

United States Department of Labor
Office of Inspector General



Semiannual Report to the Congress
April 1, 1999-September, 30, 1999
Volume 42

This Semiannual Report of the Office of Inspector General (OIG) details some of our most significant accomplishments for the period April 1, 1999–September 30, 1999. During this period, the OIG focused its audit and investigative resources on activities that support accomplishment of our strategic plan goals. The OIG goals reflect my vision to provide the Department of Labor (DOL) and Congress with quality information, recommendations, and technical assistance. Our approach has been to augment our traditional independent audit and investigative roles by working collaboratively and constructively with the Department. We have done so for a number of major departmental initiatives to identify, early in the process, possible impediments that may affect the success of DOL in administering its programs and in serving the American public. The following are illustrative of recent activities to this end:

- Conducting 17 Welfare-to-Work Program audits to help the Employment and Training Administration (ETA) ensure that the program is effective in assisting welfare recipients to obtain employment and self-sufficiency. The audits assessed the grantees' capability to administer their grant responsibilities by identifying vulnerabilities and recommending corrective action before funds are misspent.
- Working with ETA to jointly develop information that will assist ETA in finalizing regulations on administrative costs under the Workforce Investment Act.
- Responding to a request for audit services from the Bureau of Labor Statistics because of the premature dissemination of sensitive economic data.
- Assisting the Department in its continued efforts to implement cost accounting and viable performance measures.
- Conducting audits of a number of grants and contracts and identifying over \$5 million in costs questioned due to mismanagement and lack of compliance with financial management requirements.
- Identifying \$48 million in administrative overcharges by the U.S. Treasury to the Unemployment Insurance Trust Fund.
- Uncovering and stopping complex fraud schemes against DOL unemployment and disability compensation programs.

Inspector General's Message



- Combating labor racketeering in unions and the workplace through successful indictments and convictions in the areas of employee benefit plans, labor-management relations, and internal union affairs, as well as utilizing civil RICO actions to establish long-term stability in unions.
- Calling attention to legislative changes needed to improve aspects of pension, workers' compensation, and program evaluation functions of the Department.

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

Charles C. Masten
Inspector General

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*Improving
Program
Results*

Significant Concerns

Workforce Investment Act Program Administrative Cost Limitations May Impact Delivery of Services and Accountability

The Workforce Investment Act (WIA) Program, which supersedes the Job Training Partnership Act (JTPA) Program, becomes effective on July 1, 2000. WIA reforms Federal job-training programs and will create a new comprehensive workforce investment system. The reformed system is intended to be customer focused to help American workers access high-quality services and tools they need to manage their careers and help U.S. companies find skilled workers.

WIA requires that local areas operate within a 10 percent administrative cost limitation. This represents a significant reduction from similar JTPA programs, which are currently allowed to operate at 20 percent. In a project conducted jointly with the Employment and Training Administration (ETA), the OIG evaluated the potential impact of WIA's administrative cost provision. Applying the cost classification provisions of the WIA interim final rule to 13 JTPA grantees revealed that, as currently operated, most would not meet the 10 percent administrative cost limitation imposed under WIA. This is of concern not only to the OIG, but also to ETA, because of unintended consequences that may result. The first is the risk that the WIA administrative funding and definitions may affect how local areas deliver services or account for costs. The second is that ETA may become subjected to an inordinate volume of requests from local areas for waivers of the statutory cost limitation, making the exception more common than the rule.

Slow Implementation of the Welfare-to-Work Program

The Department's ability to provide effective training and employment services to help individuals transition from welfare dependency to self-sufficiency will be key to the success of welfare reform. The Welfare-to-Work (WtW) program is part of the arsenal of services available to help disadvantaged individuals change their lives. This program is intended to be a key element in assisting states and local communities in moving welfare recipients who receive Temporary Assistance to Needy Families (TANF) funds into unsubsidized jobs and economic self-sufficiency. The Balanced Budget Act authorized \$3 billion for the program, which is being distributed as both formula grants to states (75 percent) and competitive grants to other eligible entities (25 percent). The success of the program will hinge not only on the effectiveness of the Department's stewardship and the quality of services provided, but also on its ability to capture and report the results of its efforts on behalf of eligible individuals. It will also be critical for the Department to provide effective monitoring of the substantial dollars awarded to grantees for employment and training services.

We are concerned that, in both the formula and competitive grant segments of the program, implementation is proceeding slowly. For example, we audited seven state formula grantees and found that a number of issues slowed the implementation of the program. Issues we identified include:

- the program and administrative requirements mandated by the authorizing legislation were viewed by some grantees as restricting their abilities to locate and serve eligible individuals;
- local providers with access to the less restrictive TANF funds opted to spend those funds first to help serve the same client population targeted by WtW;
- the challenge of transitioning to WIA and implementing WtW at the same time; and

- the program plans, procurement actions, and coordination arrangements needed to launch a program of this nature were sometimes inadequate or incomplete.

If the current pace of implementation is maintained, WtW funds will not be spent within the mandated three-year period and the number of individuals who will obtain the assistance needed to move from welfare to work may potentially be reduced. Based on our audit findings, which are further detailed in the Prepared Workforce section of this report, we are concerned that weaknesses in key areas may undermine the success of the program.

DOL Challenged to Ensure Total Accountability for GPRA

Important initiatives are underway to improve the results of Federal programs and operations. With passage of the Government Performance and Results Act (GPRA), Congress created a management process whereby Federal agencies develop strategic plans, articulate program goals, allocate Federal resources to meet desired performance levels, and measure and report program results. Similarly, new Federal accounting standards implemented in fiscal year 1998 are aimed at ensuring reliable and timely accounting for the full cost of Federal programs and activities. It will be very important for DOL to ensure that the performance and goal accomplishment information be accurate and auditable in order for DOL's March 2000 performance reporting to be credible. The OIG plans to continue to provide oversight and assistance to this end. Our current activities in this area are detailed in the Departmental Management section of this report. However, the Department faces the following challenges in achieving the full accountability envisioned through the GPRA and the new accounting standards:

- **Linking Financial and Performance Data:**
To determine the success of government programs, financial and performance information is needed. By linking this type of information, the Department and Congress can determine the

Significant Concerns

value and future direction of Federal programs and achieve the accountability demanded by the public. However, most Federal agencies, including DOL, have not yet achieved this linkage. The Department continues with the development of a cost accounting system; however, even with the best effort, it will take a few years before DOL will be able to link its financial and performance data.

- **Complications from Allocating Costs and Results Among Participating Agencies:**

A significant feature of the WIA of 1998 is the establishment of one-stop delivery systems within each local workforce investment area. However, cost sharing presents special problems in a one-stop environment. It increases the administrative burden of accounting for costs and benefits in a system in which it is increasingly difficult to discern to which program the participants belong and who should be paying the cost of services. This is further complicated by a key principle of Federal grant accounting: that costs may be charged to a program only to the extent that benefits are received by that program. The Employment and Training Administration (ETA) will need to continue its efforts to reduce the administrative burden, while ensuring meaningful accounting for program costs by benefits received. Notably, these same difficulties will be faced by other job training programs as organizations attempt to portray the achievements associated with their respective investments.

- **Data Limitations:**

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

In addition, two important tenets of GPRA are the requirements that agencies conduct program evaluations to determine program

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

Security of the Department's Information Technology Needs to be Ensured

The OIG has ongoing concerns about the Department's Information Technology (IT) security vulnerabilities and practices, personnel security, and internal controls. In the past few years, departmental data and systems have become increasingly difficult to protect due to technological advances and accelerating use of the Internet. Further, we have identified practices that, while not harmful individually, taken collectively may leave the Department's systems and the critical data they contain open to both attack and mismanagement. As the Department continues to update or implement major IT systems as part of the new DOL architecture, these concerns need to be considered as systems are developed.

Unimpeded Access to Program Data Critical to the OIG Mission

A critical provision of the Inspector General Act is the authority granted to OIGs to have access to agency program data in carrying out their mission. Over the years, this authority has proven vital to thousands of audits and investigations. The OIG is concerned because legislation

Significant Concerns

being considered to provide uniform safeguards for the confidentiality of information acquired for statistical purposes does not include language which would ensure the OIG's access to source data that is necessary for audit validation and program integrity purposes. The OIG has very serious concerns about the effects of this or any legislation that would restrict our ability to obtain information critical to carrying out our mission.

Need to Strengthen the Single Audit Act to Ensure Grant Accountability

At DOL, financial and performance audit oversight is provided through entity-wide audits required by the Single Audit Act (SAA) and grant audits performed by the OIG. DOL funds covered by SAA audits in FY 1998 equaled \$27 billion, or 87 percent of the \$31 billion in total DOL expenditures. While the SAA has contributed to improvements in financial management practices at the state and local levels, it is not without its weaknesses. The OIG is concerned that accountability of grant funds is impacted by the fact that the SAA provides limited audit coverage of DOL programs and that the scope of SAA audits does not include performance data.

The extent of SAA audit coverage concerning DOL programs has been of concern to my office for some time. We recently completed quality-control reviews of five states and found that either inadequate audit testing of DOL program clusters occurred, or that DOL programs were simply excluded from being audited. It is our position that more programs and transactions need to be tested to provide Congress and the Administration with reliable information regarding grant expenditures. Further, additional information should be reported, including the number of transactions tested and questioned.

The second area of concern is the lack of performance data in the scope of SAA audits. With the passage of the Government Performance and Results Act (GPRA), Congress and the Administration are mandating that programs be effective, have a positive impact, and produce a positive return on the taxpayers' investment. A large amount of DOL grant funds is directed to employment and training activities. In order to determine the effectiveness of these activities, the Department needs to have accurate and reliable program data so that performance can be evaluated.

To improve financial and performance accountability of grant funds, the OIG recommends that the SAA be amended to require more testing to ensure greater audit coverage and to incorporate a requirement that performance data likewise be audited.

Inadequate Audits and Abuses by Investment Managers May Affect Security of Pension Assets

The security of pension assets is a priority of the Department and of the OIG. This includes ensuring that weaknesses, vulnerabilities, and criminal activity are identified and addressed. The following are two areas that continue to be of concern to the OIG.

- **Pension Plan Audits:**

The Pension and Welfare Benefits Administration (PWBA) carries out activities aimed at protecting six million private-sector benefit plans controlling more than \$3.5 trillion in pension plan assets. For the past several years, through audits and our Semiannual Reports, the OIG has raised a concern regarding the way pension plans are audited under the Employee Retirement Income Security Act (ERISA). Specifically, ERISA exempts from audit coverage all pension plan assets that have been invested in institutions (such as savings and loans, banks, and insurance companies) that are already regulated by Federal or state governments. Because of this scope limitation, independent public accountants (IPAs) conducting audits of pension plans cannot render an opinion on the plans' financial statements in accordance with professional auditing standards. Nearly half of pension plan audits receive a disclaimer of opinion as a result of the limited-scope exemption, which we believe should be repealed. The OIG has also recommended that IPAs and plan administrators be required to report serious ERISA violations directly to the Department to enhance oversight of plan assets.

- **Abuses by Pension Plan Service Providers:**

Private pension plans serve as an attractive target to organized crime elements, corrupt pension plan officials, and individuals

Significant Concerns

who influence the investment activity of the pension assets. Recently, labor racketeering investigations involving the investment of pension plan monies that are jointly administered by labor union representatives and management representatives (Taft-Hartley plans) have elevated the OIG's concern over the security of the assets in this segment of the pension plan universe.

The OIG's investigations have uncovered many criminal enterprises perpetrated by financial and investment service providers to the nation's pension plans. These investigations have revealed abuses by sophisticated investment advisors and pension plan administrators who have the opportunity and ability to structure complex financial schemes to conceal their criminal activity. The OIG is concerned that abuses by financial investment service providers can result in great dollar losses because they typically provide investment or financial advice to more than one plan. Based on recent investigative results and the fact that service providers typically control the investment of hundreds of millions of dollars of pension monies, we are concerned that this aspect of the pension arena is especially vulnerable to organized crime activity and abuse.

Continued Proliferation of Fraud Schemes Threaten the Integrity of the Unemployment Insurance Program

As with any multi-billion dollar Federal benefit payment program, there are those who benefit from the unemployment insurance (UI) program illegally. Traditionally, states have concentrated on investigative work involving single claimant fraud cases, rather than the more complex interstate schemes. This is because many states do not have the enforcement capability, and in some cases, jurisdiction, to effectively detect and investigate the more complex fraud schemes. In addition, because of the large number of single-claimant cases, some states elect to direct their investigative resources into this area. The lack of

focus on the more complex fraud schemes may increase a state's vulnerability to fraud involving fictitious/fraudulent employer schemes, internal embezzlements, and other expansive fraud schemes.

In addition, a number of systemic weaknesses pose problems for the UI system. These include:

- loss of contributions due to the inability of states to search for hidden wages by employers who misclassify workers as independent contractors;
- potential vulnerability due to the diverse telephone initial-claims systems being used by a number of states;
- loss of contributions due to the inability of states to audit large interstate companies;
- “shell” leasing companies, which circumvent the payment of UI contributions;
- the selection process states use to audit employers; and
- the structural integrity in the reporting system of UI data from the states to the UI system.

Through oversight of the UI program, we have identified a number of schemes used to defraud the program, including fraudulent employer schemes, internal embezzlement schemes, and the fraudulent collection of UI benefits by illegal aliens using counterfeit or unissued Social Security numbers. These investigations have identified schemes that have resulted in substantial losses to the UI Trust Fund. The OIG is very concerned about the continued proliferation of these types of schemes. We believe there is a need for increased training of state employees in fraud detection techniques, improved internal program controls, and improved enforcement.

Selected Statistics

Office of Audit

Reports Issued on DOL Activities	50
Total Questioned Costs	\$56.0 million
Dollars Resolved	\$17.3 million
Allowed	\$1.6 million
Disallowed	\$15.7 million
Recommendations That Funds Be Put to Better Use	\$6.4 million

Office of Investigations

Cases Opened	238
Cases Closed	236
Cases Referred for Prosecution	129
Cases Referred for Administrative/Civil Action	23
Indictments	112
Convictions	144
Debarments	39
Recoveries, Cost Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Action	\$18,614,343

NOTE: The Office of Investigations conducts criminal investigations of individuals which can lead to prosecutions (“convictions”) by criminal complaints, warrants, informations, indictments, or pre-trial diversion agreements. Successful prosecutions may carry sentences such as fines, restitutions, forfeitures, or other monetary penalties. The Office of Investigations’ financial accomplishments, which include administrative and civil actions, are further detailed and defined on page 146 of this report.



*Enhancing
Opportunities
for America's
Workforce*

A Prepared Workforce

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

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

Welfare-to-Work

The Welfare-to-Work (WtW) program was authorized by the Balanced Budget Act of 1997 to move hard-to-employ welfare recipients into unsubsidized employment and economic self-sufficiency. The Act authorized \$3 billion for WtW grants in fiscal years (FYs) 1998 and 1999. Of this amount, approximately 75 percent (\$2.2 billion) has been distributed to the states as formula grants, and the remaining 25 percent (\$711.5 million) has been awarded to selected Private Industry Councils (PICs), political subdivisions, or private entities through a competitive grant process. The Employment and Training Administration (ETA) administers the WtW program.

Formula Grants

State WtW formula grants must be passed on to Service Delivery Areas (SDAs), and the states must pledge one dollar of non-Federal funding to match every two dollars of Federal funding provided. At least half of this match must be in cash. The state WtW matching funds are in addition to the maintenance-of-effort funds that are required under Temporary Assistance for Needy Families (TANF) block grants. To receive WtW formula funds, a state is required to submit a plan to ETA, and ETA determines whether the plan meets established statutory requirements.

The Implementation of the Welfare-to-Work Formula Grant is Proceeding Slowly

We performed an audit to determine the status of program implementation for seven state WtW formula grantees. The seven states represented 48 percent of the \$1 billion in formula grant funds awarded for FY 1998.

All but one of the seven states we visited were slow in implementing their WtW program because of factors that were either unforeseen or not considered when the states developed their WtW service and outcome levels and spending estimates. Specifically, we found the following:

- The WtW program and administrative requirements mandated by the authorizing legislation were viewed as restrictive by WtW grantees. This caused WtW grantees difficulties in identifying eligible clients; arranging necessary matching funds; and developing financial reporting systems capable of tracking expenditures by client populations, cost categories, and program activities.
- At the same time, as grantees were struggling with the perceived challenges of the WtW requirements, sufficient funding under the less-restrictive TANF program was available to serve the client population targeted by WtW. As a result, local service providers with access to the less-restrictive TANF funds opted to spend those funds first.
- Launching WtW, a major new Federal program, required that state and local plans be developed and approved, service provider procurement actions be completed, and coordination arrangements with other agencies finalized. Moreover, the entities responsible for WtW are also responsible for implementing the Workforce Investment Act (WIA), which will make sweeping reforms to the nation's workforce development system.

If these states continue at the current pace, the WtW formula grant funds will not be spent within the mandated three-year period, potentially limiting the number of individuals who can obtain the assistance needed to move from welfare into employment.

To accelerate the progress in implementing the WtW formula grant program, we recommended that ETA:

- seek legislative changes to permit the Secretary to amend the length of time the states have to spend the WtW formula grant funds;
- work with the U.S. Department of Health and Human Services (DHHS) Administration for Children and Families to develop a strategy that effectively integrates TANF and WtW so that all funding sources are used to provide workforce investment services to eligible recipients;
- continue to pursue the legislative changes currently being proposed to simplify and expand the definition of eligible recipients to more accurately reflect characteristics of hard-to-employ recipients, and streamline and simplify financial reporting requirements;
- explore, with states not reviewed as part of this audit, whether the matching requirement is an issue that affects their implementation of the WtW formula grant program and seek appropriate legislative changes if needed; and
- continue to take an active role in assisting states and local agencies that are having problems implementing their WtW programs and provide the necessary technical assistance to help them address barriers that may be impeding their progress in getting the program fully operational.

The Assistant Secretary for Employment and Training acknowledged that the agency's comments had been incorporated into the report and no additional comments were provided. **(OA Report No. 03-99-018-03-386, issued September 20, 1999)**

Competitive Grants

The WtW competitive grants are designed to develop and implement creative and innovative approaches to enhance a community's ability to achieve WtW program goals. At least 70 percent of WtW funds must be spent on hard-to-employ individuals, with the remainder on individuals with characteristics of long-term welfare dependency. WtW competitive grant funds must be spent within the grant period, which may not exceed three years. Three rounds of competitive grant awards have been planned, two of which have been executed. The first round of competitive grants, totaling \$199 million, was awarded to 51 applicants in May 1998. In December 1998, the second round of grants, totaling \$273 million, was awarded to 75 applicants. The average grant period for the 51 first-round grantees was 30 months.

