard benefit plan audits and ensure that auditors with poor records do not perform additional plan audits. Changes should include providing EBSA with greater enforcement authority over registration, suspension, and debarment and the ability to levy civil penalties against employee benefit plan auditors. The ability to correct substandard audits and take action against auditors is important because benefit plan audits help protect participants and beneficiaries by ensuring the proper value of plan assets and computation of benefits.
- Repeal ERISA's limited-scope audit exemption. This provision excludes pension plan assets invested in banks, savings and loans, insurance companies, and the like from audits of employee benefit plans. The limited scope prevents independent public accountants

who are auditing pension plans from rendering an opinion on the plans' financial statements in accordance with professional auditing standards. These "no opinion" audits provide no substantive assurance of asset integrity to plan participants or to the Department.

- Require direct reporting of ERISA violations to DOL. Under current law, a pension plan auditor who finds a potential ERISA violation is responsible for reporting it to the plan administrator, but not directly to DOL. To ensure that improprieties are addressed, we recommend that plan administrators or auditors be required to report potential ERISA violations directly to DOL. This would ensure the timely reporting of violations and would more actively involve accountants in safeguarding pension assets, providing a first line of defense against abuse of workers' pension plans.
- Strengthen criminal penalties in Title 18 of the United States Code. Three sections of Title 18 serve as the primary criminal enforcement tools for protecting pension plans covered by ERISA. Embezzlement or theft from employee pension and welfare plans is prohibited by Section 664, making false statements in documents required by ERISA is prohibited by Section 1027, and giving or accepting bribes related to the operation of ERISA-covered plans is outlawed by Section 1954. Sections 664 and 1027 subject violators to 5 years' imprisonment, while Section 1954 calls for up to 3 years' imprisonment. We believe that raising the maximum penalties to 10 years for all three violations would serve as a greater deterrent and would further protect employee pension plans.

Provide Authority to Ensure the Integrity of the Foreign Labor Certification Process

If DOL is to have a role in the H-1B specialty occupations foreign labor certification process, it must have the statutory authority to ensure the integrity of that process, including the ability to verify the accuracy of information provided on labor condition applications. Currently, DOL is statutorily required to certify such applications, unless it determines them to be "incomplete or obviously inaccurate." Our concern with the Department's limited ability to ensure the integrity of the certification process is heightened by the results of OIG analysis and investigations that show that the program is susceptible to significant fraud and abuse, particularly by employers and attorneys.

Moreover, we believe that vulnerabilities in the foreign labor certification programs administered by DOL and other agencies could be remedied by the following changes, some of which are under discussion by a work group involving the OIG, ETA, OMB, and the Department of Homeland Security.

- All foreign nationals should have an eligibility determination by the U.S. Citizenship and Immigration Services before the employer's labor certification application is reviewed by DOL.
- DOL should have latitude and authority to deny applications for any misrepresentations or suspected fraud.

- Regulations should be job-specific and alien-specific, with documented assurances that the position actually exists.
- Foreign labor certifications should have an expiration date.
- Prohibit substitutions of employees for approved certifications.
- The sale, barter, and/or purchase of approved labor certifications and applications by an employer, alien, agent, attorney, or otherwise interested party should be prohibited and vigorously prosecuted.

Enhance the WIA Program Through Reauthorization

The reauthorization of the Workforce Investment Act (WIA) provides an opportunity to revise WIA programs to better achieve their goals. Based on our audit work, the OIG recommends the following:

- Improve state and local reporting of WIA obligations. A disagreement between ETA and the states about the level of funds available to states drew attention to the way WIA obligations and expenditures are reported. The OIG's prior work in nine states and Puerto Rico showed that obligations provide a more useful measure for assessing states' WIA funding status if obligations accurately reflect legally committed funds and are consistently reported.
- Modify WIA to encourage the participation of training providers. WIA participants use individual training accounts to obtain services from approved eligible training providers. However, performance reporting and eligibility requirements for training providers have made some potential providers unwilling to serve WIA participants.
- Support amendments to resolve uncertainty about the release of WIA participants' personally identifying information for WIA reporting purposes. Some training providers are hesitant to disclose participant data to states for fear of violating the Family Education Rights and Privacy Act.
- Include standard definitions that allow for consistent measurement of performance across states. The wide latitude that states have for defining key terms has resulted in a lack of consistency in states reporting against performance measures. This information affects the level of incentive funds that states will receive in future years.

Improve the Integrity of the FECA Program

The OIG continues to support reforms to improve the integrity of the FECA program. Implementing the following changes would result in significant savings for the Federal government:

- Move claimants into a form of retirement after a certain age if they are still injured.
- Return a 3-day waiting period to the beginning of the 45-day continuation-of-pay process to require employees to use accrued sick leave or leave without pay before their benefits begin.
- Grant authority to DOL to access Social Security wage records in order to identify claimants defrauding the program.