The Welfare-to-Work Competitive Grant Program Needs Additional Policy and Technical Assistance Guidance

During the last semiannual reporting period, we reported on 35 first-round WtW grantees. In this reporting period, we surveyed 12 additional WtW grantees. Overall, we found that although the 12 grantees possessed the capability to adequately deliver their WtW competitive grant programs, financial and program vulnerabilities existed. The vulnerabilities we found mirrored the financial management policy and procedures vulnerabilities found in the 35 grantees surveyed during the first round of competitive grants. In both cases, our post-award visits to mainly nontraditional DOL grantees were made shortly after their grant awards and before they initiated substantive actions to establish an infrastructure for grant operations. For instance, in the first-round surveys, we reported that only 17 of 35 grantees (49 percent) were operational at the time of our review. Likewise, our survey of second-round grantees found only 5 of 12 grantees (42 percent) were operational.

In both rounds, our work alerted the grantees and ETA to the risks associated with impaired operational systems. The chart labeled “Finding 1” compares the findings of the second-round survey with identical findings from the first round. The recommendations in our first report (OA Report No. 05-99-008-03-386) responded to these findings, so we did not repeat the recommendations in this report. Findings 2 through 4 were only identified in this audit and therefore only reflect the percentage of the 12 second-round grantees related to each finding.

Grantee	Finding 1						
	Inadequate Internal Controls Over Cost Limitations	Inadequate Management Information Systems	Inadequate Internal Controls Over Financial Reporting	Lack of Formal Agreements with TANF Agencies	Lack of Formal Eligibility Procedures	Lack of Written Policies and Procedures	Grants Need to Comply with Work First and FLSA Requirements
Total Second-Round Grantees Per Finding	8	4	5	5	6	9	3
Percent of 12 Second-Round Grantees	67%	33%	42%	42%	50%	75%	25%
Total First-Round Grantees Per Finding	22	11	16	14	12	27	6
Percent of 35 First-Round Grantees	63%	31%	46%	40%	34%	77%	17%

Financial Management				Policies and Procedures		Programmatic Compliance		
Finding 2				Finding 3		Finding 4		
Cost Allocation Plans for Multifunded Grantees	Cash Management Issues and Other Fiscal Integrity Concerns	Inadequate Time and Attendance Systems	Reporting Program Costs without a Basis	Lack of Formal Agreements with Subrecipients and Service Providers	Lack of Written Oversight and Monitoring Procedures	Grants Include Evaluation Studies Which May Not Be An Allowable Activity	Other Grant Provisions Need to Be Modified	Start-up Activities to Provide Child Care and Transportation Services Are Not Fully Developed
8	7	5	7	4	3	3	7	2
67%	58%	42%	58%	33%	25%	25%	58%	17%

As a result of our findings, we believe that ETA should reinforce its efforts to monitor grantee plans and program implementation schedules to ensure the most efficient and effective use of WtW funds and to secure compliance with program requirements. Third-round competitive grantees should benefit from the lessons learned by grantees in rounds one and two.

To improve the administration of the WtW competitive grants, we recommended that the Assistant Secretary for Employment and Training ensure that grantees:

- obtain approval of cost allocation plans to allocate common costs and expenditures to the 70/30 percent cost categories, as well as to reportable program activities;
- follow prescribed cash management requirements;
- comply with time and attendance requirements in the Office of Management and Budget circulars;
- report expenditure allocations only after establishing a proper basis for the allocation;
- develop formal agreements with subrecipients and service providers, and establish written oversight and monitoring procedures to ensure effective and efficient program operations;
- submit requests for grant modification to ensure up-to-date and accurate implementation schedules, budget summaries, and other provisions, including the removal of unallowable evaluation studies;
- comply with prohibitions against using Federal funds for construction; and
- establish timely implementation of child care and transportation services to ensure that current WtW grant participants benefit from these services.

The Assistant Secretary for Employment and Training agreed with our findings, which were reinforced by issues identified during ETA's interactions with the grantees. The Assistant Secretary also provided an update on some of the technical assistance efforts being undertaken partly in response to issues identified during our post-award surveys. The efforts included issuing policy guidance and corrective actions for new issues, reemphasizing compliance with current policies, following up on specific issues to ensure corrective actions, and developing a technical assistance guide that is serving as the basis for WtW financial management training that ETA is providing in four locations across the country.

We concur with the agency's ongoing and planned corrective actions. **(OA Report No. 05-99-020-03-386, issued September 20, 1999)**

Welfare-to-Work Competitive Grant Implementation is Proceeding Slowly

We performed an audit to assess the status, as of March 31, 1999, of WtW implementation of first-round grantees. We examined 19 of the 51 grants awarded, totaling \$84 million. The audit found that all grantees experienced delays in implementing their programs.

Because the WtW competitive grant program was an entirely new concept, the organizations competing for the first round of competitive grant awards were asked to develop program plans without the benefit of prior experience. We found that many of the program plans included in the approved grant agreements lacked quarterly goals against which to measure performance. At the time of our audit of the 19 grantees:

- fifteen had quarterly plans for participants served, but only four were meeting the planned levels;
- eight had quarterly plans for participants placed in unsubsidized employment, though none were meeting the planned levels; and
- sixteen had quarterly plans for expenditures, and only one was meeting the planned level.

Also, 13 of the 19 grantees (68 percent) stated that they were not getting enough referrals of eligible individuals meeting the “hard-to-employ” criteria. Ten of the 13 grantees stated that the eligibility criteria that excluded individuals who have completed secondary school or earned a certificate of general equivalency are too strict and eliminate a significant number of hard-to-employ individuals from accessing services under the 70 percent provision.

However, nine grantees identified the following factors which contributed to their early success:

- Seven stressed the importance of establishing strong relationships with employers;
- Six of the nine grantees took the initiative to develop strong cooperative relationships or joint efforts with their local TANF offices; and
- Three of the grantees administered the WtW Competitive Grant, WtW Formula Grant, and local TANF programs under one organizational umbrella.

ETA stated that, where round-one grantees have shown little progress or lack of operation, the Department and representatives from the Rutgers University Center for Workforce Development made site visits. The visits resulted in the grant modifications necessary to speed implementation and in some instances the mutually agreed upon deobligation of a portion of grant funds for use in funding round-three competitive grants. In addition, the Department has been working with Congress to simplify the WtW eligibility criteria mandated by the authorizing statute and to extend the length of the program. This would significantly accelerate expenditures and enrollments. **(OA Report No. 03-99-017-03-386, issued September 27, 1999)**

Workforce Investment Act

The Workforce Investment Act (WIA), which becomes effective on July 1, 2000, will supersede the Job Training Partnership Act (JTPA). The reformed system is intended to be customer-focused, to help Americans access the information through the high-quality services and tools they need to manage their careers, and to help U.S. companies find skilled workers. Several features of WIA, including establishment of One-Stop centers, designation of local areas, and certain program requirements will have an unknown impact on the administrative cost experience of program operators.

WIA's Administrative Cost Limitations May Affect Local Service Delivery

In a collaborative effort, ETA and the Office of Inspector General (OIG) undertook a special project to survey selected JTPA grantees to assist ETA in finalizing the regulations governing administrative costs under the new WIA. In accordance with a memorandum of understanding between the two agencies, ETA provided the funding and overall direction for the project and the OIG engaged an independent accounting firm to apply agreed-upon procedures designed to meet the project objectives.

The project was designed to evaluate the potential impact of WIA's administrative cost provisions by reclassifying and restating JTPA program year (PY) 1997 costs using WIA regulatory definitions. The survey was carried out at 13 JTPA grantees, representing 10 Service Delivery Areas and 3 Indian and Native American (INA) grantees, which ETA selected from a pool of entities that volunteered for the special review.

We found that applying the WIA definition of administration to JTPA costs had little effect on the percentage charged to administration. WIA requires

that local areas operate within a 10 percent administrative cost limitation. This represents a significant reduction from similar JTPA programs, which are currently allowed to operate at 20 percent. Only two of the SDA grantees and none of the INA grantees would have been in compliance with the 10 percent administrative cost limitation. All of the grantees believe that the 10 percent limitation is too prohibitive to operate the WIA program.

Notwithstanding the unknown effect of WIA requirements on program operators' administrative costs, the survey found that:

- only two of the SDAs, as currently configured and operating under JTPA, would be in compliance with the WIA administrative cost limitation (10 percent of allocation), even after the cost classification requirements and definitions contained in the WIA interim final rule were applied;
- application of the WIA interim final rule cost classification requirements and definitions had a negligible effect on the classification of administrative versus program costs for the surveyed entities;
- for the majority of the surveyed entities, program officials stated they intended to seek a waiver of the WIA statutory administrative cost limitation; and
- similarly, a majority stated they intended to change their mode of operation in order to comply with the statutory cost limitation.

From the OIG's perspective, these final two points raise concerns about possible unintended consequences of the WIA administrative cost limitation. First, ETA may find itself inundated with requests from local areas for waivers of the statutory 10 percent limitation. Efforts to treat all such requests equitably could potentially result in a majority of local areas operating under waivers, in which case "the exception" (waivers) would effectively become more common than "the rule" (the 10 percent limit). Second, while none of the program officials in the survey indicated they intended to change how they contract in order to comply with the administrative cost limitation, the OIG believes there is a risk that the WIA administrative funding and definitions may affect how local areas deliver services.

To assist ETA in developing the final rule on administrative costs, the independent accountants' report detailed suggestions and comments made by grantee officials with respect to the WIA administrative cost limitations and definitions. **(OA Report No. 20-99-006-03-390, issued September 24, 1999)**

Rhode Island's One-Stop Career Center System is not WIA-Ready

We conducted an audit of Rhode Island's One-Stop Career Center system to provide ETA with a snapshot, as of April 23, 1999, showing where Rhode Island stands in implementing the provisions of WIA. The audit objective was to assess the status of Rhode Island's One-Stop Career Center system relative to where it needs to be to meet WIA requirements, recognizing that the state has until July 1, 2000, to become fully compliant with WIA, and that interim final regulations became effective after fieldwork was performed.

We concluded that, in accordance with WIA requirements, Rhode Island should have a One-Stop Career Center located in each local area and should provide accessible services at the One-Stop Centers. However, Rhode Island needs to ensure that it:

- includes all WIA-required programs in the One-Stop system;
- develops and executes comprehensive memoranda of understanding between the local boards and program partners;
- allocates a fair share of operating costs to all program partners; and
- collects all WIA-required data elements on all One-Stop customers

The Director of the Rhode Island Department of Labor and Training generally concurred with our findings, acknowledging that changes need to be made in its existing systems to comply with WIA by July 1, 2000. **(OA Report No. 02-99-209-03-320, issued September 15, 1999)**

Adult Training

The Adult Training Program under JTPA Title II-A is formula-funded and state-operated and provides training, related education, and employment services to economically disadvantaged adults. Training and supportive services are designed to provide these individuals with marketable skills leading to productive, lasting, and unsubsidized employment.

Coordinated Effort Addresses the Northern Rhode Island Private Industry Council's Insolvency

In a coordinated effort, ETA and OIG worked with the State of Rhode Island to address the insolvency of the Northern Rhode Island Private Industry Council (NRIPIC). NRIPIC, which served as the administrative entity for the Northern Rhode Island Service Delivery Area as well as the Private Industry Council, ceased operations during April 1999 because it exhausted all of its JTPA PY 1998 funds and a \$200,000 credit line. It had an estimated operating deficit between \$500,000 and \$700,000. Single audits for fiscal years ending June 30, 1997 and 1998 did not contain any cash management findings or indications of impending insolvency and had clean opinions on NRIPIC's financial statements.

ETA and OIG met with State officials to ensure that immediate corrective actions were taken to address essential program and accountability issues. We provided guidance on uninterrupted services to participants; safeguarding of property, equipment, and records; liability for debt and potential questioned costs; and the need for reauditing prior years. We also reviewed single audit working papers for FYs 1997 and 1998 and found that the external auditors performed minimal testing, did not confirm accounts receivable with third parties, or ascertain the reasonableness of account balances.

As a result of ETA's and OIG's efforts to restore accountability and prevent cutbacks in service to participants, JTPA funds of more than \$4.3 million per year earmarked for Northern Rhode Island will be put to better use. The Governor took actions to protect the integrity of JTPA funds, safeguard job training programs in Northern Rhode Island, and decertify NRIPIC. The Rhode Island Auditor General also took custody of NRIPIC's records, reaudited FY 1998, and extended audit coverage to the date when NRIPIC ceased operations in FY 1999. **(OA Report No. 02-99-211-03-340, issued August 3, 1999)**

The Atlanta Private Industry Council Needs to Observe Contracting Requirements and Improve Its Monitoring

We audited the Atlanta Private Industry Council's (PIC's) JTPA program expenditures. Our examination focused on selected JTPA Title II-A contracts awarded to vendors to provide participants training, placement, and other services during PY 1996. We found many JTPA requirements either were not followed or were misapplied, and we questioned \$543,117 in grant expenditures.

Poor planning contributed to a hasty selection of contractors, several of whom were not competitively procured. Often the PIC did not determine the contractors' capabilities to deliver services or complete adequate price or cost analysis, or consider the contractors' past records of success prior to awarding the contracts. We also found fixed-unit-price contracts were improperly negotiated, as were some training contracts that were improperly awarded as commercially available training packages.

Many aspects of the PIC's monitoring, including its own and contractors' activities, also require improvement. Although the PIC established a monitoring plan and developed adequate guidance for its staff, the plan was not completed, and established procedures were not followed. As a consequence, we identified a variety of financial problems with both the PIC and its contractors' financial activities, including funds advanced to contractors that had not been recovered, expenditures charged to the wrong JTPA grant, and unsupported contractors' costs billed to the JTPA program.

The PIC's contracts needed to be better written, as many we reviewed did not contain sufficient requirements to monitor the contractors' effectiveness or ensure that participants were well served. Missing were criteria that identified prerequisite knowledge participants should possess to benefit from training and criteria for testing participants to determine what they had learned. Even when sufficient requirements were included in the contracts, they were not followed.

Also, in several instances, the contractors' records were partially or wholly missing. Finally, we identified several instances of abuse, such as contractors' claims that they had placed participants in jobs that our contacts with employers indicated had not occurred. We believe better monitoring by the PIC should have detected such situations.

To help strengthen the PIC's management of its contract procurement and monitoring processes, we recommended the PIC observe existing procurement and contracting requirements and improve its monitoring. We also recommended that the Assistant Secretary for Employment and Training recover \$543,117 in misspent JTPA funds.

In its comments to our draft report, the PIC disagreed with several of our findings and provided additional documentation we considered in completing this report. The PIC's response did not include information that caused us to change our findings or recommendations. **(OA Report No. 04-99-007-03-340, issued September 7, 1999)**

Follow-up Results Also Show That Participants Receiving Occupational Training Have Higher Earnings

We completed a follow-up review to OA Report No. 06-98-002-03-340, "Profiling JTPA Title II-A's Aid to Families with Dependent Children (AFDC) Participants," issued May 4, 1998. The May 4, 1998, report focused on evaluating services provided and outcomes reported for AFDC recipients who terminated from the JTPA program between July 1, 1995, and June 30, 1996, and focused on the first 12 months of earnings after termination. In general, we found that participants who received JTPA-funded occupational skills training did better in relation to earnings

capacity and attachment to the labor market than those with non-occupational training or those who received no training.

In this follow-up report, we presented the changes in the participants' earnings capacity and their attachment to the labor market from 13 to 24 months (second year) after program termination.

This follow-up report's conclusion is the same as our initial report, in that the second year after termination, participants who received occupational training continued to have higher earnings and a stronger attachment to the labor market than those who received nonoccupational training or objective assessment only. However, there were decreases in all three groups' earnings and attachment to the labor market in the second year after termination, and the earnings gap between participants who received occupational skills training and those who received only objective assessment decreased in the second year. **(OA Report No. 06-99-011-03-340, issued September 24, 1999)**

Questioned Costs and Internal Control Weaknesses in the New Mexico Service Delivery Area JTPA Program

We conducted a financial and compliance audit of JTPA subgrants administered by the New Mexico Service Delivery Area (NMSDA) Job Training Division for PYs 1995 and 1996 (July 1, 1995, through June 30, 1997) and identified \$108,093 of questioned costs and \$252,013 of questionable costs. We found weaknesses in the NMSDA's internal control structure over reporting of Federal funds expended, primarily in the NMSDA's inadequate time distribution process. Furthermore, we identified weaknesses in the NMSDA's service provider procurement system and oversight of service providers.

In our opinion, the NMSDA's financial management system failed to meet appropriate standards because of the following:

- The NMSDA's PYs 1995 and 1996 financial reports exceed its official accounting records by \$6,072 and \$67,765, respectively.

- The NMSDA allocated some JTPA costs to the wrong title and/or program year, resulting in \$4,552 in questionable costs.
- The NMSDA used manual journal vouchers to shift vendor costs among JTPA titles, some without adequate documentation to support the adjustments. These adjustments include \$41,937 of questionable transfers.
- The NMSDA allocated staff time charges between projects based on estimated percentages of time rather than actual time worked.
- The NMSDA used journal voucher adjustments to manipulate employees' salaries and related charges, sometimes to cover deficits in Federal funds. We reviewed 15 vouchers that transferred \$237,037 of staff salary and related costs to another JTPA title, to another cost category, or to both. These cost transfers include \$31,513 in questioned costs for transfers to overcome fund deficiencies and \$205,524 in questionable transfers that were not adequately documented.

We also found that the NMSDA did not maintain adequate documentation to support its service provider procurement process and continued to renew contracts to the same service providers each year since the 1994 Request for Proposal (RFP) without determining if the service providers met all of the RFP's conditions.

Finally, we identified financial system deficiencies at two service providers, including questioned costs of \$2,743 at one for an adjustment (increase) to direct training expenditures that was not adequately documented and fringe benefit costs based on budgeted amounts rather than actual allocable expenses.

We recommended that the Assistant Secretary for Employment and Training disallow \$108,093, broken down as follows:

- \$73,837 (PY 1995, \$6,072; PY 1996, \$67,765) for reported expenditures not supported by the official accounting records;
- \$31,513 for expenditures that were transferred to Title III due to deficiencies in Title II-A funds— both in PYs 1995 and 1996; and

- \$2,743 for Santa Fe SER's unsupported adjustment and unallowable fringe benefit costs.

We also recommended that the Assistant Secretary disallow \$252,013 for costs either improperly charged to the wrong PY or JTPA title, or transferred between JTPA titles and/or cost categories without adequate documentation or justification.

Furthermore, we recommended that the Assistant Secretary direct the State to develop and implement formal internal policies and procedures to strengthen its internal controls and time-charging system to comply with OMB Circular No. A-87.

The NMSDA agreed that its administrative policies and procedures were deficient in the areas identified in the report during the audit period, particularly in the area of documentation to support journal vouchers, and that those deficiencies contributed to some costs being questioned. The NMSDA indicated it had recognized and addressed all reported deficiencies. The NMSDA also agreed that \$8,866 was incurred in noncompliance with the regulations but contested the findings concerning the remaining \$351,240 of questioned and questionable costs. **(OA Report No. 06-99-008-03-340, issued September 22, 1999)**

Native American Programs

This program is designed to improve the economic well-being of Native Americans by providing training, work experience, and opportunities designed to aid the participants in securing permanent, unsubsidized jobs. DOL allocates formula grants to Native American groups whose eligibility for such grants is established in accordance with DOL regulations.

Phoenix Indian Center Financial Systems Need Significant Improvement

We conducted an audit of the Phoenix Indian Center, Inc. (PIC) for PY 1995. The scope of our audit was expanded to subsequent time periods where we noted problems continuing past the end of PY 1995.

Overall, we concluded the PIC is properly administering ETA's grant, and program statistics reported to DOL were accurate and properly supported. However, the financial systems used to report expenditures to ETA needed significant improvements to accurately reflect the expenditures allowable in accordance with the grant provisions and regulations. We questioned costs of \$183,809, which includes \$2,800 that may be due to the PIC as unreported costs. Our audit found:

- excessive funds were drawn and used to pay non-JTPA program expenses;
- financial statements were misstated;
- single audits were delinquent; and
- program statistics were misreported on the annual status report.

We recommended that the Assistant Secretary for Employment and Training disallow \$183,809 of grant costs and require the PIC to make procedural improvements to improve financial and program systems. The PIC disagreed with many of our findings. Based on the PIC's response, we revised one recommendation regarding advance of funds and revised our questioned cost for PY 1995. However, our basic conclusions and recommendations for improvements remain unchanged. **(OA Report No. 09-99-008-03-355, issued September 24, 1999)**

\$352,693 of Milwaukee Area American Indian Manpower Council Grants Expenditures Questioned

The Milwaukee Area American Indian Manpower Council, Inc. (MAAIMC) was established by members of the Milwaukee American Indian community to address the education and training needs of the Indian community of southeastern Wisconsin. The MAAIMC provides job training and employment services to the unemployed American Indian workforce under Title IV-A of JTPA. The MAAIMC is the administrative agency for the Spotted Eagle High School. The MAAIMC created the Spotted Eagle–Menominee Tribal School School-to-Work (StW) consortium to develop a five-year business and economic development plan. The initial objective was to involve 7th to 12th grade students in StW activities.

We performed an incurred cost audit of the \$508,612 that MAAIMC claimed for the period of July 1, 1996, through June 30, 1998, under its JTPA and StW grants. We identified instances of noncompliance with OMB Circulars A-110 and A-122 and the Grant Agreements, which resulted in questioned costs of \$352,693. We found certain costs claimed by the MAAIMC were:

- in excess of actual incurred costs;
- based on predetermined percentages; and
- not supported by source documentation and/or not allowable.

We also found that the financial management system used by MAAIMC to account for the JTPA and StW grants did not comply with OMB Circulars A-110 and A-122. We found that:

- the amounts reported on the MAAIMC PYs 1996 and 1997 financial reports submitted under the JTPA and StW grants exceeded the amount reported on its official accounting records;
- the reported personnel costs were based on the use of predetermined percentages in lieu of after-the-fact determination of the actual activities of each employee; and
- the MAAIMC was unable to provide adequate documentation for certain transactions.

Finally, we found that MAAIMC elected not to use the approved indirect cost rate. Instead, MAAIMC used a direct allocation method to recover joint costs. However, the direct cost methodology was deemed flawed because MAAIMC efforts resulted in some costs being incorrectly charged to the JTPA and StW grants.

We recommended that the Grant Officer recover the \$352,693 of grant costs and require the MAAIMC to make procedural improvements to strengthen the financial management system and to charge indirect costs to the JTPA and StW grants in accordance with the Indirect Cost Rate Negotiation Agreement. MAAIMC generally agreed with our findings that the financial management systems needed improvement. However, MAAIMC disagreed with the amount questioned because MAAIMC believes that it provided the services stipulated in the respective grants. **(OA Report No. 05-99-009-50-598, issued September 16, 1999)**

Senior Community Service Employment Program

This program provides grants to public and private nonprofit national-level organizations and states. These grants subsidize part-time work opportunities in community service activities for unemployed low-income persons aged 55 and older. Program participants generally work 20–25 hours per week in a wide variety of locations and activities, such as day care centers, schools, hospitals, senior citizen centers, facilities for people with disabilities, nutrition programs, and conservation or restoration projects.

\$2.8 Million in Costs Questioned and an Additional \$900,000 in Cost Avoidances Identified in the National Council of Senior Citizens Program

We audited the costs that the National Council of Senior Citizens (NCSC)/National Senior Citizens Education & Research Center, Inc. (NSCERC) claimed for reimbursement under its Senior Community Service Employment Program (SCSEP) grants for FY 1996. NCSC/NSCERC, as one of the national sponsors under the SCSEP, receives annual grants of over \$60 million from DOL to fund approximately 9,000 subsidized part-time employment and training positions. NCSC/NSCERC enters into agreements with local government agencies and not-for-profit organizations who recruit and enroll eligible low-income elderly individuals and place them in subsidized positions at local government offices or not-for-profit organizations.

We questioned \$2.8 million of the costs NCSC/NSCERC claimed for reimbursement in FY 1996, including \$1.1 million in indirect costs. We also identified several areas in NCSC/NSCERC's administration of

SCSEP where costs of about \$900,000 could be avoided without adversely affecting program operations.

Many of the findings in this report were repeat findings of those contained in a prior audit (OA Report No. 18-99-006-07-735) in which we questioned over \$6 million. The ETA Grant Officer, in the Revised Initial Determination dated July 27, 1999, agreed with our questioned costs from this prior audit.

The major items of questioned direct costs in the current report are as follows:

- **Insurance Plan Refunds:**
NCSC/NSCERC provided its senior aides with Hospital Indemnity Plan (HIP) insurance. The entire premium was charged to the DOL grant. At the end of each year, the plan underwriter advises NCSC/NSCERC of any refund due. For FY 1996, NCSC/NSCERC had a "favorable claims experience," and earned a substantial premium refund. However, NCSC/NSCERC failed to credit this refund to the DOL grant (\$948,983).
- **Insurance Plan Administrative Fees:**
NCSC/NSCERC performed certain administrative functions for HIP. To compensate NCSC/NSCERC for its costs, the underwriter paid NCSC/NSCERC a percentage of earned premiums, which NCSC/NSCERC shared with the intermediary of the plan. However, NCSC/NSCERC credited the amount it received (\$101,207) to its membership promotion income account rather than applying the amount as an offset credit to the DOL grant. In addition, we believe NCSC/NSCERC received an insufficient share of this fee (\$143,377).
- **Liability Insurance:**
NCSC/NSCERC purchased general liability insurance from an insurance company with which it shares management and executive personnel. In soliciting price quotations from prospective companies, NCSC/NSCERC failed to follow prescribed competitive procurement procedures. These premiums greatly exceeded the premiums paid by other national sponsors with comparable insurance (\$237,532).

- Pension Plan:
NCSC/NSCERC made year-end cost adjustments to reduce excessive pension plan costs charged to various programs. However, NCSC/NSCERC failed to credit the DOL grant with its share of the excessive costs (\$103,545).
- Fringe Benefits:
NCSC/NSCERC charged employee fringe benefits to DOL based on estimates and not on actual costs. At the end of FY 1996, the amounts charged exceeded actual fringe benefit costs (\$108,872).

NCSC/NSCERC disagreed with many of our findings. **(OA Report No. 18-99-011-03-360, issued September 24, 1999)**

School-to-Work

The School-to-Work Opportunities Act of 1994 (STWOA) provides the opportunity for states to establish School-to-Work (StW) systems using Federal funding provided and administered jointly by the U.S. Departments of Education and Labor. The STWOA was enacted to provide seed capital to states and localities for developing and implementing comprehensive StW systems. The purpose of these systems is to bring together efforts on education reform, worker preparation, and economic development to prepare youth for high-skill, high-wage careers, and to increase their opportunities for further education and training. The Federal government will have invested approximately \$2 billion in the creation of statewide StW systems by the time the STWOA ends.

States Work Toward Sustainable School-to-Work Systems

An OIG report summarized findings from four recent U.S. Departments of Education and Labor audits that focused on sustainable state StW systems. It also offered recommendations based on these findings and discussions with the National School-to-Work Office (NSTWO). The recommendations were intended to assist the NSTWO in helping states develop sustainable StW systems after Federal program funding ceases.

Although some of the states that we audited were early in their five-year StW Implementation Grants, we found that the states had taken measures that would contribute to sustainable systems. We also found areas in which the states could take action to increase the likelihood that their StW systems will be sustained after Federal funding ceases.

To assist the NSTWO in developing sustainable StW systems, we recommended the following measures:

- NSTWO should monitor and provide additional technical assistance to states to ensure that they are developing StW systems that will be sustainable after Federal funding ceases. Technical assistance should focus on system weaknesses.
- NSTWO should base continuation funding decisions on the progress states are making in fulfilling their StW plans. These funding decisions should take into special consideration the aspects of state plans that relate to the elements of sustainment. Continuation funds should be withheld until plan conditions are met.

It should be noted that the states we reviewed, as well as all of the other states funded prior to 1998, applied on their own initiative and actively competed with other states to receive StW Implementation Grants. However, in September 1998, the remaining 13 states, the District of Columbia, and Puerto Rico were funded on a noncompetitive basis. Moreover, these entities were able to develop acceptable applications only with intensive encouragement and assistance by NSTWO staff. In our opinion, these late-funded states may need considerable special attention for them to have any hope of developing systems that will continue after the program ends on October 1, 2001. **(OA Report No. 05-99-012-03-385, issued May 25, 1999)**

Job Corps

Job Corps is a nationwide network of 114 residential facilities that provide a comprehensive and intensive array of training, job placement, and support services to at-risk youths and young adults. Participation in the program is voluntary and is open to economically disadvantaged young people ages 16–24 who are unemployed and out of school. The program's mission is to attract eligible young adults, teach them the skills they need to become employable and independent, and place them in meaningful jobs or further education.

Complaints Against the Keystone Job Corps Center

In response to employee complaints filed with the Department and members of Congress, we conducted a limited-scope audit at the Keystone Job Corps Center (KJCC). The Management and Training Corporation (MTC) operates the center through a contract with the Office of Job Corps (OJC). The audit focused upon allegations reported to have occurred between July 1, 1996, and June 30, 1998.

The complaint alleged that MTC:

- violated Federal statutes and regulations by being involved in activities intended to deter union efforts to organize employees and by using other MTC employees as replacement workers for striking employees;
- altered examinations and falsified academic records of KJCC's students;
- violated Job Corps policies on discipline by allowing students to remain at the KJCC who should have been immediately terminated;

- allowed dormitories to be improperly supervised, which resulted in unsafe conditions for the students; and
- retaliated and discriminated against union supporters.

Our audit found the following:

- The MTC violated Federal regulations by using JTPA monies on activities that discouraged its employees from voting for union representation, and we questioned \$1,611 in JTPA funds MTC spent on these activities. However, MTC's use of staff from other Job Corps centers to replace striking workers was in the government's interest and was an allowable JTPA expenditure.
- There was no evidence that students' records were altered or falsified, or that GED attainments had been wrongfully enhanced. Consequently, we do not believe the allegation is founded.
- The Job Corps' "zero tolerance" policy should have been applied in several instances, and the students should have been immediately terminated from the Job Corps program. However, KJCC's actions do not appear to be part of a pattern of willfully ignoring Job Corps' policies.
- Improvements were needed in supervising students housed in KJCC's dormitories.
- Individual complaints of discrimination and retaliation had been properly addressed through Job Corps' policies and procedures, through MTC's grievance procedures, or through appropriate external agencies.

We recommended that the Assistant Secretary for Employment and Training direct the Office of Job Corps to do the following:

- Recover \$1,611 paid to MTC that was used to deter union activities. Job Corps should ensure that contractors are aware of JTPA's provisions regarding union activities. In the future, contractors should be directed to separately identify and report extraordinary costs, such as strike-related expenditures, so that those costs may be monitored.

- Continue to monitor MTC's activities to ensure the contractor complies with Job Corps' policies on student discipline.
- Ensure that MTC provides adequate staff to oversee activities in student dormitories. Job Corps should also evaluate the dormitories and determine if improvements in the facilities, such as remodeling the space or employing video monitoring, would help provide a safer environment.

In response to our draft audit report, MTC disagreed with some of our conclusions. Regarding the issue of union organizing, MTC argued that its meetings and the information distributed were informational and its actions were within the provisions of both the National Labor Relations Act and JTPA. MTC also disagreed with our assessment that more attention should be devoted to compliance with Job Corps' policies on students' behavior. Finally, MTC reported that new strategies regarding the physical layout and staffing of dormitories were being discussed with Job Corps. **(OA Report No. 04-99-006-03-370, issued July 23, 1999)**

Job Corps Not Recovering All Debts Before Students Terminate

As part of our preliminary survey examining how the Job Corps collects students' loans and advances, the OIG found that in PY 1997, Job Corps did not recover over \$680,000 due from students prior to termination. During this period, Job Corps paid over \$2.5 million in termination payments to more than 22,000 participants. Job Corps policy requires the Centers to recover any student loans or advances from the readjustment allowance that is paid upon termination. No recovery may be made from student bonus payments or biweekly pay.

To improve ETA's stewardship over government funds and to help reinforce values of responsibility and accountability in the students, we recommended that the Assistant Secretary for Employment and Training require the Office of Job Corps (OJC) to make the following revisions in Job Corps' Policy and Requirements Handbook procedures:

- Require the use of all available types of offsets (biweekly payroll, bonuses, and readjustment allowances) to recover student loans or advances; and
- Establish the sequence of offsets to be utilized in collecting student loans or advances beginning with offsets to biweekly pay, bonuses, and readjustment allowances.

We also recommended that the Assistant Secretary for Employment and Training ensure that OJC instructs its center operators to amend their student orientation handbooks to inform students that deductions for loans or advances will be made from biweekly pay and student bonuses, as well as from readjustment allowances.

On March 16, 1999, we advised the Director of OJC on our preliminary findings and our plans to proceed with a full-scale audit. She said that she shared our concerns and indicated her desire to take immediate action without the need to perform an in-depth audit. She referred this matter to the Job Corps Pay and Allowances Workgroup, which met on March 17–18, 1999, to discuss revisions to these systems. The workgroup placed this issue on its agenda for consideration during the coming months. **(OA Report No. 03-99-009-03-370, issued April 7, 1999)**

Over \$1 Million Questioned at Talking Leaves Job Corps Center

We conducted a financial and compliance audit of the Talking Leaves Job Corps Center (TLJCC) operated by the Cherokee Nation of Oklahoma for the last three years of their five-year contract, covering July 1, 1995, through June 30, 1998.

We questioned \$1,052,574 paid to the Nation for operating the TLJCC for the five-year contract period including the following:

- \$1,014,321 for the recovery of indirect costs for services for which the Job Corps program was already paying directly or for services which did not benefit the Job Corps program.

- \$10,733 in direct and indirect costs for duplicate payments resulting from internal control weaknesses. These unallowable costs have already been recovered through contractor-adjusted expenditure reports.
- \$27,520 for missing inventory items. Because TLJCC did not follow DOL property management procedures to safeguard and account for TLJCC assets, 71 inventory items of equipment selected from the Contract Management Property System (CPMS) were missing; several items of furniture and equipment purchased during the audit period could not be traced to the CPMS or TLJCC's inventory; and the CPMS inventory was inaccurate, incomplete, and outdated.

We also determined that the TLJCC's monthly and year-end expenditure reports were not accurate or current. While we were able to reconcile amounts recorded in the general ledger to the final total costs that TLJCC reported for the three-year period ending June 30, 1998, monthly and year-end expenditure reports were often late and contained material errors and inconsistencies that prevented their use as effective management tools. We could not reconcile the PY 1997 financial reports until April 1999, almost 10 months after the contract terminated, when TLJCC submitted its final cost report for June 1998.

Finally, TLJCC's financial management system for controlling and reporting Job Corps funds was deficient in its ability to maintain accountability for Job Corps funds. Specifically, there were no written policies and procedures other than the Job Corps Policy Requirements Handbook, no Center Operating Plan, and no approved operating budget during PY 1996.

We recommended that the Assistant Secretary for Employment and Training direct the Director of Job Corps to disallow \$1,041,841 as well as:

- require the Nation to treat TLJCC as a separate cost objective with its own indirect cost pool and rate approved by the DOL Office of Cost Determination;
- notify the cognizant Federal agency that special operating factors affecting TLJCC's contract with DOL necessitate special indirect cost rates;
- provide technical assistance and guidance to TLJCC to ensure that the Center's financial reports and budgets are accurate, supported, and timely;
- require the Nation and TLJCC to correct the long-standing inadequacies of its accounting and financial management systems related to TLJCC;
- ensure that Center financial staff receive training related to Job Corps budget and report preparation and applicable cost principles;
- maintain sufficient, auditable, and otherwise adequate records to support the expenditure of all Job Corps funds; and
- develop and implement internal controls adequate to safeguard and account for Job Corps funds and property.

The Nation disagreed with our finding regarding indirect costs and the recommended disallowance of over \$1 million. The Nation, however, concurred with our findings regarding duplicate payments, accountability for TLJCC property, training for finance reporting staff, and development of written policies, procedures, and internal controls. **(OA Report No. 06-99-010-03-370, issued September 22, 1999)**

OIG Saves Job Corps \$645,702

At ETA's request, the OIG reviewed additional construction costs claimed by Aspinet Construction Company associated with renovating Job Corps buildings. Aspinet asserted that its contract completion date was extended due to numerous changes in construction procedures Job Corps ordered, and that the resulting delay caused them to incur increased costs for which they were not reimbursed. Accordingly, Aspinet submitted a Request for Equitable Adjustment (REA) in the amount of \$820,702.