Appendix

Requirements Under the Inspector General Act of 1978

Section 4(a)(2)—Review of Legislation and Regulation	34
Section 5(a)(1)—Significant Problems, Abuses, and Deficiencies.....	All
Section 5(a)(2)—Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	All
Section 5(a)(3)—Prior Significant Recommendations on Which Corrective Action Has Not Been Completed.....	43
Section 5(a)(4)—Matters Referred to Prosecutive Authorities.....	2
Section 5(a)(5) and Section 6(b)(2)—Summary of Instances Where Information Was Refused	None
Section 5(a)(6)—List of Audit Reports	41
Section 5(a)(7)—Summary of Significant Reports	All
Section 5(a)(8)—Statistical Tables on Management Decisions on Questioned Costs	39
Section 5(a)(9)—Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	38
Section 5(a)(10)—Summary of Each Audit Report Over Six Months Old for Which No Management Decision Has Been Made.....	43
Section 5(a)(11)—Description and Explanation for Any Significant Revised Management Decision	None
Section 5(a)(12)—Information on Any Significant Management Decisions with Which the Inspector General Disagrees	None

Requirements Under Senate Report 96-829

Resolution of Audits	41
Money Owed to the Department.....	40

Agreed to by DOL

	Number of Reports	Dollar Value (\$ millions)
For which no management decision had been made as of the commencement of the reporting period	1	428.0
Issued during the reporting period		
Subtotal		
For which management decision was made during the reporting period:	0	0.0
• Dollar value of recommendations that were agreed to by management		0.0
• Dollar value of recommendations that were not agreed to by management		0.0
For which no management decision had been made as of the end of the reporting period	1	428.0

Implemented by DOL

	Number of Reports	Dollar Value (\$ millions)
For which final action had not been taken as of the commencement of the reporting period	6	12.8
For which management or appeal decisions were made during the reporting period		0.0
Subtotal		
For which final action was taken during the reporting period:	6	12.8
• Dollar value of recommendations that were actually completed		0.0
• Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed	1	0.1
For which no final action had been taken by the end of the period	5	12.7

Questioned Costs

	Number of Reports	Disallowed Costs (\$ millions)
For which no management decision had been made as of the commencement of the reporting period (as adjusted)	26	19.3
Issued during the reporting period	24	5.6
Subtotal	50	24.9
For which a management decision was made during the reporting period:		
• Dollar value of disallowed costs		0.8
• Dollar value of costs not disallowed		0.2
For which no management decision had been made as of the end of the reporting period	42	24.0
For which no management decision had been made within six months of issuance		18.5

Disallowed Costs

	Number of Reports	Disallowed Costs (\$ millions)
For which final action had not been taken as of the commencement of the reporting period (as adjusted)*	69	141.5
For which management or appeal decisions were made during the reporting period	7	0.4
Subtotal	76	141.9
For which final action was taken during the reporting period:**		
• Dollar value of disallowed costs that were recovered		2.5
• Dollar value of disallowed costs that were written off by management		0.0
For which no final action had been taken by the end of the reporting period	65	139.4

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

** Does not include \$16 million of disallowed costs that are under appeal.

(As of March 31, 2005 – \$ in millions)

Agency/Program	Accounts Receivable: Current	Accounts Receivable: Delinquent	Accounts Receivable: Total
BLS	0.1	0.1	0.2
Dept. Management	0.0	0.2	0.2
EBSA	0.4	9.8	10.2
Black Lung	37.7	3.1	40.8
FECA	23.8	24.9	48.7
Back Wage	8.0	19.8	27.8
CMP	0.5	4.4	4.9
ETA	11.1	.3	11.4
MSHA	1.0	26.4	27.4
OSHA	8.0	50.6	58.6
Total	90.6	139.6	230.2

Note: These figures are provided by DOL agencies, 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.

<u>Program Name</u> Name of Report	Date Issued	Report Number	# of Nonmonetary Recommendations	Questioned Costs (\$)
Employment and Training				
Veterans Employment and Training				
Single Audit: State of Florida	3/25/05	21-05-523-02-001	1	245,226
Foreign Labor Certification				
SFRO May Be Certifying Inaccurate, Deficient, or Possibly Fraudulent Applications for Foreign Labor Certification	3/29/05	06-05-001-03-321	3	
Job Training Partnership Act				
Single Audit: National Government of Federated States of Micronesia	3/23/05	21-05-513-03-340	1	12,130
Indian and Native American Program				
Single Audit: United Tribes of Kansas, Southeast Nebraska	3/23/05	22-05-528-03-355	1	
Older Workers Programs				
Single Audit: National Association of Retired People	2/8/05	22-05-538-03-360	6	17,203
Job Corps				
Performance Audit of Operating Costs: 10/1/03–3/31/04	3/31/05	03-05-004-03-370	6	825,212
Kittrell Job Corps Center: Manipulation of Student Attendance and Training Records	3/30/05	09-05-001-03-370	6	
School-to-Work Program				
Single Audit: McDowell County Action Network	3/23/05	21-05-515-03-385	4	50,000
Welfare-to-Work Program				
Single Audit: City of Savannah, Georgia: FY 02	12/9/04	22-05-510-03-386	2	6,600
Single Audit: City of Savannah, Georgia: FY 03	2/8/05	22-05-514-03-386	1	
Single Audit: Columbus Urban League, Inc.	2/8/05	22-05-549-03-386	1	28,000
Workforce Investment Act				
Dislocated Worker Retraining Demonstration Grant Awarded to Consortium for Worker Education, Inc.	12/9/04	02-05-201-03-390	0	
Complaint Involving the Citizen and Justice Academy, Gulfport, Mississippi	3/31/05	04-05-003-03-390	0	
Missouri Service Delivery Area 7	3/17/05	05-05-001-03-390	2	
Allegations Regarding ETA Funds Granted to Arkansas	3/31/05	06-05-002-03-390	0	1,207,490
Single Audit: United Sioux Tribe	3/22/05	21-05-510-03-390	2	
Single Audit: Tohono O'Odham Nation	3/23/05	21-05-514-03-390	1	36,364
Single Audit: State of Louisiana	3/22/05	21-05-520-03-390	1	
Single Audit: Ball State University	12/9/04	22-05-508-03-390	1	197,226
Single Audit: Louisville Area Commerce, Inc.	2/8/05	22-05-513-03-390	3	55,493
Single Audit: Commonwealth of Puerto Rico	2/8/05	22-05-525-03-390	2	
Single Audit: Lorain County Community College	2/8/05	22-05-526-03-390	1	
Single Audit: State of Illinois	2/8/05	22-05-536-03-390	5	
Goal Totals		23	50	2,680,944
Worker Benefits				
Unemployment Insurance Program				
North Carolina Employment Security Commission's ADP/IT Central Services Costs Charges to DOL Grants During the Period 7/1/96–6/30/00	11/3/04	03-05-003-03-315	0	137,159
Single Audit: Government of the U.S. Virgins Island: FY 02	3/23/05	21-05-507-03-315	5	296,425
Single Audit: Government of the U.S. Virgins Island: FY 01	3/23/05	21-05-516-03-315	9	41,805
Single Audit: State of Florida	3/25/05	21-05-521-03-315	5	433,040
Single Audit: State of Connecticut	10/25/04	22-05-501-03-315	1	
Federal Employees Compensation				
Special Report on the FECA Special Fund	10/15/04	22-05-003-04-431	0	
Employee Benefits Security Administration				
FISMA : EBSAs ERISA LAN WAN	3/14/05	23-05-001-12-001	4	
Goal Totals		7	24	908,429