The OIG audited the costs supporting Aspinet's REA. The resulting report questioned, or set aside for the Contracting Officer's review, about 75 percent of the \$820,702 claimed in the REA. During the reporting period, Aspinet and the Department entered into a Settlement Agreement in which Aspinet agreed to accept \$175,000 as a complete and full settlement of all costs and claims related to its contract with Job Corps. **(OA Report No. 18-98-011-03-370, issued July 28, 1998)**

\$249,514 Disallowed For Texas School-to-Work Subcontractor

The Texas Council on Workforce and Economic Competitiveness (TCWEC) was created by the Texas State Legislature in 1993 to coordinate the State's workforce development programs. Accordingly, TCWEC was selected as the recipient and administrator of the School-to-Work (StW) State Development Grant. The OIG audited this grant for the period March 1994 through September 1995 and questioned DOL expenditures of \$249,514 of the total of \$1.3 million of funds expended by TCWEC for this period. There was a small amount of Department of Education funds in this grant.

The preponderance of questioned costs resulted because TCWEC reimbursed one of its StW subcontractors for the full amount of costs claimed even though the subcontractor had failed to maintain adequate documentation of costs as is required for cost-reimbursable contracts. Consequently, the OIG was unable to determine whether any of the

reimbursed costs were allowable, reasonable, or allocable to the StW program. Accordingly, the OIG questioned the entire amount of \$208,214 which TCWEC reimbursed to the subcontractor. The OIG also questioned \$41,300 in expenditures, the preponderance of which represented professional services and consulting costs claimed by TCWEC subgrantees, because there was no basis for determining the reasonableness of the expenditures.

During this reporting period, the ETA Grant Officer has disallowed the entire \$249,514 in questioned costs. **(OA Report No. 18-96-025-03-385, issued September 30, 1996)**

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

In addition, the Foreign Labor Certification Program, also administered by ETA, remains vulnerable to the submission of false or fictitious information by individuals seeking to illegally obtain labor certifications. The OIG recognizes the serious impact that the influx of illegal aliens has on the American workforce, which results in the denial of jobs to American workers or to those alien workers legally residing in the United States.

HMO Reviewer Sentenced for Embezzlement Related to JTPA Program

On June 7, 1999, Crystal Williams, a reviewer for Kaiser Permanente, was sentenced to six months' home detention and ordered to pay \$150,000 in restitution for an embezzlement scheme designed to fraudulently enroll ineligible applicants in a health care plan in exchange for kickbacks. Kaiser Permanente, a health maintenance organization, created a healthcare plan called the *Transition Plan* as a community-based program which offered low-cost, limited-term healthcare insurance coverage to low-income families. As one of the qualifications to enter the plan, an applicant must participate in a vocational or occupational training program, such as the JTPA program. Williams was responsible for reviewing the healthcare insurance applications for membership in the *Transition Plan*. The OIG investigation found that, from May 1992 through June 1994, Williams devised and participated in a scheme by which she fraudulently enrolled over 200 applicants in the *Transition Plan*. In return for a kickback, she and other brokers solicited ineligible applicants to participate in the *Transition Plan* by falsifying JTPA registration/enrollment documents indicating that the applicants had

participated in a JTPA program. Williams, who pled guilty to one count of mail fraud, collected approximately \$40,000 in kickbacks and caused Kaiser Permanente a loss in excess of \$900,000 in premiums and services provided to ineligible members. ***U.S. v. Williams (C.D. California)***

Store Owner Sentenced for Bribery and Falsifying Alien Registration Cards

Paul Ameri, owner of Tour Fashions, Inc., was sentenced on July 6, 1999, to six months' home confinement, 36 months' probation, and a fine of \$5,000 in a case in which the OIG worked in cooperation with the Immigration and Naturalization Service (INS). In April 1999, Ameri pled guilty to charges of bribing a public official and illegally possessing an alien registration receipt card. During the investigation of possible payoffs to union and U.S. DOL officials, Ameri bribed an undercover OIG Special Agent and an undercover INS Special Agent to obtain alien registration cards for five individuals, including his three employees. Ameri also bribed the undercover OIG agent, who was posing as a corrupt Occupational Safety and Health Administration (OSHA) inspector, to not report workplace safety violations. Other employees of Tour Fashions, Inc., were also prosecuted and either left the United States voluntarily or were deported for various immigration violations. ***U.S. v. Ameri (D. New Jersey)***



*Promoting the
Economic
Security of
Workers and
Families*

A Secure Workforce

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

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

Unemployment Insurance

Enacted over 60 years ago as a Federal-state partnership, the Unemployment Insurance (UI) program is the Department's largest income maintenance program. The program assists workers who lose their jobs through no fault of their own. The UI program is administered by State Employment Security Agencies (SESAs) in 50 states and the District of Columbia, Puerto Rico, and the U.S. Virgin Islands under the oversight of the Employment and Training Administration (ETA). The Unemployment Trust Fund, which was established to ensure that adequate funding is available to pay unemployment compensation is financed through employers' quarterly payroll tax assessments.

The Internal Revenue Service Overcharged the Unemployment Trust Fund \$48 Million

We audited the administrative charges to the Unemployment Trust Fund (UTF) for the services provided by the United States Department of the Treasury for collecting and processing Federal unemployment taxes—authorized by the Federal Unemployment Tax Act (FUTA)—and administering the UTF.

	<u>Administrative Charges</u>	<u>Overcharge</u>
FY 1996	\$ 95,321,118	\$17,598,043
FY 1997	\$104,387,657	\$17,632,554
FY 1998	<u>\$105,868,890</u>	<u>\$12,649,975</u>
Totals	\$305,577,665	\$47,880,572

We reviewed total Treasury administrative charges of \$305,577,665 for fiscal years (FYs) 1996, 1997, and 1998. Our audits showed that Treasury overcharged the UTF \$47,880,572 during the audit period because the Internal Revenue Service's (IRS) estimated costs had not been adjusted to actual costs during FYs 1996, 1997, and 1998.

The IRS Chief Financial Officer's (CFO) Office of Accounting Standards and Evaluation (OASE) was responsible for compiling and submitting the IRS's costs to the Bureau of Public Debt (BPD) to charge to the UTF. IRS charges to the UTF were largely based on an outdated unit cost rate. We also found that the IRS's method of calculating costs was based on fragmented, ad hoc spreadsheet accounting. The IRS's accounting systems were not integrated nor configured to accommodate recently required Federal cost accounting standards. The current method of compiling costs specific to the UTF is inefficient and cumbersome, involving a variety of estimates and data from at least 10 individual management information systems which are largely unaudited.

We recommended that the Assistant Secretary for Employment and Training ensure that BPD credits the UTF \$47,880,572 overcharged for IRS's costs during our audit period. Also, we recommended the Assistant Secretary establish a team to negotiate an alternative method of charging for IRS administrative costs, since the current method is fragmented, cumbersome, and unreliable.

The IRS disagreed with our conclusion that the UTF was overcharged by almost \$48 million, as it believes there may be additional Collections Division's costs that we did not include in our audit. In calculating the overcharge, we used costs provided by the Collections Division to the IRS CFO's office and verified these costs with the Collections Division as **complete and accurate**. Our initial conclusion that \$47,880,572 was overcharged remains unchanged. **(OA Report No. 06-99-012-03-315, issued September 21, 1999)**

State Employment Security Agencies Fail Tax Performance System Acceptance Sample Reviews

During calendar years 1996 and 1997, approximately 50 percent of all State Employment Security Agencies (SESAs) failed the Tax Performance System (TPS) Acceptance Sample Review, which is a quality control review designed to ensure that:

- UI field tax auditors perform their duties correctly;
- UI tax cases are prepared in accordance with applicable criteria; and
- employers are correctly filing and disclosing their quarterly UI taxes.

In a previous audit, *“Adopting Best Practices Can Improve Identification of Noncompliant Employers for State UI Field Audits”* (OA Report No. 03-99-006-03-315, issued March 22, 1999), we noted that 7 of the 12 SESAs we visited failed their TPS Acceptance Sample Reviews. We found that the Unemployment Insurance Service (UIS) does not require states that fail their TPS Acceptance Sample Reviews to submit timely corrective action plans for subsequent monitoring by UIS. To help ensure continuous improvement in the field audit process, OIG believes that corrective action plans and subsequent monitoring should be a fundamental part of ETA’s quality review process.

We recommended that the Assistant Secretary for Employment and Training direct the UIS to require states that fail their TPS Acceptance Sample Reviews to submit timely written Corrective Action Plans for subsequent monitoring by UIS.

ETA agreed with the OIG’s recommendation that Corrective Action Plans (CAPs) or Continuous Improvement Plans (CIPs) are necessary when states fail a TPS review. The UI performance management system (UI Performs) currently envisions the use of CAPs and CIPs. The UI Performs handbook, *Unemployment Insurance State Quality Service Plan (SQSP) Planning and Reporting Guidelines*, is currently in draft. CAPs and CIPs will be an integral part of UI Performs when fully implemented. **(OA Report No. 03-99-008-03-315, issued August 3, 1999)**

Individuals Caught in Counterfeit Payroll Check Scam

Three of seven individuals have been indicted and have pled guilty in a counterfeit payroll check scam that began in August 1997. Delaine Lawrence, chief printer and a deliverer of counterfeit checks, was charged and pled guilty on September 1, 1999, to making, possessing, and circulating forged securities. Malcolm Lawrence, Delaine's brother, was also indicted for the same charges for being a transporter and recruiter. The investigation revealed that Malcolm Lawrence was responsible for delivering over \$2 million in counterfeit checks. Jonathan Coleman was brought into the scheme by Malcolm to be the printer after Delaine left in June 1998. Coleman was indicted on July 9, 1999, and charged with 15 counts of violations of counterfeiting, aiding and abetting, and conspiracy. The investigation revealed that Coleman was responsible for printing over \$750,000 in counterfeit checks. In July 1999, Kendra Hess was charged and pled guilty for using a fake social security number and attempting to cash one of the counterfeit checks. In September 1998, the Louisiana Department of Labor (LDOL) Internal Security Unit reported to the OIG that person(s) were attempting to cash counterfeit payroll checks bearing an encoded bank account routing number of the LDOL Unemployment Insurance program checking account. The checks reflected the names of private businesses but were encoded with an LDOL account number. Further inquiry into the matter was initiated by the OIG in cooperation with the Louisiana Department of Justice and the U.S. Secret Service. ***U.S. v. Lawrence, et al. (E.D. Louisiana)***

Washington State Employee Sentenced in Embezzlement Scheme

On September 7, 1999, Artis Jenkins was sentenced to six months' home confinement and three years' probation and was ordered to pay \$13,179 in restitution for embezzling funds from a Federal program administered by the State of Washington Employment Security Department (ESD). Jenkins was employed by the State of Washington for over 20 years as a supervisor with the ESD Work First program, which is funded by DOL

and HHS. The OIG investigation established that Jenkins submitted fraudulent travel vouchers, totaling more than \$10,000. On May 21, 1999, Jenkins pled guilty to a one-count violation of theft from a Federal program, after being charged in April 1999. On April 23, 1999, as a result of OIG investigative efforts, he was fired by the State of Washington. ***U.S. v. Jenkins (W.D. Washington)***

Individual Indicted for Using False Identities to Collect Unemployment Insurance Benefits

On September 10, 1999, Ira Malkin was indicted on two counts of false use of a social security number. Malkin was charged with falsely presenting a social security number to collect unemployment insurance (UI) benefits. This investigation established that Malkin allegedly received \$67,705 in UI benefits over the last eight years. Between November 1992 and March 1999, Malkin allegedly filed and received benefits on five UI claims, using the identities of other people, including two of his cousins and one friend. He allegedly filed claims under the names of five different individuals, two of whom had the same last name as his own. Three of the claims were filed against New York employers and two were filed against New Jersey employers. All of the claims were allegedly filed with affidavits of earnings instead of being based on previously reported wage credits. As part of his scheme, he allegedly applied for a replacement social security card under each of the five names. He used post office boxes in Brooklyn and Manhattan and commercial mailboxes in Brooklyn and New Rochelle, N.Y., to receive the benefits. This investigation was conducted jointly with the Social Security Administration. ***U.S. v. Malkin (E.D. New York)***

Colorado Man Sentenced for Fraud

Robert Seaborn was sentenced on August 24, 1999, to five years' probation and four months' home detention and was ordered to pay restitution of \$11,140 for making false statements to receive benefits. Seaborn had qualified for Trade Readjustment Allowance (TRA) benefits because he was a U.S. resident who was laid off as a result of the

implementation of the North American Free Trade Agreement. The OIG investigation discovered that from August 1995 through April 1996, Seaborn reported that he was enrolled at the University of Southern Colorado, when he had dropped out in August 1995. Seaborn received \$9,879 in unemployment benefits and \$1,261 in books and tuition to which he was not entitled. In May 1999, Seaborn pled guilty to the charges that were brought in March 1999 for the fraud committed in order to obtain TRA benefits. ***U.S. v. Seaborn (D. Colorado)***

UI Recipient Fails to Report Employment with Sears

On May 27, 1999, Anthony Barbaro was sentenced to four months' home confinement and four years' probation and was ordered to pay \$15,400 in restitution as a result of his guilty plea in March 1999 to charges of theft of Federal funds related to his receipt of UI benefits. Between December 1992 and November 1993, the OIG investigation revealed that he was not reporting his employment with Sears, while he collected benefits totaling \$7,392 of Federal supplemental benefits. ***U.S. v. Barbaro (D. New Jersey)***

The Office of Workers' Compensation Programs (OWCP) administers three major disability compensation programs under the Employment Standards Administration (ESA) that provide benefits to workers who experience work-related injuries or diseases. These include the Federal Employees' Compensation Act (FECA), Longshore and Harbor Workers' Compensation Act (LHWCA), and the Black Lung Benefits Act (Black Lung Trust Fund) programs. Service providers to these programs provide medical treatment and supplies and receive payment for these services from the different programs. The following narrative is illustrative of our audit work in this area.

ESA Provides Enhanced Services in Handling Part B Black Lung Claims

In September 1997, the Social Security Administration (SSA) and the ESA signed a memorandum of understanding (MOU) for the OWCP's Division of Coal Mine Workers' Compensation (DCMWC) to provide programmatic, administrative management, and general support functions to SSA in the administration of the Black Lung Part B Program. This report complies with the 1998 House of Representatives Appropriations Committee Conference Report request that the OIGs of SSA and DOL prepare a joint report to the House and Senate Appropriations Committees assessing whether the objectives of an MOU to provide enhanced services at reduced costs were being achieved.

We were unable to conclude that ESA operated the program at reduced costs because one-time start-up and transitional costs occurred during the audit period. However, the OIGs concluded that ESA's DCMWC provided enhanced services in handling Part B claims in FY 1998.

Our conclusion that ESA is providing enhanced services is based on the following:

- ESA's automated system for the Black Lung Program is more sophisticated than SSA's, so it facilitates ESA's ability to ensure that beneficiaries receive their benefit checks on time and in the correct amount when updates and changes are processed. Also, ESA has a staff whose expertise is in handling only Black Lung claims.
- Beneficiaries and congressional liaisons contacted made positive comments about ESA's administration of Part B of the Black Lung Program.
- Our review of Part B claim files showed that ESA is maintaining a record and history of any activity associated with the claim, while this was not always the case when SSA handled the claims.
- DCMWC has developed customer service standards for the Part B Black Lung Program to measure performance against those standards. In FY 1998, the transition year, ESA processed over 47,000 requests for changes. In monitoring its performance, DCMWC reported that of the requests tracked, it processed the requests on average of seven days or less. SSA had no such performance measurement system in place for the Part B Black Lung Program.

ESA provided enhanced services in FY 1998 by eliminating a backlog of over 6,000 pending transactions, processing over 47,000 requests (in many cases without the benefit of claim files), and responding to numerous telephone calls while implementing the Part B program. Beneficiaries, SSA, and congressional liaisons are pleased with DCMWC's service.

We recommended that DOL's Assistant Secretary for Employment Standards and SSA's Director of the Office of Central Operations study the feasibility of transferring the entire Part B program to the Department. The transfer of the entire program to ESA would eliminate duplication of functions such as budget preparation, financial reporting, transferring of

financial data monthly, and the numerous calls to resolve Part B issues. Additionally, the entire responsibility for **all** Black Lung claims (Parts B and C) would rest with one DOL agency where the majority of its claims examiners have over 20 years of experience providing efficient and effective service to Black Lung beneficiaries.

In responding to the draft report, DOL's Assistant Secretary for Employment Standards and SSA's Principal Deputy Commissioner concurred with the recommendation to study the feasibility of transferring the Black Lung Part B Program to ESA. **(OA Report No. 17-99-008-04-433, issued April 8, 1999)**

Review of Medical Reimbursements and Authorization of Surgical Requests for the Office of Workers' Compensation Programs

As a result of congressional interest, the OIG conducted a review of the timeliness of claimant reimbursement for out-of-pocket medical expenses and requests for surgical authorizations in the OWCP's Division of Federal Employees' Compensation.

We found that reimbursement of claimants' out-of-pocket expenses is not a substantial issue. OWCP data show that reimbursement of claimants represents only 3 percent of all medical bills paid by OWCP. OWCP surpasses the "95 percent" 60-day performance standard by paying 96.9 percent of all claimant-submitted bills within 60 days, although it falls somewhat short of the "90 percent" standard in 28 days by paying 82.1 percent of claimant-submitted bills within 28 days. OWCP told us that in January 1999, they implemented an automated bill review system. They expect this new system to increase the percentage of claimant-submitted bills paid in 28 days.

Pharmacy bills are the largest category of claimant reimbursements. OWCP has implemented an electronic billing system that allows pharmacies to bill OWCP directly, eliminating the need for claimant out-of-pocket expenses. OWCP records demonstrate that after only four months, the new system has reduced claimant-submitted pharmacy bills by 10 percent.

OWCP deals with two different types of surgeries: emergency and non-emergency. If an employee suffers a traumatic injury at work and requires emergency surgery, the employing agency is responsible for authorizing the medical treatment within four hours of injury. Our review examined OWCP's handling of requests for non-emergency surgery.

OWCP has not set a performance standard in this area. We recommended that OWCP set a performance standard for responding to surgical requests, to reduce claimant uncertainty about the process. We proposed that OWCP's response might be in the form of a request for additional information, an appointment to see a physician for a second opinion exam, or an approval for surgery. Four of OWCP's twelve district

offices already track surgical requests and have set performance standards. The performance standards range from 7 to 10 days.