<u>Program Name</u> Name of Report	Date Issued	Report Number	# of Nonmonetary Recommendations	Questioned Costs (\$)
Worker Safety, Health, and Workplace Rights				
Mine Safety and Health				
MSHA Procurements Showed a Pattern of Disregard for Federal and DOL Acquisition Rules and Requirements	10/29/04	25-05-001-06-001	1	
Occupational Safety and Health				
OSHA Correctly Denied ED&D's NRTL Application	3/31/05	05-05-002-10-105	6	
Complaint on 21(d): Consultation Grant—Indiana DOL, Bureau of Safety, Education, and Training	12/22/04	05-05-003-10-105	2	
Indiana DOL OSHA Consultation Grant Audit	1/7/05	05-05-004-10-105	8	136,241
Goal Totals		4	17	136,241
Departmental Management				
ETA Management				
Single Audit: Oglala Sioux Tribe	3/22/05	21-05-500-03-001	7	268,253
Single Audit: Organization of American Trust for America	2/8/05	22-05-523-03-001	3	
Single Audit: National Puerto Rican Forum, Inc.	2/8/05	22-05-524-03-001	1	236,519
Single Audit: California State University	2/8/05	22-05-541-03-001	1	20,000
OASAM Management				
DOL-wide Reportable Conditions Resulting from Audit of General, Application, and Security Controls for Selected DOL IT Systems That Support the Financial Statements FY 04	10/18/04	23-05-004-07-001	5	
FISMA: Executive Summary Report	10/6/04	23-05-008-07-001	0	
Information Technology Center				
Award and Management of Contracts for Encryption Software Were Significantly Flawed	3/31/05	05-05-005-07-720	8	
Bureau of Labor Statistics				
FISMA: BLS Consumer Price Index System	3/22/05	23-05-005-11-001	4	
Office of the Chief Financial Officer				
DOL Report on Findings and Recommendations Identified in an Audit of the Performance and Accountability Rpt., 9/30/04	12/20/04	22-05-001-13-001	6	
AUP for Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Semiannual Headcount	10/7/04	22-05-002-13-001	0	
FY 2004 Independent Auditor's Report	11/15/04	22-05-004-13-001	0	
Special Purpose Report: Closing Package	11/18/04	22-05-005-13-001	0	
Independent Accountant's Report on the Application of AUP for the Federal Intragovernmental Activity and Balances	12/2/04	22-05-006-13-001	0	
Audit of General, Application, and Security Controls for Selected OCFO IT systems That Support the Financial Statements FY 04	10/18/04	23-05-002-13-001	36	
PeoplePower Application Controls Audit	10/18/04	23-05-003-13-001	52	
Multi-Agency Programs				
Single Audit: South Carolina Employment Security	3/23/05	21-05-512-50-598	10	
Single Audit: Government of Guam	3/22/05	21-05-518-50-598	4	971,770
Single Audit: State of Maine	3/22/05	21-05-519-50-598	8	
Single Audit: Automotive Youth Educational Systems, Inc.	3/25/05	21-05-524-50-598	2	
Single Audit: State of Florida	3/25/05	21-05-526-50-598	13	290,824
Single Audit: State of Colorado	10/27/04	22-05-506-50-598	5	40,100
Single Audit: State of Oklahoma	10/26/04	22-05-507-50-598	5	
Single Audit: Friends of Island Academy	12/10/04	22-05-512-50-598	2	
Single Audit: Quality Control Review: AARP	12/08/04	22-05-515-50-598	0	
Single Audit: State of Washington	2/8/05	22-05-522-50-598	2	86,117
Single Audit: AFL-CIO Appalachian Council	2/8/05	22-05-533-50-598	2	
Goal Totals		26	176	1,913,583
Report Totals		60	267	5,639,197