The agency plans to review its practices in responding to surgery requests, given the recommendation of the study and its emphasis on identifying more precisely where and how to focus the agency's efforts at improving customer service. However, the agency stated that there are a number of reasons why it cannot establish a performance standard at this time, including the these facts:

- Response times vary greatly depending on the type of request.
- OWCP is in the process of tracking the number of telephone requests for medical authorizations and percentage of responses in three days. Once this data is collected and analyzed, it will consider the need for a new standard.
- It would be difficult for them to track the information required under their current information system. **(OACE Report No. 2E-04-430-0001, issued May 17, 1999)**

Review of Federal Employees' Compensation Act Program Customer Service Surveys For the Employment Standards Administration

The OIG reviewed the OWCP's 1995 –1998 customer service surveys, which were conducted by the Division of Federal Employees' Compensation (FEC). We analyzed the surveys' methodology in order to determine their accuracy and usefulness in providing sound information about customer service. Although OWCP has made efforts to improve the surveys each year, our analysis revealed the existence of methodological flaws in several areas, including survey design, measurement of customer service, sampling, response rate, and survey operations. As a result, we made a number of recommendations to enhance the accuracy of the data by improving the survey methodology and thus help OWCP judge and improve the quality of customer service provided by FEC. The agency agreed with most of our recommendations. **(OACE Report No. 2E-04-431-0002, issued May 17, 1999)**

Review of Nonchargeable Claimants Under FECA

The OIG conducted an examination of claimants categorized as nonchargeable under the Federal Employees' Compensation Act (FECA).

OWCP categorizes claims as *nonchargeable* or *chargeable*. A chargeable claim is one where each employing agency is responsible—or charged—for the total cost of benefits paid for injuries or deaths occurring after December 1, 1960. Nonchargeable claims differ because they cover claims which occurred prior to December 1, 1960, and are not billed back to employing agencies. Funding for nonchargeables are appropriated directly by Congress to OWCP.

We looked at total nonchargeable claims and costs paid since 1993. Our review of the nonchargeable claims focused on four questions: (1) What is their profile? (2) What are their life span and projected costs? (3) Are claimants returning to work, and (4) Is the claimant information accurate and useful?

- Profile of Nonchargeables:

We found that, on average, less than 2 percent of the FECA claimant universe and costs paid between 1993 and 1998 were in nonchargeable claims. Overall, the number of nonchargeable claimants and costs have decreased by 30 percent and 20 percent, respectively, since 1988. Although the universe is a small group, no two categories are alike, making any analysis complex.

- Life Span and Projected Costs of the Nonchargeables:

In our review, we found that 90 percent of the current nonchargeable claimants will no longer receive benefits by the year 2022.

- **Returning Claimants to Work:**

It is difficult to determine who may, or may not, eventually return to work. Claimants fall into two categories: (1) claimants who are covered under OWCP return-to-work policies, and (2) claimants (family members) who receive survivor benefits. On June 30, 1998, 2,068 claimants (56 percent) were covered under OWCP's return-to-work policies, with the remaining 1,592 (44 percent) receiving survivor benefits. For almost 22 percent of the claimants, the injuries were predominately traumatic and/or violent, and it is unlikely that most of them will return to work. We did find evidence, however, which verified that OWCP's efforts to return nonchargeable claimants back into the workforce, either in similar positions or through retraining programs, are adequate.

- **Accuracy and Usefulness of Claimant Information:**

We found that claimant information was either incorrect or incomplete. According to OWCP, there is a current effort to redesign the automated database system for Federal employees compensation. Since the number of problems we found within the nonchargeable claimant universe is very small, we suggest that OWCP attempt to make any corrections noted in our report during the implementation phase of their redesigned database. The agency generally agreed with our comments. **(OACE Report No. 2E-04-431-0001, issued September 24, 1999)**

OIG's focus during this period, concerning the DOL programs that provide benefits to workers and their survivors, has expanded to include some examinations into what type of care is provided, yielding some cost efficiencies in the Black Lung Program and new discoveries of employer and medical provider fraud in the Longshore Program. Accordingly, during this time-frame, the Office of Investigations opened 146 cases, closed 157 cases and achieved 69 indictments, 88 convictions, and over \$5 million in monetary accomplishments. Examples of overbilling schemes and other types of fraud by providers that bilk the OWCP are highlighted below. These are followed by the significant cases involving claimants who have been identified as defrauding the OWCP.

Medical Provider Fraud

Medical professionals and medical supply companies provide a variety of services and supplies for the care of recipients of OWCP programs. These medical providers are paid by the various OWCP programs through the submission of billings for the services and/or supplies which they provide. Unfortunately, some of them have been found to falsify those billings by either inflating them or billing when nothing was actually provided.

West Virginia Provider Sentenced for Defrauding Black Lung Program

On August 24, 1999, Paul David Adkins, president of Mountain Respiratory Diagnostic, was sentenced to serve 63 months' imprisonment and three years' probation and was ordered to pay \$872,824 in restitution to the Federal Black Lung Trust Fund. He admitted

to making fraudulent billings to the Black Lung Program for services that he never provided. The OIG investigation revealed that, from 1995 through 1999, Adkins had billed the Trust Fund \$1,387,710, of which \$872,824 was paid for providing arterial blood gas studies and respiratory therapy. Adkins had previously pled guilty in May to 11 counts of wire fraud and four counts of money laundering concerning his receipt of Federal Black Lung Trust Fund benefits. Approximately \$278,000 has already been recovered through the auction of vehicles, musical equipment, and home furnishings. On September 28, 1999, in a separate proceeding, he was sentenced for defrauding the State of West Virginia's Black Lung Program to a minimum of 22 years and a maximum of 42 years (to run concurrently with the Federal sentence) and was ordered to pay \$755,408 in restitution. ***U.S. v. Adkins (S.D. West Virginia)***

Vocational Counselor Indicted for Submitting False Claims

Herbert Donald Dockery, former branch manager and a DOL-certified vocational counselor with Crawford and Company's Office of Disability Management Services, was indicted on August 18, 1999. The grand jury charged Dockery with 35 counts of mail and wire fraud for allegedly submitting false medical claims to OWCP and other commercial entities. The joint investigation disclosed that Dockery allegedly devised and implemented various schemes in order to defraud OWCP and Newport News Shipbuilding (a Department of Defense contractor). As a manager with Crawford and Company, Dockery was responsible for administering vocational rehabilitation and medical case management services to government employees and contractors, under both the FECA and Longshore Programs. The investigation revealed that Dockery allegedly arranged a compensation agreement authorizing the company to pay him 40 percent of the net profits produced by his office. Consequently, Dockery allegedly attempted to maximize the office's net profits by submitting false medical claims. This indictment is the result of a joint investigation with the U.S. Department of Defense, Defense Criminal Investigative Service. ***U.S. v. Dockery (E.D. Virginia)***

Medical Supply Company Owners Sentenced for Inflating Bills

On April 9, 1999, Doris Jean McConnell and Marsha L. McConnell were each sentenced to serve 21 months' imprisonment and three years' probation and were ordered to jointly pay over \$1 million in restitution, as owners of Independent Home Medical Rentals, Inc. (IHMR). On October 30, 1998, IHMR and the McConnells pled guilty to one count of mail fraud concerning the submission of fraudulent bills to the Black Lung Trust Fund. Gertrude Burdine, who worked for IHMR prior to starting her own business, Southern Air Home Equipment, in 1996, also pled guilty to mail fraud. The OIG investigation found that the defendants defrauded the Black Lung Trust Fund by submitting grossly inflated bills for gaseous oxygen and supplies to claimants. The proceeds from the fraud were squandered on cash given to relatives and the purchase of recreational vehicles, including motor homes, campers, and boats. Burdine is scheduled to be sentenced in October 1999. ***U.S. v. McConnell, et al. (W.D. Virginia)***

Former California Podiatrist Indicted for Healthcare Fraud

Former OWCP medical provider Philip Gilbert Marin was indicted on July 15, 1999, and charged with seven counts of health care fraud for submitting fraudulent medical claims to the OWCP. This investigation was based on a review of OWCP medical provider quarterly bill pay histories that specifically targeted current providers who bill the OWCP for high dollar services rendered to only one FECA claimant. A quarterly OWCP bill pay history from April 1998 to June 1998 showed that Marin was paid \$10,545 for services rendered to one claimant during this three-month period. Further bill pay history on Marin showed that he had been paid over \$100,000 since January 1990 for medical services rendered solely to one FECA claimant.

According to OWCP bill pay records, Marin submitted several medical claims for medical services he claimed were rendered to the FECA claimant from September 8, 1995, to December 18, 1995, and from

March 4, 1997, to July 23, 1997. During this time, Marin was actually incarcerated and unable to perform any medical services; however, he submitted these claims to OWCP after his release from jail. Furthermore, Marin allegedly continued to submit multiple fraudulent claims to OWCP after his 1997 jail release by billing for the claimed medical services rendered to the FECA claimant while his podiatry license was expired. This investigation detected a total of 145 alleged false medical claims by Marin to OWCP and an additional 50 alleged false claims to Blue Cross of California, a private insurance carrier. On January 11, 1999, the OWCP debarred Marin as a medical provider. ***U.S. v. Marin (N.D. California)***

Three Individuals Sentenced in Wheelchair Scam

As reported in the prior semiannual report, Jeffrey Scott Marmer, Jerry Rodney Rogers, and Wendy Hardenbrook, through their employer, Independent Medical of America (IMA), fraudulently marketed and sold durable medical equipment to handicapped individuals. Hardenbrook was sentenced on September 9, 1999, to six months' home detention and two years' probation and was ordered to seek counseling and treatment for substance abuse. Marmer was sentenced on April 14, 1999, for violations of mail fraud and aiding and abetting and received three years' probation and six months' house arrest, and was ordered to pay \$3,600 in restitution. Rogers was sentenced on April 5, 1999, for violations of mail fraud and conspiracy, to serve 18 months' imprisonment, three years' probation, and was ordered to pay \$7,800 in restitution. Hardenbrook signed a plea agreement dated April 5, 1999, charging her with one count of conspiracy. Marmer and Rogers had previously pled guilty to the charges. This joint investigation with the Defense Criminal Investigative Service unveiled a complicated scheme whereby these IMA employees solicited disabled individuals from lists purchased from state motor vehicle offices. Marmer, Rodgers, and Hardenbrook enticed them with offers of three-wheeled electric scooters (valued at \$1,200 to \$1,500) which would be paid by the individual's medical benefits provider, in exchange for the names of their physicians. The IMA employees then prepared certificates of medical necessity for the physicians to execute that falsely indicated that electric wheelchairs (valued at \$5,500 to \$7,800

each) were being provided. IMA would then fraudulently bill the medical benefits providers for electric wheelchairs, but not provide any product, until after receiving payment from the provider (and then only the less expensive electric scooter). This scheme allowed IMA to fraudulently obtain \$4,000 to \$6,200 per each scooter provided, and OWCP was just one of the providers that was victimized, with claims totaling over \$2 million in 1994 and 1995. ***U.S. v. Marmer, et al. (D. South Carolina)***

Employer Fraud

Two Individuals Sentenced for Not Providing Longshore Coverage

On June 3, 1999, James McPherson and Sherri McAlister of Diversified Labor, Inc., were each sentenced to serve three years' probation and pay a fine of \$30,000 for failure to provide Longshore Harbor Workers' Act coverage for their employees. Diversified was fined \$100,000, placed on probation for one year, and ordered to cease doing business, including stevedoring business, at the Port of Houston. Additionally, as part of the sentence, McPherson and McAlister were ordered to pay a total of \$900,000 in restitution as agreed upon in a civil settlement with the State of Texas Workers' Compensation Fund. In February 1999, McPherson and McAlister were charged with conspiracy and mail fraud in relation to the scheme to avoid paying Longshore benefits. This joint OIG investigation with the FBI found that McPherson created and McAlister ran a number of labor-leasing companies, disguising the true ownership of the companies by creating the illusion of multiple, unrelated employers and disguising the control of the businesses. Workers were shifted from company to company, depending on which company carried the proper coverage, to avoid paying premiums for all of the companies and providing Longshore benefits. In addition, workers were misclassified into jobs with lower risk factors. This scheme prevented the covering agency from being able to properly compute premiums for the work performed at the Port of Houston and allowed McPherson to avoid in excess of \$60 million in workers' compensation premiums. ***U.S. v. McPherson, et al. (S.D. Texas)***

Claimant Fraud

OWCP Programs are frequently defrauded by claimants who are employed during the period that they are receiving benefits and who falsify documents by not reporting the employment in order to retain their benefits.

FECA Claimant Pays Full Restitution Before Sentencing

Larry Helton, a self-employed residential building contractor, was sentenced on May 3, 1999, to one year's probation and was ordered to pay restitution of \$82,802, which was sent to OWCP prior to sentencing. He pled guilty to one count of making false statements on February 12, 1999. The OIG investigation disclosed that Helton was self-employed as a contractor and was receiving workers' compensation benefits for an alleged injury that occurred on February 18, 1992, while he was employed as a fireman at the Blue Grass Army Depot, Richmond, Kentucky. ***U. S. v. Helton (E.D. Kentucky)***

Former Philadelphia Navy Yard Worker Commits FECA Fraud

On May 6, 1999, Calvin L. McQueen pled guilty to one count of FECA fraud. In addition to his guilty plea, McQueen agreed to pay back \$95,000 in restitution. McQueen is a former employee of the now closed Philadelphia Navy Yard. The OIG investigation found that he was fraudulently collecting benefits for over three years while concealing the fact that he was gainfully employed by the City of Philadelphia's Youth Program. ***U.S. v. McQueen (E.D. Pennsylvania)***

Widow of Black Lung Program Recipient Sentenced

Willa Jean Cool was sentenced on July 26, 1999, to six months' home detention and three years' probation and was ordered to pay restitution of \$32,012.40. Cool was charged in February 1999 with making false statements in regard to her receipt of widow's benefits from the Black Lung Trust Fund. The OIG investigation discovered that in 1979, Cool had married a retired miner who was a recipient of Black Lung benefits, but after he died she remarried. In order to retain her benefits she falsified documents to say that she had not remarried and that her children were still dependents living with her. Cool pled guilty in April 1999 to making false statements to OWCP regarding her marriage status and her dependents. ***U.S. v. Cool (S.D. Florida)***

Recipient's Brother Sentenced for Forging Benefit Checks

On July 7, 1999, Jewel Delanders Blake, the brother of an OWCP benefits recipient, was sentenced for the theft of Longshore disability benefits to six months' incarceration, three years' supervised release, and six months' home detention, and was ordered to pay \$115,682 in restitution. In March 1999, Blake was indicted on nine counts of mail fraud and three counts of making false statements, and in April 1999, he pled guilty to the false statements charges. The OIG investigation found that from May 1985 to June 1997, Blake knowingly devised a scheme to defraud OWCP and Travelers Insurance. Jewel Blake's brother, Vernel, had been receiving Longshore and Harbor Workers' Compensation benefits from his on-the-job injury in 1962 until he died in May 1985. Thereafter, Jewel Blake continued to fraudulently collect Vernel's benefit checks by forging Vernel's signature on the checks. As part of the scheme, Blake also forged Vernel's signature on eleven DOL forms LS-200 required for the continuation of the benefits. ***U.S. v. Blake (C.D. California)***

Former Virginia Shipyard Worker Sentenced for Defrauding Longshore Program

Edward Chehovich, a former Newport News Shipyard employee, was sentenced on April 19, 1999, to 18 months' imprisonment and was ordered to pay restitution of \$9,094. In October 1998, Chehovich was charged with making false statements and mail fraud from January 1996 through May 1997 to obtain disability benefits under the Longshore and Harbor Workers' Compensation Act. In January 1999, he pled guilty to the false statement charges. The OIG investigation discovered that while he was on disability for an injury that he sustained in February 1988 during his employment at the Newport News Shipyard in Newport News, Virginia, Chehovich worked as a construction worker and did not report his earnings. ***U.S. v. Chehovich (E.D. Virginia)***

Former Medical Technician Sentenced for Defrauding FECA Program

On July 20, 1999, after a joint Health and Human Services OIG investigation, Louis Francis Johnson was sentenced to six years' probation and six months in an electronic monitoring program, was ordered to participate in a drug aftercare program, and was ordered to pay \$40,000 in restitution. In March 1999, Johnson was charged and pled guilty to a one-count information for making a false statement for the purpose of obtaining compensation under the Federal Employees' Compensation Act (FECA). Johnson was receiving FECA benefits for an injury sustained in October 1995 while employed with the U.S. Department of Health and Human Services, National Institute of Health (HHS/NIH). The investigation disclosed that while Johnson was working as an EEG technician and collecting FECA benefits, he falsified numerous documents by not reporting and/or underreporting wages obtained from his employment at three hospitals and a doctor's office. Johnson collected over \$51,800 in FECA benefits. ***U.S. v. Johnson (D. Columbia)***

Newspaper Owner Defrauds FECA Program

Rochel Haigh Blehr, the owner of *The Environmental Times*, an Atlanta newspaper, was sentenced on April 28, 1999, to five years' probation, six months' home confinement, and community service not to exceed 100 hours, and was ordered to pay \$25,000 in restitution to OWCP. The OIG investigation revealed that Blehr sold advertising for her newspaper and instead of receiving money for the ads, she bartered for goods and services. Some of the goods and services she received included a satellite dish, orthodontic treatment, kitchen appliances, office furniture, and other similar goods and services. Even though Blehr was an active businesswoman, she alleged minimal physical abilities and no income other than her FECA disability payments that she began receiving from OWCP in May 1985. In January 1999, Blehr pled guilty to one count of FECA fraud, after having been charged in October 1998. OWCP terminated Blehr's FECA benefits effective January 5, 1999, the day of her guilty plea. ***U.S. v. Blehr (N.D. Georgia)***

Real Estate Agent Sentenced for FECA Fraud

On April 26, 1999, Flora Mills, a former postal employee, was sentenced to three years' probation, with the first 120 days in home confinement, and was ordered to pay \$19,093 in restitution to OWCP. Mills was employed as a real estate agent for Century 21 while she fraudulently collected benefits for an alleged on-the-job injury that occurred in December 1996 in an on-duty automobile accident. The joint investigation with the U.S. Postal Inspection Service disclosed that, following the accident, Mills attended real estate sales courses while she was receiving continuation of pay benefits. Mills continued to pursue a career in real estate while receiving benefits from OWCP. In 1998, Mills became a member of the Century 21 Million Dollar Club by selling over \$1 million in real estate during a one-year period. In January 1999, Mills was charged and pled guilty to one count of FECA fraud. ***U.S. v. Mills (N.D. Texas)***



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

Quality Workplaces

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

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

Review of MSHA's Technical Expertise in Approving and Certifying Mining Equipment

The OIG conducted a review to determine whether the sources of scientific and technical expertise that the Mine Safety and Health Administration (MSHA) uses for certification and approval of mining equipment are adequate.

Our review focused on the process MSHA employs to fulfill its approval and certification mission. We reviewed:

- whether MSHA knows what expertise it needs;
- whether the agency knows the resources it has in-house; and
- what other sources of expertise the agency uses for approval and certification of mining equipment.

We had three findings: First, no systematic and recurrent review is conducted of the expertise MSHA needs to fulfill its scientific and technical mission. Second, no comprehensive and systematic analysis is conducted to determine whether the expertise MSHA has in-house matches the technical and scientific requirements to certify and approve mining equipment. Third, no systematic search is conducted for other sources of expertise to augment what resources MSHA has in-house for approval and certification of mining equipment.

In order to enhance MSHA's program of approval and certification of mining equipment, we recommended that MSHA conduct a knowledge needs assessment, track and monitor in-house expertise, and develop a methodology for identifying external bases of knowledge. The agency generally agreed with our findings and comments. **(OACE Report No. 2E-06-001-0005, issued September 30, 1999)**

Company Vice President Sentenced in Kickback Scheme

On September 27, 1999, Edmond Thomas, the vice-president of T.D. Engineering and Construction Inc., was sentenced for his participation in a kickback scheme to two months' imprisonment and three years' probation and was ordered to pay \$91,383 in restitution and to complete 1,000 hours of community service. In April 1999, Thomas pled guilty to one count of conspiracy. Between August 1995 and December 1995, Thomas and others knowingly conspired to induce employees of T.D. Engineering to kickback a portion of their pay from their work on public works projects, in violation of the Copeland Anti-Kickback Act.

T.D. Engineering obtained three government contracts totaling over \$1.5 million to restore earthquake-damaged walls along city streets in Simi Valley, California. These projects were funded by the Federal Emergency Management Agency (FEMA) and the Federal Highway Administration. T.D. Engineering certified on the weekly payroll that the prevailing wages were paid and that it did not receive rebates (kickbacks) from its employees for wages paid. Thomas' role in the conspiracy was to collect the kickbacks from the employees every week. This investigation was conducted jointly with FEMA-OIG and the DOL Wage and Hour Division.
U.S. v. Thomas (C.D. California)

Ohio Businessman Pleads Guilty in Contract Fraud Scheme

On May 17, 1999, Anthony Bucci pled guilty to conspiracy as a result of his indictment in November 1998. As part of the plea agreement, the charges against Bucci's wife, Cheryl, will be dropped on the condition that Anthony makes full restitution to the U.S. government at the time of sentencing. Sentencing has been set for October 1999. The investigation found that Bucci was fraudulently using minority business enterprises as "fronts" on highway construction projects. Bucci's company, Prime Contractors, Inc., obtained more than \$8 million of contracts from the Ohio Department of Transportation for highway construction projects. In obtaining these contracts, at least seven percent of the work or materials had to be subcontracted to minority-owned businesses. In order to obtain

the contracts and meet the requirement, Bucci would use various minority-owned businesses as “fronts” to make it appear that they were receiving at least seven percent of the contracts. In fact, these companies did no work on the projects and were usually paid a small fee by Bucci to use their names as subcontractors. In some cases, the minority-owned businesses did not even know that their names were being used. This was a joint investigation with the Internal Revenue Service. ***U.S. v. Bucci (N.D. Ohio)***

New Jersey Company Falsifies Payroll Reports

On September 23, 1999, Alfred Canale, the comptroller, and Bommegowdda Lokesh, a project coordinator of Sharp Construction Company, were sentenced for making false statements in payroll reports on Federally funded projects. The company received three years probation and was fined \$25,000. Canale received three years' probation and two months in a half-way house and was fined \$2,000, while Lokesh received three years' probation and six months' home detention and was fined \$2,000. All had pled guilty in April 1999 to false statement charges, and Canale also pled guilty to conspiracy charges. In September 1998, Sharp Construction, Canale, and Lokesh were named in a 23-count indictment for conspiring to submit false payroll reports. The investigation revealed that they had been certifying one of Sharp's subcontractors, Steinman Construction Co., as paying the Federally mandated minimum hourly wage rate for carpentry work on the renovation at the Veterans Affairs Medical Center (VAMC). Sharp, located in Ocean, N.J., had contracted with the Department of Veterans Affairs to renovate a building at VAMC in Lyons, N.J., and to perform maintenance and repair of various sites at Ft. Monmouth, N.J. Under those contracts, they were obligated to pay the prevailing wage rate as required under the Davis-Bacon Act. The contract at the VAMC was for \$6.2 million and at Ft. Monmouth for \$3.5 million. After sentencing, all the defendants were placed on GSA's list of Parties Excluded from Federal Procurement and Non-Procurement Programs and were also suspended from the Army's procurement program. This was a joint investigation with the Department of Veterans Affairs-OIG and the Criminal Investigations Division of the U.S. Army. ***U.S. v. Canale, et al. (D. New Jersey)***



*Maintaining a
Departmental
Strategic
Management
Focus*

Departmental Management Focus

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

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

The Bureau of Labor Statistics (BLS) is the principal fact-finding agency for the Federal government in the broad field of labor economics and statistics. The BLS is an independent national statistical agency that collects, processes, analyzes, and disseminates essential statistical data to the American public, the U.S. Congress, other Federal agencies, state and local governments, business, and labor. The BLS also serves as a statistical resource to DOL. BLS data must satisfy a number of criteria: relevance to current social and economic issues; timeliness in reflecting today's rapidly changing economic conditions; accuracy and consistently high statistical quality; and impartiality in both subject matter and presentation.

BLS Information Technology, Survey Processing, and Administrative Controls Must Be Improved

On November 4, 1998, the Bureau of Labor Statistics inadvertently released part of the October 1998 employment data due to be released on November 6, 1998. The early release of sensitive economic data can affect financial markets. The BLS Commissioner requested the OIG to perform a comprehensive audit of the activities associated with this early release.

On January 5, 1999, we started fieldwork on the BLS economic data security audit. Within three weeks BLS experienced two additional security incidents: (1) BLS released the Producer Price Index on January 12, 1999 (one day early), and (2) an unidentified intruder (computer hacker) defaced BLS's web page on January 22, 1999.

Our audit efforts focused on physical and automated security practices and procedures in three specific areas: information technology (IT), program survey offices, and administration.

In general, we found that BLS operated and managed these three areas without the benefit of sound internal controls and that pervasive problems

existed in BLS' internal control structures. The audit report issued contains 41 recommendations which when implemented should eliminate or mitigate our findings. In our opinion, the absence of an effective, strong internal control environment contributed to the two premature releases of sensitive economic data and the penetration of BLS' web page.

- Information Technology—Security Vulnerabilities Identified:
In BLS, the Office of Technology and Survey Processing (OTSP) is delegated responsibility for information technology. In OTSP, we concentrated on identifying and evaluating the IT internal controls and identified deficiencies in four IT environments:
 - Web site operations
 - Mainframe computer access security
 - Application and system software testing and protection
 - Local area network infrastructure.

We consider these areas to be critical in successfully managing and protecting BLS's information. The vulnerabilities arising from these internal control deficiencies threaten the integrity of BLS's data. In our opinion, the January prerelease resulted from ineffective practices related to software testing and protection.

- Program Survey Offices—Inconsistent Security Practices Identified:
We analyzed the processes and procedures required to produce sensitive economic data (Producer Price Index, Consumer Price Index, etc.) for release to the media and the general public. We documented inconsistencies among the program survey offices in their efforts to protect the preparation (confidentiality) and release (time-sensitivity) of economic data. The policies and procedures varied for news release preparation and in some instances were fragmented and incomplete. Some of BLS's program survey offices did not provide appropriate levels of protection for documents and electronic files. We concluded that the weaknesses in policies and procedures over the preparation

and release of economic information significantly contributed to the prerelease incident in November 1998.

- Administration—Deficient Personnel Security and Management Control:

We audited BLS's administrative activities impacting on IT—personnel and management oversight. We determined that BLS had not accurately classified position sensitivity. Sensitivity classifications for most of the positions we reviewed were inaccurate, indicating most were nonsensitive when in fact the individual occupying the position had access to sensitive information. Further, many of the staff with access to sensitive information did not have appropriate security clearances. These findings demonstrated a lack of control. We also found that staff with access to economic data was not provided periodic training and reminders on ethics responsibilities and investment restrictions. We also found that BLS had undergone a number of internal and external management reviews and audits. Many provided effective recommendations which might have afforded BLS greater protection over its economic data. Unfortunately, BLS did not fully follow up on these recommendations. In our opinion, the administrative activities we reviewed failed to provide an adequate framework for (1) ensuring that BLS's Federal and contractor staffs understand the significance of the information they handle, and (2) providing management an early warning system to identify when established procedures are breaking down or are ineffective.

- OIG's Conclusion:

BLS's data has become increasingly difficult to protect due to technology advances over the past few years. These advances mandate that BLS invest in durable, dynamic security practices and internal control structures to reduce the risk of inadvertent or deliberate disclosure and corruption of information assets. It is imperative that BLS act promptly to correct the identified deficiencies. Further errors in the timing of news releases or other security breaches may compromise BLS's reputation and credibility, as well as erode public confidence in BLS reports.

We are generally satisfied with actions BLS is taking or has completed to resolve our findings. However, one of the BLS corrective actions will not be completed and implemented until 2002. We urge BLS to expedite its corrective actions wherever possible.

- **BLS's Actions:**

BLS managers and staff provided the OIG audit team their in-depth analysis of the events leading up to the two premature releases and the hacking into the BLS web page. In many instances, BLS took corrective actions before we could document the problem and develop recommendations. We found our lines of communication and exchanges of information with BLS's managers and staff to be highly effective. **(OA Report Number 09-99-007-11-001, issued July 20, 1999)**

The OIG annually audits the Department's Consolidated Financial Statements. As a result of the audit work, we often identify issues related to internal controls that we believe will improve operations or result in other operating efficiencies. At the end of the audit, we summarize these issues and report them in a management letter to the Department. Following is a summary of the issues reported during the current reporting period.

DOL Management Advisory Comments

- **Many Agencies Did Not Follow Written Documentation Procedures:**
Our FY 1998 testing of accounts payable and undelivered orders found limited or total lack of compliance with the August 10, 1998, Office of Chief Financial Officer (OCFO) memorandum, "Documentation for Year-End Accrual Estimates and Prior Year Unliquidated Obligations." Only BLS and the Office of the Assistant Secretary for Administration and Management (OASAM) performed the required year-end accrual procedures. Sample testing results showed significant over- and under-statements.
- **FECA's Actuarial Policies and Procedures Changes May Result in Inaccurate Estimates:**
The Division of Planning, Policy, and Standards, within the Office of Workers' Compensation Programs, changed how the estimate of the actuarial liability was derived and the overall method of calculating the nonchargeable portion of the actuarial liability, which may cause an unintentional change in an accounting estimate, an inconsistent and unreliable estimate of the actuarial liability, or both. Additionally, the computer software program which computes the actuarial liability was moved from a mainframe computer where files were routinely backed up to a stand-alone personal computer where an off-site backup is not performed on a regular basis.
- **Job Corps Needs to Address:**
 - **Inaccurate Accounting for Environmental Liability:**
The Federal government is required by law and/or regulations to remove, contain, or dispose of hazardous waste. Federal accounting

standards require agencies to recognize a liability and the related cost of cleanup resulting from hazardous waste at the time incurred. We found that ETA has identified certain environmental deficiencies in its Job Corps Centers but has not recognized these liabilities in the appropriate accounting periods.

- Deficiencies in Managing Government Property:

We identified several major deficiencies in the management of government property at two Job Corps Centers. These deficiencies include the understatement of both beginning and ending property account balances, non-reconciliation of physical inventories to the Contractor Property Management System, and lack of control over computer equipment.

- The Black Lung Disability Trust Fund Should Address Accounts Receivable Issues:

- Suspense Account:

Individual receivable balances are not always correct in the Black Lung Accounting System because cash receipts that cannot be matched to a receivable account are posted to a suspense account and not timely resolved. The account contains unresolved cash receipts dating back to 1985. On September 30, 1998, the balance in the suspense account was approximately \$7.5 million. Upon implementation of the OIG recommendations, the balance in the suspense account was reduced to approximately \$1.8 million by September 30, 1999. However, while the suspense account has been reduced, the specific receivable accounts affected have not been identified.

- Overstated Accounts:

Balances due from responsible mine operators were overstated by \$715,000 because claims examiners improperly recognized accounts receivable, or accounts receivable were computed incorrectly. In addition, a \$516,000 overstatement occurred because interest was incorrectly accrued on 12 bankrupt responsible mine operators. **(OA Report No. 12-99-009-13-001, issued September 2, 1999)**

The Longshore and Harbor Workers' Compensation Act (LHWCA), enacted in 1927, establishes a Federal compensation system for Longshore and other specific classes of workers whose injuries occur upon navigable waters of the United States or adjoining facilities like piers and dry docks. The LHWCA Fund provides compensation and, in certain cases, medical care payments to employees disabled from injuries. The original LHWCA was extended to cover employees under the District of Columbia Workmen's Compensation Act (DCCA) Special Fund. This fund offers compensation and, in certain cases, medical care payments to District of Columbia employees for work-related injuries or death for cases with dates prior to July 26, 1982. The Employment Standards Administration (ESA), Division of Longshore and Harbor Workers' Compensation (DLHWC), has direct responsibility for administration of these funds.

FY 1998 LHWCA and DCCA Special Fund Financial Statements

The OIG's opinion is unqualified for these two special funds. The report on the LHWCA noted, however, that a prior-year weakness still exists in the internal controls for the reporting and authorization of payments to rehabilitation service providers. These control weaknesses contributed to fraudulent payments to fictitious rehabilitation vendors over a four-year period. An automated payment system is currently being implemented which should correct this weakness. **(OA Report Nos. 12-99-007-04-432 and 12-99-008-04-432, issued September 14, 1999)**

The OIG's work in Y2K is designed to determine whether DOL is adequately managing to assure that (1) all mission-critical systems are Y2K compliant, and/or (2) there are acceptable contingency plans or workarounds in place to ensure continuity of operations. We have been working closely with the Chief Information Officer (CIO) and the Y2K Director and staff to share information and discuss areas needing attention. Our assessments include obtaining information system-by-system in accordance with the established Y2K priority areas (benefits and payments, major economic/statistical, financial, program, administrative).

**Continuing Concerns about the Y2K
Readiness of the Employment Cost Index
and the International Price System**

We audited the BLS's high-profile economic and statistical reporting systems—the Employment Cost Index (ECI) and the International Price System (IPS)—to ensure these mission-critical systems were tested in accordance with generally accepted Y2K Federal testing guidance. ECI is a vital economic statistical reporting system that measures the quarterly shifts among occupations and industries. Employer costs for benefits, as well as wages and salaries, are covered by the ECI. IPS is a vital economic statistical reporting system that produces and disseminates data on the nation's foreign trade and is the primary source of information on price change in the international sector of the U. S. economy. The guidance we used to audit these systems included the Office of Management and Budget's directives and the General Accounting Office's (GAO's) guidance on developing Y2K solutions.

We analyzed BLS's overall Y2K strategies, test staffing and environment, test planning and execution, and documented test results. BLS Y2K efforts include areas of strength, but we are concerned that risks continue to exist in areas where the Chief Information Officer (CIO) may want to follow up. We firmly believe the CIO can place a high degree of reliance

in those areas identified in the following table as “testing strengths,” as the Y2K code remediation was performed by original developers.

The CIO has been encouraged to revisit the above areas identified as “potential impact” because these items may affect systems processes. For example, a separate Y2K baseline testing process was not conducted as part of the Y2K testing procedures.

The BLS disagreed with the OIG’s interpretation of the GAO and DOL guidelines as they apply to the BLS systems. In addition, the BLS states that these BLS systems have been designated “low risk” in independent verification and validation. However, we remain concerned about the ECI and the IPS and are continuing our dialogue with the CIO as we plan further work in these systems related to Y2K end-to-end testing. **(OA Report Nos. [IPS] 17-99-012-11-001, issued September 20, 1999, and [ECI] 17-99-009-11-011, issued May 27, 1999)**

Employment Cost Index (ECI) and International Price System (IPS) Strengths and Potential Y2K Impact

ECI—Testing Strengths

Y2K remediation performed by original developers.

Testing activities conducted in a dedicated mainframe environment.

IPS—Testing Strengths

Developers/programmers who were familiar with IPS were involved in the identification of Y2K areas of code that are date sensitive.

Y2K renovation and testing were either performed or supported by original development staff.

Y2K testing documentation for the IPS subsystems was well structured and organized.

Y2K test plans were within the DOL and BLS Y2K testing guidelines.

The unified database (UDB), for the IPS's main repository was developed with four-position year fields.

Periodic management discussions were held to review the status of the Y2K testing progress.

The IPS has an established change control and configuration management process to track Y2K related and testing processes.

ECI—Potential Impact

ECI Y2K testing process did not follow GAO Testing Guidance in many instances.

ECI infrastructure compliance not verified through end-to-end testing.

ECI on-line processing software compliance not thoroughly analyzed and tested.

Software configuration management did not meet BLS requirements.

Y2K testing documentation did not meet BLS requirements.

IPS—Potential Impact

A separate Y2K baseline testing process was not conducted as part of the Y2K testing procedures.

Independent Y2K end-to-end testing was not conducted in accordance with the General Accounting Office's Y2K testing guidance.

Independent Y2K acceptance testing was not performed for all IPS subsystems.

Test plans did not identify an overall interface testing strategy for the IPS subsystems. Interface test procedures were not supported by, and logically linked to, test results documentation.

Test plans did not identify an overall testing strategy for the IPS subsystems, as applicable and interface test procedures were not supported by, and logically linked to, test results documentation.

Certain components of the Y2K test environment were considered compliant during the Y2K testing activities.

Documentation of Y2K testing results, supporting specific testing activities, was not logically linked to the identified points of concern.