Agency/ Program	Date Issued	Name of Audit	Report Number	# of Recommendations	Questioned Costs (\$)
Nonmonetary Recommendations and Questioned Costs Being Resolved in Conjunction with DOL-Consolidated Financial Statement Audit					
CFO/Admin	2/27/98	FY 97 Consolidated Financials	12-98-002-13-001	1	
CFO/Admin	2/29/00	FY 99 DOL Consolidated Financial Statement	12-00-003-13-001	2	
CFO/Admin	3/27/02	Consolidated Financial Statement Findings and Recommendations	22-02-004-13-001	1	
CFO/Admin	3/31/04	Performance and Accountability Audit, CFO Findings and Recommendations	22-04-002-13-001	2	
Final Management Decision Issued by Agency Did Not Resolve; OIG Negotiating with Program Agency					
ETA/JTPA	9/25/98	Cherokee Nation	06-98-009-03-340	1	
ETA/OJC	9/22/99	Talking Leaves Job Corps Center	06-99-010-03-370	9	
ETA/UIS	4/17/00	Single Audit: State of Louisiana	18-00-534-03-315	2	
ETA/SESA	8/23/00	Single Audit: State of Florida	12-00-514-03-325	2	
ETA/JTPA	3/6/00	Single Audit: State of Iowa: 1998	18-00-529-03-340	1	
ETA/JTPA	9/29/00	Single Audit: Commonwealth of Kentucky: 1998	12-00-528-03-340	4	
ETA/UIS	9/21/01	Ohio Department of Job and Family Services Y2K Grant Expenditures	04-01-006-03-315	4	1,085,283
ETA/UIS	9/13/02	State of Maryland Workforce Agency UI Tax and Benefit Information System	23-02-008-03-315	14	
ETA/Admin	9/30/02	Single Audit: DC Department of Employment Services	22-02-508-03-001	4	
ETA/UIS	9/13/02	UI Tax and Benefit Information System Security	23-02-009-03-315	9	
ETA/DINAP	2/13/02	Dallas Inter-Tribal Center	06-02-001-03-355	1	
CFO/Admin	12/19/02	DOLAR\$ Application Control Review	23-02-003-13-001	3	
DOL/Multi	8/6/02	Single Audit: State of Florida	22-02-512-50-598	2	38,799
DOL/Multi	7/19/02	Single Audit: State of Ohio	22-02-516-50-598	5	
VETS/Admin	9/22/03	Veterans' Employment and Training Department of Unemployment	23-03-012-02-001	8	
ETA/Admin	5/28/03	Single Audit: State of Louisiana	22-03-502-03-001	2	
ETA/Admin	4/24/03	Single Audit: State of Michigan Department of Unemployment	22-03-505-03-001	2	
ETA/Admin	9/29/03	Single Audit: Sokaogan Chippewa Community	22-03-515-03-001	3	29,394
ETA/UIS	9/30/03	Improved Quality Control Practices Within the Benefit Accuracy Measurement System Could Save the UI Trust Fund Approximately \$400 Million Annually	22-03-009-03-315	4	
ETA/UIS	9/29/03	Single Audit: State of Maryland	22-03-526-03-315	1	
ETA/UIS	9/30/03	Single Audit: State of Colorado	22-03-529-03-315	2	
ETA/UIS	3/11/03	UI Tax and Benefit Information System Security: MI	23-03-003-03-315	53	
ETA/UIS	2/27/03	UI Tax and Benefit Information System Security: CA	23-03-005-03-315	1	
ETA/WIA	9/29/03	Single Audit: State of Utah	22-03-528-03-390	1	
MSHA/Admin	9/22/03	GISRA Audit: Imaging Management System	23-03-011-06-001	1	
OSHA/Admin	9/30/03	Evaluation of OSHA's Handling of Immigrant Fatalities in the Workplace	21-03-023-10-001	1	
BLS/Admin	3/31/03	2002 GISRA Audit of Bureau of Labor Statistics: CES	23-03-001-11-001	1	
BLS/Admin	9/22/03	GISRA Audit of the Bureau of Labor Statistics: CPS	23-03-013-11-001	3	
ETA/Admin	2/3/04	Single Audit: Boston Private Industry Council, Inc.	22-04-500-03-001	1	
ETA/Admin	3/18/04	Single Audit: Commonwealth of Kentucky	22-04-505-03-001	2	
ETA/Admin	3/18/04	Single Audit: New Mexico Department of Labor	22-04-514-03-001	40	373,369
ETA/Admin	3/19/04	Single Audit: State of California	22-04-524-03-001	1	
ETA/DSFP	3/22/04	Arkansas Human Development Corporation	21-04-001-03-365	1	

Agency/ Program	Date Issued	Name of Audit	Report Number	# of Recommendations	Questioned Costs (\$)
ETA/WIA	3/18/04	Single Audit: Seattle Indian Center	22-04-502-03-390	2	
ETA/WIA	8/30/04	Single Audit: United Sioux Tribe of South Dakota	22-04-531-03-390	2	
ESA/Admin	9/30/04	Audit of General Application and Security Controls for Selected ESA IT Systems That Support the Financial Statements FY 04	23-04-024-04-001	4	
Final Management Decision Being Evaluated by the OIG					
ETA/Admin	8/3/04	Single Audit: State of North Carolina	22-04-518-03-001	8	5,085
ETA/Admin	5/5/04	Single Audit: Navajo National Tribal Entities	22-04-544-03-001	13	66,080
ETA/Admin	9/2/04	Single Audit: Commonwealth of Kentucky	22-04-548-03-001	5	
ETA/Admin	9/30/04	Single Audit: State of Ohio	22-04-563-03-001	4	
OSEC/OALJ	9/9/04	FISMA Audit: Office of Administrative Law Judges WAN	23-04-013-01-060	1	
OSEC/OALJ	9/9/04	FISMA Audit: Office of Administrative law Judges CTS	23-04-014-01-060	1	
ETA/Admin	9/30/04	Audit of General Application and Security Controls for Selected ETA IT Systems	23-04-023-03-001	38	
ETA/UIS	9/30/04	FISMA Audit: Missouri UI Tax and Benefit System	23-04-016-03-315	2	
ETA/UIS	9/30/04	FISMA Audit: Washington UI Tax and Benefit System	23-04-017-03-315	1	
ETA/UIS	9/30/04	FISMA Audit: Florida UI Tax and Benefit System	23-04-018-03-315	1	
ETA/UIS	9/30/04	FISMA Audit: ETA UI Connection Network	23-04-027-03-315	9	
MSHA/Admin	9/30/04	Audit of General Application and Security Controls for Selected MSHA IT Systems That Support the Financial Statements FY 2004	23-04-019-06-001	5	
OSHA/Admin	9/30/04	OSHA Future System Development Efforts Require Greater Use of Best Practices	23-04-009-10-001	4	
EBSA/Admin	9/30/04	FISMA Audit: EBSA's ERISA EFAST	23-04-011-12-001	22	
Final Management Decision Being Appealed					
ETA/SESA	12/8/99	Puerto Rico Dept. of Labor and Human Resources	02-00-203-03-325	6	
Final Management Decision Not Yet Issued; Agency Awaiting Response from Internal Revenue Service					
EBSA	3/29/02	Improved Oversight of Cash Balance Plan Lump Sum Distributions Is Needed	09-02-001-12-121	2	
Final Management Decision Not Yet Issued by Agency					
ETA/UIS	9/21/01	California Employment Development Department's Year 2000 Grant Expenditures	04-01-008-03-315	5	848,643
ETA/UIS	1/25/02	New York AUP Year 2000 Grant Expenditures	04-02-003-03-315	4	3,976,331
ETA/Admin	4/30/03	Single Audit: State of Indiana	22-03-512-03-001	4	50,707
ETA/Admin	5/29/03	Single Audit: State of Rhode Island	22-03-514-03-001	7	578,000
ETA/WIA	9/30/03	Services Provided and Outcomes Obtained for Participants Enrolled in the WIA Dislocated Workers Program During Program Year 2000	02-03-204-03-390	10	
ETA/WIA	9/30/03	Evaluation of WIA Youth Program	06-03-006-03-390	1	
VETS/Admin	12/4/03	Rehabilitation Services and Veterans Programs, Albuquerque, New Mexico	06-04-001-02-001	2	1,593,700
VETS/Admin	4/30/04	U.S. Veterans Initiatives	22-04-508-02-201	1	
ETA/Admin	8/31/04	Single Audit: State of West Virginia	22-04-516-03-001	8	
ETA/Admin	3/29/04	Single Audit: National Restaurant Association Education Fund	22-04-522-03-001	2	37,000
ETA/Admin	8/31/04	Single Audit: State of Montana	22-04-545-03-001	7	57,000
ETA/Admin	8/31/04	Single Audit: State of California	22-04-565-03-001	2	
ETA/Admin	9/30/04	Single Audit: SEIU Training and Upgrading	22-04-567-03-001	3	60,158

Agency/ Program	Date Issued	Name of Audit	Report Number	# of Recommendations	Questioned Costs (\$)
ETA/UIS	9/30/04	New Hires Detection Is a Better Method for Establishing UI Overpayments Than the Wage UI/Benefit Cross Match	05-04-002-03-315	3	
ETA/UIS	8/31/04	Single Audit: State of Rhode Island	22-04-561-03-315	7	175,715
ETA/FLC	9/30/04	Restoring Section 245(i) of the Immigration and Nationality Act Created a Flood of Poor-Quality Foreign Labor Certification Applications Predominantly for Aliens Without Legal Work Status	06-04-004-03-321	2	
ETA/SESA	3/31/04	Evaluation of North Carolina Growers Association	04-04-008-03-325	4	
ETA/SESA	9/30/04	Despite Assurances to the Contrary, DOL Has Not Maintained Accountability Over Equity in Real Property Held by States	06-04-002-03-325	8	
ETA/SESA	9/30/04	State Workforce Agencies' WIA Grant Programs Are Accruing Federal Equity in Real Properties	06-04-003-03-325	1	
ETA/OTAA	9/30/04	Alert Report: Health Coverage Tax Credit	02-04-204-03-330	4	
ETA/JTPA	9/3/04	Single Audit: Bennett College	22-04-510-03-340	2	50,645
ETA/JTPA	8/20/04	Single Audit: Phoenix Indian Center	22-04-533-03-340	4	
ETA/DOWP	9/24/04	Single Audit: Oglala Sioux Tribe	22-04-562-03-360	2	571,319
ETA/WTW	9/30/04	Performance Audit of South Florida Workforce Board Welfare-to-Work Formula Grant	04-04-002-03-386	7	8,406,966
ETA/WIA	8/16/04	Single Audit: Council of Southern West Virginia	22-04-527-03-390	2	
ETA/WIA	5/7/04	Single Audit: Oglala Sioux Tribe	22-04-543-03-390	11	476,733
Total Nonmonetary Recommendations and Questioned Costs				438	18,480,927
Cost Efficiencies					
ETA/UIS	9/30/03	Improved Quality Control Practices Within the Benefit Accuracy Measurement System Could Save the Unemployment Insurance Trust Fund Approximately \$400 Million Annually	22-03-009-03-315	1	428,000,000
Total Cost Efficiencies				1	428,000,000
Total Nonmonetary Recommendations, Questioned Costs, and Cost Efficiencies				439	446,480,927