The Department of Labor Accounting and Related Systems Y2K Testing May Lead to Potential Y2K Impact

The OIG audited the Department of Labor Accounting and Related Systems (DOLAR\$) to obtain an objective assessment of the quality of the processes used for Y2K testing. In conducting this review, we considered the Y2K testing requirements set forth by the Department and the General Accounting Office (GAO). In addition, we assessed the DOLAR\$ Y2K testing procedures by evaluating them against processes that are recognized as generally accepted software configuration management and testing practices, such as those found in Federal Information Processing Standards Publications.

We compiled the following strengths and areas of potential impact from the audit and brought them to the attention of management.

- Y2K Testing Strengths:
 - Test team had experience with the DOLAR\$ application.
 - Renovation and testing were supported by the original DOLAR\$ development contractor.
 - Date impact analysis on DOLAR\$ was conducted by programmers familiar with DOLAR\$.
 - Periodic discussions were held by the test team to review progress and testing issues.
 - Testing activities were conducted in a dedicated test environment, logical partition (LPAR), that replicated the production environment.

- Areas of Potential Y2K Impact:
 - DOLAR\$ renovation strategy could not be linked to related testing procedures.
 - Analysis of compliance of DOLAR\$ infrastructure was not available.
 - Analysis of compliance of DOLAR\$ programming software was not available.
 - Interface testing procedures were not logically linked to documentation.
 - End-to-end testing was not performed.
 - Software configuration management procedures are not formalized.
 - Year 2000 testing documentation was incomplete.

The Office of the Chief Financial Officer (OCFO) disagreed with the OIG's results. OFCO stated that DOLAR\$ was successfully converted to the Y2K operating environment in January 1999. However, they plan to address the points raised and suggested that their comments be included in the basic report. The independent verification and validation designated the system "low risk." The OIG believes that the noted areas of Y2K impact might pose a risk to the Y2K compliance of DOLAR\$. **(OA Report No. 17-99-010-13-001, issued July 26, 1999)**

The National Skill Standards Board (NSSB) was created by the National Skill Standards Act of 1994 to serve as a catalyst in stimulating the development and adoption of a voluntary national system of skill standards and to develop methods to assess and certify the attainment of skill standards. The 28 board members, appointed by the President and designated members of Congress, are representatives of diverse entities interested in establishing a national system for skill standards. Board members are recognized as “special government employees for the purpose of behavior and status” and serve without compensation. To accomplish its mission, beginning with program year 1994 (July 1, 1994) through program year 1999 (ending June 30, 2000), NSSB has received a total of \$33.5 million in appropriations.

NSSB holds periodic board and committee meetings, usually at hotels, to develop and implement strategies to accomplish its mission. It is the responsibility of NSSB’s administrative management staff to plan and provide the logistical support for these meetings.

NSSB Expends over \$60,000 in Violation of Federal Travel Regulations

Acting on a referral from the Department of Labor, we determined that for the period July 1996 through February 1999, NSSB inappropriately spent over \$60,000 for unauthorized meals and refreshments at its board and committee meetings because it failed to follow established Federal travel regulations and DOL guidance. In addition, NSSB used a variety of means to conceal the inappropriate use of these funds.

We also found that NSSB awarded an \$80,350 contract to the National Center on Education and the Economy (NCEE) which under the circumstances, gave the appearance of a conflict of interest.

Upon learning of the NSSB staff's failure to follow the travel regulations and inappropriate splitting of bills for conferences, NSSB's chairman acknowledged these inappropriate and unallowable expenditures and directed the staff to immediately initiate a series of corrective actions to resolve the findings. Further, the NSSB and NCEE have jointly canceled the inappropriate contract, and NSSB has deobligated \$56,466 in funds in order to avoid even the appearance of a conflict of interest.

We believe the corrective actions taken or planned, if fully implemented in accordance with applicable Federal requirements, will resolve our findings and prevent their future recurrence. **(OA Report No. 18-99-012-01-300, issued Sept. 24, 1999)**

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

MSHA Supervisor Sentenced for Travel Voucher Fraud

On July 8, 1999, Danny McGlothlin, a former supervisor with the Mine Safety and Health Administration (MSHA), was sentenced for theft of Federal funds. The sentence was the result of an investigation involving fraudulent travel vouchers submitted by McGlothlin and an MSHA secretary, Beverly Hess, who is now deceased. In 1997, McGlothlin and Hess were transferred to the MSHA District 11 office in Birmingham, Alabama. As part of their transfer, each was entitled to reimbursement for relocation expenses. The investigation revealed that the travel vouchers submitted by McGlothlin and Hess contained duplicate items as well as falsified receipts. In an interview with McGlothlin, he admitted to the scheme and as a result was terminated from his employment with MSHA, effective January 30, 1999. In April 1999, McGlothlin was charged and pled guilty to theft of Federal funds. The criminal sentence ordered McGlothlin to serve one year's probation and pay restitution in the amount of \$2,658.91. ***U.S. v. McGlothlin (N.D. Alabama)***

Ex-ETA Contractor Sentenced

Former Employment and Training Administration (ETA) contractor James Maynard was sentenced on April 12, 1999, to three years' probation, three months' home detention, and a \$5,000 fine. Maynard, former executive vice president of Wackenhut Educational Services, had previously pled guilty to conspiracy to provide illegal gratuities and receipt of stolen DOL documents.

Norma Selvera, former deputy director of the Office of the Job Corps, was previously sentenced to three years' probation for her part in the conspiracy. Selvera photocopied Job Corps contracts and other documents and then gave the records to Maynard. Maynard, in turn, utilized the stolen internal DOL records to prepare bids submitted by his company against competing firms. This was a joint investigation with the FBI. ***U.S. v. Maynard, et al. (D.C.)***

Ex-DOL-OFCCP Employee Charged in Computer Theft Ring

On September 23, 1999, Christopher Michael Burnside was sentenced to serve one month in prison, followed by five months' home detention, and three years' supervised probation. He was also ordered to pay the costs of his confinement and make \$8,400 in restitution. Burnside had previously been charged with theft of Federal funds for stealing and selling two computer systems belonging to the U.S. government. At the time that the offense was committed, Burnside was an employee of the Department of Labor, Office of Federal Contract Compliance Programs (OFCCP), Columbus, Ohio. The two computers were valued at \$1,400, and his May 4, 1999, plea agreement states that Burnside's relevant conduct constituted compensable loss to the government of \$8,400. This joint investigation with the General Services Administration (GSA) determined that some 450 pieces of furniture and computer equipment were obtained from excess military equipment, yet only a small fraction of the equipment actually showed up at the OFCCP office or on its inventory. In addition to the plea, a GSA contractor has been convicted and sentenced, and a total of five OFCCP employees have quit or been terminated from their jobs as a result of the investigation. ***U.S. v. Burnside (S.D. Ohio)***

MSHA Inspector Indicted for Falsifying Records

Ronald Lee Morgan, a coal mine safety and health inspector, was indicted on May 21, 1999, and charged with five counts of making false statements concerning his official inspection notes and records. Specifically, Morgan was to inspect Solus Coal Company on various days in 1997 and 1998. It is alleged Morgan failed to properly conduct his assigned inspection duties and falsified his inspection notes to make it appear he completed his assignment. Several days following Morgan's alleged inspection of May 13, 1997, a Solus Coal employee was killed in a roof cave-in. Morgan indicated in his notes that he was underground the entire day shift while he conducted a dust survey. Morgan allegedly was only underground for a short period of time and did not properly conduct his inspection duties. ***U.S. v. Morgan (W.D. Virginia)***



A union or benefit plan is organized for the benefit of its members, not its leaders.

Labor Racketeering

The Department of Labor OIG is unique in that it is mandated by Congress to carry out a criminal enforcement program to combat organized crime and labor racketeering in the workplace. A union (or a benefit plan) is organized for the benefit of its members, not its leaders. When racketeers take over, that relationship is inverted, with the leadership reaping benefits by exploiting the members. Therefore, the OIG has established a specific goal to identify and reduce labor racketeering and corruption in employee benefit plans, labor-management relations, and internal union affairs.

The IG's objectives under this goal are to:

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

During the last six months, significant OIG investigative work was carried out in our efforts to meet these objectives. The Office of Investigations opened 62 cases, closed 38 cases and achieved 36 indictments, 42 convictions, and over \$3 million in monetary accomplishments.

Civil RICO Complaint Filed Against Chicago Construction Council

On August 11, 1999, a civil Racketeer Influenced and Corrupt Organization (RICO) Act complaint was filed by the U.S. Attorney's Office and the Laborers' International Union of North America (LIUNA) against the Construction and General Laborers District Council of Chicago and Vicinity. The Council is a group of 21 local unions affiliated with LIUNA. The complaint alleges that the Council has strong, pervasive ties to organized crime and that its officers and employees and its affiliated locals and funds have been chosen and controlled by organized crime.

The complaint asks the court to appoint a trustee to oversee the operations of the Council until at least such time as a rank-and-file, secret ballot election can be held to elect a new executive board of the Council, and until such time as a court-appointed monitor determines that the Council can operate free from the influence and control of organized crime. The complaint alleges that the rank-and-file members have been deprived of the rights to select officers, vote without intimidation, and be loyally and faithfully represented by union officers and benefit fund trustees. This was a joint investigation with the FBI. ***U.S. v. Chicago Laborers District Council (N.D. Illinois)***

Chicago Union Officials Indicted for Defrauding Pension Plans

A federal grand jury returned an 11-count indictment on August 4, 1999, charging two labor union officials, John Serpico and his associate, Maria Busillo, with racketeering, fraud, and other offenses. The indictment alleges that Serpico and Busillo controlled the affairs of the Central States Joint Board (CSJB), a Chicago-based labor organization, for their personal benefit. From May 1979 to 1991, Serpico and Busillo allegedly defrauded the CSJB entities by soliciting and receiving from banks, including Gladstone Norwood Bank of Chicago and the former Capitol Bank and Trust, at least nine personal and business loans totaling more than \$5 million on terms more favorable than those that the banks offered to other borrowers with similar qualifications. In return, Serpico and Busillo caused the CSJB entities to deposit and maintain substantial funds at those banks. Serpico and Busillo had allegedly engaged in a pattern of criminal activity that included multiple acts of mail fraud, labor kickbacks, money laundering, and the illegal structuring of currency transactions to avoid reporting requirements.

A third defendant, Gilbert Cataldo, was charged with scheming with Serpico to obtain \$333,850 in kickbacks. From July 1989 to April 1991, Serpico allegedly defrauded the CSJB's Midwest Pension Plan, the CSJB Staff Pension Plan, and the International Union of Allied Novelty and Production Workers by soliciting and receiving a substantial kickback in exchange for influencing those entities to provide a speculative mortgage loan, initially \$6.5 million, for the construction of a

hotel in the Trade Centre South complex in Champaign, Illinois. Serpico had previously been ousted from the Laborers International Union of North America for his association with major Chicago organized crime figures. The investigation was jointly worked with the FBI, IRS, and Office of Labor-Management Standards (OLMS). ***U.S. v. Serpico, et al. (N.D. Illinois)***

Individual Convicted of Health Insurance Fraud

On September 2, 1999, George Wilson, the former president and sole shareholder of the Winston Hill Assurance Company, was convicted of 18 counts of conspiracy, mail fraud, and money laundering. A federal jury returned a guilty verdict, setting the stage for Wilson's sentencing in December 1999.

The investigation determined that Wilson had laundered over \$20 million in insurance premiums through his Bahamas-based company. In October 1998, a federal grand jury returned a 19-count indictment, charging two citizens of the Bahamas, George Wilson and Norwood Rolle, with conspiracy, mail fraud, and money laundering. Wilson and Rolle were the principal officers of the Winston Hill Assurance Company, a Bahamas firm chartered in 1986. They promoted their enterprise in the United States by touting its supposed strength and stability. They recommended Winston Hill as a reliable, well-established insurer with large reserves, telling American brokers that Winston Hill's assets in the Bahamas exceeded \$70 million. In fact, their company's holdings consisted of worthless scrip: gold delivery certificates purchased from a part-time pizza delivery driver and some bogus CDs. Between 1989 and 1991, Winston Hill's agents collected over \$34 million in premiums from American customers. The company supposedly insured a wide range of risks, including ERISA health insurance plan coverage in California and Texas. When it collapsed in October 1991, Winston Hill owed its claimants at least \$15 million in unpaid claims. Wilson and Rolle capitalized on their customers' good faith and funneled several million dollars to accounts in Nassau, Bahamas. ***U.S. v. Wilson (S.D. Texas)***

Former Union Officers Sentenced for Extortion and Racketeering

On September 22, 1999, Dennis James Walton, former president of the International Union of Operating Engineers, Local Union 675, entered a plea of guilty to charges of conspiracy to commit extortion. Walton waived a presentence investigation this same date and was sentenced to 18 months' imprisonment followed by three years' probation. In March 1999, a jury could not render a verdict on Walton, the lead defendant in a case brought against him; Joseph Gagne, Local 675's former business manager, assistant business manager, and vice president; and Roy Savigliano, former business agent and treasurer of Local 675. Gagne was found guilty of racketeering and racketeering conspiracy following trial in March 1999 and is now scheduled to be sentenced in October 1999. Roy Savigliano was acquitted of all charges.

In May 1997, Walton, Gagne, and Savigliano were indicted on charges that they threatened and harmed Local 675 members who opposed them and their slate of candidates in union elections. The threats and actual violence and economic injury included threats of harm to members and their families, physical beatings, and shootings at union members. The threatened and actual economic injury included causing union members to be demoted or fired from operating engineer jobs, the denial of work referrals through the union hiring hall, and punitive actions using the power of the Local to discipline, fine, suspend, and expel union members. Also, Walton and Gagne were indicted for subjecting employers to threats and actual physical and economic injury if employers refused to enter into collective bargaining agreements with Local 675 or opposed the defendants in any matter related to Local 675. Employers were subject to physical beatings and economic injury, including damage to employer's machinery, which was accomplished by fire, explosives, shooting with firearms, and placing sand, graphite, or other abrasive material in machinery oil or hydraulic fluid. The International removed Gagne, Walton, and Savigliano from office after their indictment in May of 1997. This case was conducted jointly with DOL's OLMS and the FBI. ***U.S. v. Walton, et al. (S.D. Florida)***

Former Union Steward Sentenced for Intimidating Members

On July 7, 1999, Michael Gochis, a Teamsters Local 705 shop steward for Air Express International (AEI), an air freight company located in suburban Chicago, was sentenced for threatening and assaulting union members. Gochis was sentenced to serve six months' incarceration to be followed by six months' work release at the Salvation Army, to be followed further with one year's probation. He was also ordered to make full restitution to the victim in the amount of \$3,880.96.

Working with the Chicago FBI, the OIG found that during contract negotiations between AEI and Local 705 in the spring of 1995, Gochis had engaged in a consistent pattern of physical threats and intimidation to fellow union members. Gochis physically assaulted a Local 705 member at AEI while attempting to force the union membership to accept a contract which the majority of the members opposed. The victim of the assault had spoken out in protest of Gochis's intimidating tactics during a public union meeting attended by Local 705's leadership. The next day Gochis assaulted the union member, sending him to the hospital with a rib fracture and a lumbar strain to his back. A three-count information was filed in January 1998, charging Gochis with using violence to deprive a member of union rights under the Labor-Management Reporting and Disclosure Act. He was convicted in February 1999. *U.S. v. Gochis (N.D. Illinois)*

Union Employee Sentenced for Embezzlement

Joette Marie Boring, convicted of stealing \$75,000 in union funds, was sentenced for embezzlement on April 6, 1999. Boring is to serve eight months' home detention and three years' probation and was ordered to make \$7,200 in restitution. The joint investigation with OLMS discovered that Boring, a former employee of the Operating Engineers Union, was assigned to the union's Stockton, California, office in 1993. She was given responsibility for receiving and recording dues, fees, and assessments payable to Local 3, the Union's northern California chapter. Her position

allowed her to divert \$75,000 in local funds to her own use. She used an elaborate check substitution scheme in takings that began with her appointment in 1993 and ended only with her dismissal in 1996. In September 1998, Boring was indicted on one count of embezzlement. She pled guilty in December 1998, confessing her theft in a plea agreement. ***U.S. v. Boring (E.D. California)***

Union Member Found Guilty of Arson

On June 15, 1999, a federal jury found Joseph Tavares, Jr., a member of Teamsters Local 399 of Los Angeles, California, guilty of arson, conspiracy to commit arson, and attempted extortion and robbery. Tavares was acquitted on two counts of extortion. In April 1999, a superseding indictment had been returned, adding the charges of extortion and robbery, after Edward Cambra, owner of Movie Production Trucks, Inc., pled guilty on April 20, 1999, to one count of conspiracy to commit arson and agreed to testify against Tavares. Originally, in February 1999, a Federal grand jury handed down an indictment charging Joseph “Joe Boy” Tavares and George Edward Cambra with one count of conspiracy to commit arson. Tavares was also charged with two counts of arson.

The OIG investigation revealed that in the early 1990s, infighting pitted a Teamsters faction aligned with Tavares against then—Local president Harold Decosta and Los Angeles Local 399 secretary-treasurer Leo Reed. The dispute centered around who would drive the trucks rented by California-based movie and television production companies when they filmed in Hawaii. The indictment states that Cambra, president of George Cambra Movie Production Trucks, Inc., and Tavares were aligned against two other local companies, Mokulua Consultants and Auto Mastics. In 1991, California producers of a television pilot called “The Raven” hired Mokulua Consultants and Auto Mastics to provide trucks for filming in Hawaii. The joint investigation found that in December 1990 or January 1991 Tavares and Cambra conspired to burn their competitors’ trucks, and Cambra agreed to pay Tavares 10 percent of his future gross earnings to burn the trucks. In June 1991, Tavares and an unidentified accomplice used gas and diesel fuel provided by Cambra to set fire to two trucks and two trailers owned by Mokulua Consultants. They then set fire

to a truck and trailer owned by Auto Mastics. In January 1992, Tavares received \$500 from Cambra via a check drawn on the account of George Cambra Movie Production, Inc. Tavares received at least two more payments—\$500 in February 1992 and \$500 in March 1994. This investigation was conducted jointly with the FBI, IRS, Pension and Welfare Benefits Administration (PWBA), and OLMS. ***U.S. v. Tavares (D. Hawaii)***

Individual Convicted of Embezzling from Retirement Plan

On July 29, 1999, Allan Huppe, a purported investment advisor, was convicted by a federal jury for embezzling from the retirement plan of Highland Nursing Home of Massena, New York. Huppe was found guilty of wire fraud and embezzlement from an employee benefit plan for transferring first \$350,000 and then \$400,000 of the retirement funds for the purposes of investing the money and then diverting the funds to his own accounts. His sentencing is scheduled for November 1999.