	Division Totals	Totals
Cases Opened:		
Program Fraud	156	
Labor Racketeering	56	212
Cases Closed:		
Program Fraud	127	
Labor Racketeering	37	164
Cases Referred for Prosecution:		
Program Fraud	191	
Labor Racketeering	123	314
Cases Referred for Administrative/Civil Action:		
Program Fraud	112	
Labor Racketeering	53	165
Indictments:		
Program Fraud	170	
Labor Racketeering	132	302
Convictions:		
Program Fraud	124	
Labor Racketeering	93	217
Debarments:		
Program Fraud	46	
Labor Racketeering	42	88
Recoveries, Cost Efficiencies, Restitutions, Fines/ Penalties, Forfeitures, and Civil Monetary Actions:		
Program Fraud	\$23,988,853	
Labor Racketeering	\$25,665,948	\$49,654,801

Recoveries: (The dollar amount/value of an agency's action to recover or reprogram funds or to make other adjustments in response to OIG investigations)	\$2,747,565
Cost Efficiencies: (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)	\$24,976,239
Restitutions: (The dollar amount/value of restitutions resulting from OIG criminal investigations)	\$14,957,264
Fines/Penalties: (The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations)	\$1,607,819
Civil Monetary Actions: (The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, or other penalties resulting from OIG civil investigations)	\$5,365,914
Total	<u>\$49,654,801</u>

	Convicted	Sentenced	Monetary
Foreign Labor Certification			
Afzal, Muhammad	X	X	\$100
Akhter, Naveed	X		
Ali, Zulfiqar	X		
Aliffin, Johnson	X		
Altman, Angela	X	X	
Bablu, Mohamad		X	\$22,100
Beiner, April		X	
Bertucci, Jessica		X	\$100
Carvalho-Silva, Renato	X		
Chee, Manlin	X		
Cheema, Nasir		X	\$23,000
Demalteris, Lillian		X	
Desouza, Joao	X		
Dimele, Cynthia		X	
Dizon, Arnel	X		
Farella, Frank		X	\$267,000
Flores, Teasha		X	\$100
Gandasaputra, Jenny	X		
Gandasaputra, Megawaty	X		
Giandanoto, Melissa		X	
Gouw, Isnianti	X		
Grimes-Hardie, Barry		X	\$5,100
Gutierrez, Debra		X	
Halim, Surya	X	X	\$10,200
Huh, Michael	X	X	\$1,900
Hussain, Jamal	X		
Irsan, Willy	X	X	\$10,100
Javaid, Abdul	X		
Jia, Alice	X		
Jeanty, Marc	X		
Karageorge, Silvy	X	X	\$20,100
Kaufman, Sidney		X	\$2,200
Kelly, Karen		X	
Kembuan, Hanny	X	X	\$100
Kim, Doore	X	X	
Kumala, Nany	X		
Mederos, Paul		X	\$211,000
Moreira, Marcelo	X		
Murillo, Christina	X	X	\$100
Nascimento, Norton	X		
Nugroho, Lestari	X	X	\$100
Nystrom, Eric	X		
Patel, Nayan		X	\$100
Raiser, Cynthia		X	
Resurreccion, Tess	X		
Saifi-Chowdhury, Mohamad		X	\$21,100
Santanastasio, Louise		X	
Scarpa, Mildred	X	X	
Sigmon, Ujawala	X		
Supomo, Achnita	X	X	\$100
Susanto, Danny	X		

	Convicted	Sentenced	Monetary
Tanudjaja, Herman	X	X	
Tanudjaya, Sari	X		
Valencia, Arturo	X		
Vasconi, Angelo	X		
Vera, Teresa		X	
Wright, Michael	X	X	\$51,600
Warong, Albert	X		
	39	33	\$646,200
Employee Misconduct			
Blade, Stephanie	X	X	
Brown, Kevin		X	\$12,100
Caterina, Michael	X	X	\$3,730
Ennis, Cheryl	X	X	\$1,300
Gayle, Marjorie	X		
Khattak, Salahuddin	X	X	
Reilly, Brian		X	
Roberts, Lori		X	\$14,772
Robinson, Tracey		X	\$10,697
Rudolph, Joe		X	\$1,600
Whipple, James	X	X	\$2,500
	6	10	\$46,699
ESA: Black Lung			
Connor, Carole	X		
Holland, Lillian	X	X	\$21,942
Williams, Anthony		X	\$5,457
	2	2	\$27,399
ESA: FECA			
Barnard, Lovie	X		
Benedetto, Michelle	X	X	\$25,216
Brown, Frisella	X	X	\$100
Calamari, Gail		X	\$1,113
Cazeno, Erroll		X	\$58,333
Chambliss, Emmitt	X	X	\$8,447
Cox, Ina	X		
Crawford, Maggie	X		
Distasio, Romeo	X		
Garth, Sandra		X	\$55,842
Guerrero, Rene	X		
HealthSouth Corporation			\$3,340,000
Hilliard, Michael		X	\$20,355
Holtz, Timothy	X		
Jackson, Alice		X	\$201,242
Kortright, John	X		
Lambert, Shane		X	\$572
Mangrum, Cecil	X		
Merritt, Lena	X		
Mills, Brenda, M.D.	X	X	\$84,212
Morrison, James, M.D.		X	\$38,977
Parker, Donna		X	\$500
Podgers, Susan	X		
Rocha, Gregory	X	X	\$3,600
Rose, James	X		

	Convicted	Sentenced	Monetary
Ross, Joan	X		
Saldana, Brenda	X		
Sanders, Cynthia	X	X	\$60,000
Tribble, Brian	X		
"Pre-trial Diversion"		X	\$21,000
Washington, Kyana	X	X	\$21,248
White, Rea	X	X	\$11,172
Wood, Ray		X	\$36,202
Wright, Robert		X	\$44,106
Wright, Tommy	X	X	\$54,181
Young, Scott		X	\$16,018
	23	21	\$4,102,436
ESA: Longshore			
Paulmero, Gregory		X	\$485
Pyzik, Edward		X	\$34,780
		2	\$35,265
ESA: Wage and Hour			
Botello, Elias	X		
D & T Mirror and Glass	X		
Garcia, Jose I.	X		
Garcia, Jose J.	X		
Garcia, Maria	X		
Madonna, Anthony	X		
Manginelli, Tony	X	X	\$150,000
Zakheim, Steve		X	\$25,025
	7	2	\$175,025
ETA: Unemployment Insurance/SWA			
Abdou, Mohamed		X	
Anderson, Scott	X	X	\$108,610
Andriatti, Tess	X	X	\$108,106
Barrios, Marcial		X	\$100
Benjamin, Rynch	X		
Botello, Domingo	X	X	\$4,245
Botello, Jose	X	X	\$9,396
Botello, Octavio	X	X	\$8,023
Boykin, Amber	X	X	\$13,539
"Pre-trial Diversion"	X	X	\$4,999
Engel, Donald		X	\$621,385
Espana-Villasenor, Martin	X		
Espino, Ruben		X	\$390,511
G. E. Robinson Company, Inc.	X		
Gilley, Marshall	X		
Green, Stanley	X		
Hall, Alfonzo		X	\$21,445
Harris, Darryl		X	\$6,600
Homsy, Alan		X	\$149,648
Kent, Cedric		X	\$53,463
Jackson, Ricco	X	X	\$6,817
Labinjo, Barbara	X	X	\$6,501
Leatherwood, Joyce	X	X	\$2,460
Longmire, Tracey	X	X	\$6,359
Lopez, Domitilo	X	X	\$4,317

	Convicted	Sentenced	Monetary
Lopez, Miguel	X	X	\$6,388
Madrid, Milady		X	\$100
Mandujano, Rosa	X	X	\$7,505,213
Mandujano, Antonio	X		
Marroquin, Marcelo	X		
McCoy, Sonya	X	X	\$2,202
Mendoza-Adam, Nicholas		X	\$500
Mills, Karen	X	X	\$8,024
Monge-Pascacio, Hipolito		X	\$698,059
Moore, Erick	X	X	\$109
Murillo, David		X	\$51,664
Nguy, Binh		X	
Owens, Gracie	X	X	\$3,986
Parrish, Roger		X	\$6,510
Perez-Luviano, Victorino	X	X	\$1,000
Ramirez, Eusebio	X	X	\$5,121
Ramirez-Cuna, Edilberto	X		
Richie, Irma		X	\$51,664
Richie, Mary		X	\$51,664
Rivera, Cecilia	X		
Rivera, Florentino	X	X	\$4,995
Rivera, Oswaldo	X		
Sanchez, Cristin	X	X	\$5,180
Smith, David		X	\$44,640
Soto, Martin	X	X	\$12,787
Soto, Nelson		X	\$100
Thoim, Oeun	X	X	\$27,399
Torres, Antonio	X	X	\$7,034
Villalobos, George	X	X	
Vo, Kimberly		X	
Vo, Tuyen		X	\$788,512
Watkins, Yolanda	X	X	\$2,564
Zarraga-Rodrigues, Roberto	X	X	\$5,222
Zavala, Elber		X	\$500
	38	49	\$10,817,661
ETA: JTPA			
Robinson, Steven	X		
	1		
ETA: WIA			
Dotson, Anthony	X	X	\$36,149
Marlowe, Irma	X	X	\$21,582
Veret, Bianca		X	\$200
	2	3	\$57,931
ETA: WOTC			
Friedlander, Paul		X	\$10,100
Johnson, Samuel	X	X	\$200
	1	2	\$10,300
Benefit Plan			
"Pre-trial Diversion"	X	X	\$8,036
Alessio, Frank	X	X	\$20,000
Bondanza, John	X		
Bray, Ronald	X		

	Convicted	Sentenced	Monetary
Burrough, Hank	X	X	\$4,000
Cacioppo, Anna		X	\$600
Cacioppo, Charles, Jr.		X	\$51,400
Cooke, Linda	X		
Donato, Susan	X		
Dunn, Ralph		X	\$148,084
Garafola, Mario	X		
Gildea, Mary	X		
Gomez, Carlos	X		
Gurevich, Maksim	X		
Harnisch, Ronald		X	\$20,100
Ihle, Paul		X	\$33,500
Johnson, Christi	X		
Johnson, Michael	X		
Joyce, Robert	X		
Kirkland, Dean		X	\$23,156
Kisting, Thomas		X	\$17,100
Kvasnicka, Philip		X	\$49,333
Lambka, Dennis	X		
Linder, Michael	X		
Manous, Peter		X	\$200,800
Miller, Edward Jr.	X		
Nardone, Joseph Jr.	X		
Nardone, Joseph Sr.	X		
Pastrick, Kevin		X	\$178,200
Raspino, Eliana	X		
Respler, Jeffrey	X		
Schreier, Fred	X	X	\$26,691
Sita, Carmelo	X		
Stevenson, Ann	X		
Sullo, Joseph	X		
Tripodi, Vincent	X		
Waters, Thomas	X	X	\$59,652
	27	15	\$840,652
Internal Union			
Bitetto, Frank		X	
Bondi, Richard	X	X	\$120
Brancato, Jerome		X	\$16,000
Browne, Walter		X	\$592,996
Chierchio, Christopher		X	\$25,000
Devaney, Patricia		X	\$87,850
Dinallo, Louis	X		
Duff, James	X		
Egizzi, Vincent	X		
Gannon, Charles	X		
G'sell, Eugene		X	
Leahy, John	X		
Lenardo, Joseph	X		
Marchito, Michael	X		
Mortimer, Richard	X		
Piacenti, Peter	X	X	\$3,500
Pick, Heather		X	\$38,781

	Convicted	Sentenced	Monetary
Ruel, John	X		
Seals, Jason	X		
Smith, Scot	X		
Stratton, William	X		
Toland, Wendell	X		
Versmesse, Larry		X	\$13,100
Wiesniewski, Edward	X		
	16	10	\$777,347
Labor Management			
Adams, Dennis	X		
Aleks, Robert	X		
Ariola, Thomas	X		
Arthur Watson and Company	X		
Bader, Lawrence		X	\$240,000
Bilancione, Carlo	X		
Buckley, Paul	X		
Carollo, Anthony Jr.	X	X	\$3,100
Carrara, Carl Jr.	X	X	\$3,100
Centorino, Vincent		X	\$55,000
Cerrone, Anthony	X		
Clemente, Emil	X	X	\$10,100
Conway, James	X	X	
"Sealed"		X	\$794,850
Cross, Wayne		X	\$70,100
Deluca, Pasquale	X	X	\$100
DeRoss, John	X	X	\$100
D'Errico, Anthony	X	X	\$2,000
DiNino, Robert	X		
Don Adams Roofing	X		
Duffy, William	X	X	\$3,100
Fagello, William		X	\$107,200
Falco, Brian		X	\$100
Fidler, John		X	\$300
Gallo, Aldo	X	X	\$2,100
"Sealed"		X	\$760,719
Geraghty, Raymond		X	\$100
Gray, Francis	X		
Grecco, Gerard	X		
Ingelese, Louis Jr.	X	X	\$3,100
Ingelese, Pasquale	X		
Koski, Elizabeth		X	\$6,100
Lanza, Harry		X	\$2,100
Lepore, Raymond		X	\$71,000
Lombardi, Gary	X	X	\$3,100
Lyles, Kimberly	X		
Mak, Martin	X	X	
Markle, Steven	X		
Martin, Jason	X		
Mascarella, James	X	X	\$3,100
McDonagh, Martin	X		
McGuire, Thomas	X		
McNamara, Thomas	X		

	Convicted	Sentenced	Monetary
McKeown, James	X		
Moscatiello, Louis, Jr.	X		
Moscatiello, Louis, Sr.	X	X	\$50,600
Murphy, Daniel	X		
Nagle, Jim		X	\$6,100
Nicchia, Biagio	X	X	\$4,100
Panessa, Gene	X		
Persico, Lawrence	X	X	\$759,582
Proto, Anthony		X	\$70,100
Quaranta, Anthony	X		
Rappoli, Frank		X	\$2,100
Ricciardo, Vincent	X		
Riccitelli, Victor	X		
Romania, Raffaele	X	X	\$3,100
Ronan Potts, LLC		X	\$417,400
Ruggerio, John	X		
Santucci, Steven	X	X	\$3,100
Sarracco Heating & Air Conditioning	X		
Shrader, Timothy	X		
Torres, Angelo	X		
Walston, Irving		X	\$15,812
Watts, Michael	X		
	48	35	\$3,472,563
Worker Exploitation			
Castro, Alfonzo	X	X	\$3,832
Chau, Michael	X		
Chau, Kevin		X	\$2,000
Dinh, Coung		X	
Espinoza-Cruz, Angel		X	
Kim, James		X	\$2,000
Lee, Chris	X		
Lopes, Braulio		X	
Mendoza-Martin, Maria	X	X	
Peipong, Xue		X	\$2,000
Trisanti, Mariska		X	
	4	9	\$9,832

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 1,846 contacts. Of these, 1,688 were referred for further review.

Allegation Reports by Source:

Calls, Correspondence, and Walk-ins from Individuals or Organizations	1,796
Correspondence from Congress	2
Correspondence from DOL Agencies	10
Letters from Non-DOL Government Agencies	30
Incident Reports from DOL Agencies	2
Reports by OIG Components.....	6
Total	1,846

Allegation Reports by Referral:

Referred to OIG Components	86
Referred to DOL Program Management.....	677
Referred to Other Agencies	925
Total	1,688