This investigation, conducted jointly with the FBI and PWBA, uncovered a scheme where Huppe professed to potential clients that he was an investment advisor who owned Navy Street Bancorp and worked in Ontario, Canada. He told Edward Kaneb, a trustee of the Highland Nursing Home Plan that, at no risk to plan assets, he would enter into a program to purchase and sell financial instruments rated AA or better from the top 50 world prime banks. Huppe said he would repay the plan out of trading profits. In September and October 1993, \$350,000 and then \$400,000 of the plan's funds were wired to Huppe's account at the Royal Bank of Canada in Oakville, Ontario, and to the Bank of N.T. Butterfield in Bermuda. In September 1997, Huppe transferred \$200,000 from the Royal Bank of Canada to Chase Manhattan Bank in Garden City, New York, and later arranged for \$400,000 to be returned to a Navy Street account in the Royal Bank of Canada. Huppe, together with others, further directed money to be distributed to a bank in Nigeria and to a bank in Japan and then converted funds into certified checks. On repeated occasions, Huppe provided written confirmation to the plan indicating that the deposit balances at Navy Street Bancorp were in excess of \$750,000,

when in fact the funds had been disbursed. In fact, he allegedly used the funds for various personal purposes. In August 1998, Allan Huppe was indicted and charged with three counts of wire fraud and one count of embezzlement from an ERISA benefit fund for embezzling \$750,000 from the Highland Nursing Home, Inc., Retirement Plan in Massena, New York. ***U.S. v. Huppe (N.D. New York)***

Defendants Sentenced in a Complex Health Plan Scheme

On June 18, 1999, James S. Anderson, owner of Toledo Pipe Transport and Central Trux and Parts, and his son, Mark, were sentenced for violations stemming from their scheme of laundering drug money for Colombians. The scheme included embezzling from an employee health benefit plan. James Anderson was sentenced to 41 months' incarceration, followed by 36 months' probation, and was ordered to make restitution to the Teamsters Central States Health and Welfare Fund in the amount of \$14,096.59. Mark Anderson was sentenced to 21 months' incarceration, followed by 24 months' probation, and was ordered to make restitution to the Fund in the amount of \$17,719.52, and to the IRS in the amount of \$10,978.07, totaling \$28,697.59. On July 7, 1999, Kevin Anderson, another of James Anderson's sons, was sentenced to two months' incarceration and five months' home confinement, followed by two years' probation, and was ordered to make restitution to the Fund in the amount of \$223.64.

In October 1998, the defendants pled guilty to charges of money laundering, smuggling, falsifying U.S. Customs Service documents, embezzlement from an employee health benefit plan, false statements on ERISA documents, excise and income tax evasion, and RICO violations. The labor violations resulted from Anderson and his sons becoming Teamsters Local 20 members, knowing that, as owners/officers of Toledo Pipe Transport, they were in conflict with the provisions of their collective bargaining agreement. They masked their ownership and joined the union to enable themselves to receive medical benefits from the health and welfare plan. This joint investigation with the U.S. Customs Service and the IRS found that James Anderson used his businesses, employees, and members of his family to launder drug money for

Colombian drug cartels. The Anderson enterprise received large sums of currency directly from Colombians and utilized those funds to purchase trucks and truck parts, which were subsequently shipped to Colombia and/or used in Anderson's companies. The investigation yielded approximately \$3.5 million in currency and property that was seized as substitute assets associated with money laundering. In addition, semi-trucks, trailers, and truck parts were seized at the Detroit/Windsor border by the U.S. Customs Service and identified as being smuggled and fraudulently imported. ***U.S. v. Anderson, et al. (N.D. Ohio)***

Former Employee Sentenced for Embezzling from Health and Welfare Trust

On September 17, 1999, Pamela Woods, a former employee with the South Central United Food and Commercial Workers Union and Employers Health and Welfare Trust (UFCW Trust), was sentenced to 15 months' imprisonment, three years' probation, and was ordered to pay \$94,724 in restitution. On July 2, 1999, Woods pled guilty to one count of theft or embezzlement. This joint investigation by the OIG, FBI, and PWBA uncovered an elaborate scheme to funnel money from the UFCW Trust. From 1993 to 1998, Woods, a member of Teamsters Local 19 and internal auditor for the UFCW Trust, embezzled \$94,724.15 from the trust's health and welfare plan. Woods devised a scheme in which she would locate in the computer database the names of plan participants who had been terminated or were inactive, change the names and addresses of these participants to one of several aliases she used, and have fraudulent checks issued to her home address. Once the explanation of benefit forms had been mailed to her, Woods would go back into the computer and change the name and address back to the original employee. Woods received over 200 fraudulent checks over a five-year period. ***U.S. v. Woods (N.D. Texas)***



*Strengthening
Departmental
Programs*

Legislative Recommendations

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

The Department of Labor needs the authority to access wage records for various purposes. They include measuring the long-term impact of employment and training services on job retention and earnings and identifying individuals who are receiving workers' compensation disability benefits from the Department but who are actually working. With respect to measuring the long-term impact of DOL employment and training programs, we have been concerned with the Department's inability to provide critical outcome information: What actually happened to that program participant *in the long run*? Did that person keep the job? Is that person making a living wage? Is that person self-sufficient?

Our experience has been that outcome information is very difficult to obtain, especially if agencies cannot access Unemployment Insurance (UI) and Social Security Administration (SSA) wage records. To effectively measure the outcomes of program participants, ETA needs the authority to access UI records and SSA wage data. By the same token, as part of our oversight role, the OIG often needs to have access to SSA wage records and UI records without resorting to using its subpoena authority, which while always successful in obtaining the requested data, is often time consuming and difficult. Like the Department, the OIG does not have statutory access to SSA wage records. The lack of access has caused problems for us in the past and has proven to be a major impediment to our ability to assess long-term program impact.

Ensure the Integrity of the Federal Employees' Compensation Act

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

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

Currently, FECA beneficiaries are not required to "retire" at any age. Consequently, a large percentage of FECA beneficiaries have effectively retired on workers' compensation and continue to receive tax-free compensation beyond the normal retirement age. The General Accounting Office (GAO) has reported that 60 percent of the approximately 44,000 long-term beneficiaries receiving compensation benefits in 1995 were 55 years or older and 37 percent were 65 years or older. Moreover, of the \$1.28 billion in compensation benefits paid in 1995, about \$611 million went to those 55 years and over.

The OIG is concerned that there is an unintended incentive for claimants to remain on the disability rolls because their tax-free benefits may be greater than their taxed benefits in a Federal retirement program. The OIG concurs with GAO's assessment that anyone crafting legislation should consider either converting injured workers from FECA benefits to retirement benefits at the normal retirement age or converting FECA wage-loss compensation benefits to a FECA annuity benefit. This type of legislative change would ultimately deter beneficiaries from "retiring" on FECA and result in cost savings for the government.

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

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

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

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

Strengthen Audit and Enforcement of the Employee Retirement Income Security Act of 1974

- Continue to recommend the repeal of the Employee Retirement Income Security Act's (ERISA's) limited-scope audit provision to require full-scope audits of all pension plan assets required to be audited under ERISA:

The limited-scope provision results in inadequate auditing of pension plan assets because it exempts from audit all pension plan funds that have been invested in institutions such as savings and loans, banks, or insurance companies already regulated by Federal or state governments. At the time ERISA was passed two decades ago, it

was assumed that all of the funds invested in those regulated institutions were being adequately reviewed. Unfortunately, as we have found from the savings and loan crisis, that is not always the case.

Currently, because of this provision, independent public accountants (IPAs) conducting audits of pension plans cannot render an opinion on the plans' financial statements in accordance with professional auditing standards. It is important to note that the disclaimer of any opinion on the financial statements includes even those assets that are not held by financial institutions. These "no opinion" audits provide no substantive assurance of asset integrity to benefit participants or the Department.

- Require that IPAs and plan administrators be required to report serious ERISA violations directly to the Department:

This requirement will enhance oversight of pension plan assets, ensure the timely reporting of violations, and involve accountants in the kind of active role that they are supposed to play in the safeguarding of pension assets. The requirement will provide a first line of defense to plan participants through their timely and direct reporting of potential problems with employee benefit plans.

- Address the bogus union problem by defining what constitutes a bona fide union:

Under ERISA, health plans that are part of a union's collective bargaining agreements are exempt from state regulation. For years, many unions have run completely legitimate health plans under this exemption. However, our investigations have shown that fraudulent plans have been misusing this exemption as a "safe harbor" from state regulation in order to sign up small businesses for benefits that they may never see. These bogus unions generally fail to do the kinds of things that typically define a union, such as truly providing representation to members with respect to labor-management issues. In 1995, the Department issued draft regulations that attempted to address the bogus union problem by clarifying what constitutes a bona fide union for the purpose of providing health insurance. The regulatory language was incorporated into the early drafts of the Health Insurance Portability and Accountability Act of 1996. However, the regulatory language never became law, and the bogus union problem still remains.



*Reports and
Statistics*

Appendix

Reporting Requirements

Requirements Under the Inspector General Act of 1978

Section 4(a)(2) - Review of Legislation and Regulation 113

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 128-137

Section 5(a)(4) - Matters Referred to Prosecutive Authorities 12

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 138-145

Section 5(a)(7) - Summary of Significant Reports All

Section 5(a)(8) - Statistical Tables on Management Decisions on Questioned Costs 125

Section 5(a)(9) - Statistical Tables on Management Decisions on
Recommendations That Funds Be Put to Better Use 123

Section 5(a)(10) - Summary of Each Audit Report Over Six Months Old for
Which No Management Decision Has Been Made 128-137

Section 5(a)(11) - Description and Explanation for Any Significant
Revised Management Decision None

Section 5(a)(12) - Information on Any Significant Management Decisions with
Which the Inspector General Disagrees None

Senate Report No. 96-829

Resolution of Audits 138-145

Money Owed to the Department 127

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

Questioned Costs

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

Disallowed Costs

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

Recommendations that Funds Be Put to Better Use

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

Unresolved Audits Over Six Months Old

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

Reports Issued by the OIG

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

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

**Funds Put to Better Use
(Agreed to by DOL)**

Appendix

	Number of Reports	Dollar Value (\$ millions)
A. For which no management decision had been made as of the commencement of the reporting period	6	11.3
B. Which were issued during the reporting period	<u>5</u>	<u>6.4</u>
Subtotals (A + B)	11	17.7
C. For which a management decision was made during the reporting period	6	
• Dollar value of recommendations that were agreed to by management		10.8
• Dollar value of recommendations that were not agreed to by management		<u>0.2</u>
D. For which no management decision had been made as of the end of the reporting period	<u>5</u>	<u>6.7</u>
E. For which no management decision has been made within six months of issuance	<u>3</u>	<u>5.4</u>

Appendix

Funds Put to Better Use (Implemented by DOL)

	Number of Reports	Funds Recommended for Better Use (\$ millions)
A. For which final action had not been taken as of the commencement of the reporting period	4	15.1
B. On which management decisions were made during the reporting period	<u>6</u>	<u>10.8</u>
Subtotals (A + B)	10	25.9
C. For which final action was taken during the reporting period	4	
• Dollar value of recommendations that were actually completed		12.9
• Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		<u>3.4</u>
D. For which no final action had been taken by the end of the period	<u>6</u>	<u>9.6</u>

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

Appendix

	Number of Reports	Questioned Costs (\$ millions)
A. For which no management decision had been made as of the commencement of the reporting period (as adjusted)	61	45.7
B. Which were issued during the reporting period	<u>19</u>	<u>56.0</u>
Subtotals (A + B)	80	101.7
C. For which a management decision was made during the reporting period	25	
• Dollar value of disallowed costs		15.7
• Dollar value of costs not disallowed		<u>1.6</u>
D. For which no management decision had been made as of the end of the reporting period	<u>55</u>	<u>84.4</u>
E. For which no management decision has been made within six months of issuance	<u>37</u>	<u>29.7</u>

	Number of Reports	Disallowed Costs (\$ millions)
A. For which final action had not been taken as of the commencement of the reporting period	65	14.8
B. On which management decisions were made during the reporting period	<u>21</u>	<u>15.7</u>
Subtotals (A + B)	86	30.5
C. For which final action was taken during the reporting period*		
• Dollar value of disallowed costs that were recovered		5.2
• Dollar value of disallowed costs that were written off by management		<u>0.4</u>
D. For which no final action had been taken by the end of the reporting period	<u>70</u>	<u>24.9**</u>

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

** Does not include \$11.1 million of disallowed costs which are under appeal.

**Delinquent Debts Owed to
DOL (As of 9/30/99)**

Appendix

Agency/ Program	Accounts Receivable Current	Accounts Receivable Delinquent	Accounts Receivable Total
BLS	\$60,462	\$143,822	\$204,284
ESA:			
Black Lung	36,194,976	4,509,271	40,704,247
FECA	21,761,800	15,316,759	37,078,559
Longshore	601,758	200,585	802,343
Back Wage	1,968,645	644,046	2,612,691
CMP	370,268	4,868,855	5,239,123
ETA	16,019,171	7,771,130	23,790,301
MSHA	1,928,081	7,987,890	9,915,971
OSHA	10,211,317	38,488,067	48,699,384
PWBA	<u>972,000</u>	<u>9,565,000</u>	<u>10,537,000</u>
Total	<u>\$90,088,478</u>	<u>\$89,495,425</u>	<u>\$179,583,903</u>

Note: Figures provided by 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.

Appendix

Unresolved Audits Over Six Months Old

Agency/Program	Date Issued	Name of Audit Report Number	Number of Recommendations	Questioned Costs
<i>Nonmonetary Recommendations and Questioned Costs</i>				
Management Decision Being Evaluated by OIG:				
ETA/STW	07/03/96	School to Work 05-96-003-03-385	13	135,298
OASAM/Admin	09/02/94	FY 93 DOL Consolidated Financials 12-94-012-07-001	3	0
OASAM/Admin	06/15/95	FY94 DOL Consolidated Financials 12-95-004-07-001	2	0
CFO/Admin	08/19/96	DOL FY95 Management Comments 12-96-016-13-001	2	0
CFO/Admin	05/01/96	FY95 DOL Consolidated Financials 12-96-007-13-001	2	0
CFO/Admin	02/28/97	FY96 DOL Consolidated Financials 12-97-005-13-001	5	0
CFO/Admin	02/27/98	FY97 Consolidated Financials 12-98-002-13-001	16	0

Appendix

Unresolved Audits Over Six Months Old

Agency/Program	Date Issued	Name of Audit Report Number	Number of Recommendations	Questioned Costs
CFO/Admin	10/19/98	FY97 Management Advisory Comments 12-99-001-13-001	4	0
CFO/Admin	02/26/99	FY98 Consolidated Financials 12-99-002-13-001	8	0
Under Litigation or Alternative Dispute Resolution:				
ETA/JTPA	02/25/92	East Texas Council of Governments 06-92-010-03-340	13	5,780,925
ETA/OJC	09/10/96	National Plastering Industries 18-96-024-03-370	2	145,344
ETA/OJC	04/21/97	Kimberly Industries, Inc. 18-97-016-03-370	1	4,041,655

Appendix

Unresolved Audits Over Six Months Old

Agency/Program	Date Issued	Name of Audit Report Number	Number of Recommendations	Questioned Costs
Program/Agency Returned Single Audit to OIG:				
ETA/OJC	04/02/96	Puerto Rico Volunteer Youth 02-96-208-03-370	21	219,435
ETA/OJC	04/02/96	Puerto Rico Volunteer Youth 02-96-209-03-370	13	1,716
ETA/OJC	05/23/96	Puerto Rico Volunteer Youth 02-96-248-03-370	6	0
ETA/OJC	05/23/96	Puerto Rico Volunteer Youth 02-96-249-03-370	6	0
MULTI/ALLDOL	04/01/96	Dept of Labor/Human Resources 02-96-210-50-598	39	287,065
MULTI/ALLDOL	04/01/96	Dept of Labor/Human Resources 02-96-211-50-598	28	15,943
MULTI/ALLDOL	04/01/96	Dept of Labor/Human Resources 02-96-212-50-598	29	60,680

Appendix

Unresolved Audits Over Six Months Old

Agency/Program	Date Issued	Name of Audit Report Number	Number of Recommendations	Questioned Costs
Being Resolved in Conjunction with DOL Consolidated Financial Statement Audit:				
ETA/OJC	08/19/96	Job Corps Combining Schedules 12-96-004-03-370	3	0
Working with U.S. Department of Education to Resolve:				
ETA/STW	05/09/97	School to Work 05-97-002-03-385	17	16,821
ETA/STW	05/09/97	School to Work 05-97-003-03-385	21	34,847
ETA/STW	07/12/96	Capital Area Training Fund 18-96-015-03-385	7	632,460

Appendix

Unresolved Audits Over Six Months Old

Agency/Program	Date Issued	Name of Audit Report Number	Number of Recommendations	Questioned Costs
Pending Indirect Cost Negotiations:				
OASAM/OPGM	11/04/94	Homebuilders Institute 18-95-001-07-735	1	628,158
OASAM/OPGM	11/04/94	Homebuilders Institute 18-95-002-07-735	2	748,379
OASAM/OPGM	11/04/94	Homebuilders Craft Skills 18-95-003-07-735	7	353,479
OASAM/OPGM	09/20/95	Asociacion Nacional Pro Person 18-95-025-07-735	6	76,274
OASAM/OPGM	08/14/97	Consulting & Program Management 18-97-025-07-735	4	604,510

Appendix

Unresolved Audits Over Six Months Old

Agency/Program	Date Issued	Name of Audit Report Number	Number of Recommendations	Questioned Costs
Management Decision Not Yet Issued by Agency:				
ETA/ADMIN	04/07/98	Community and Senior Service 18-98-007-03-001	8	89,576
ETA/UIS	09/26/97	Virgin Island UI 02-97-220-03-315	8	269,404
ETA/UIS	03/27/98	Iowa Workforce Development 05-98-003-03-315	1	0
ETA/USES	09/17/98	FL Fed Financial Assistance (Single Audit) 12-98-501-03-320	4	3,864
ETA/USES	11/13/98	State of Indiana (Single Audit) 12-99-500-03-320	2	1,338,326
ETA/USES	11/13/98	State of Indiana (Single Audit) 12-99-501-03-320	5	503,535
ETA/SESA	01/17/96	Proposed FY 96 Rental Rates 06-96-001-03-325	5	344,822

Appendix

Unresolved Audits Over Six Months Old

Agency/Program	Date Issued	Name of Audit Report Number	Number of Recommendations	Questioned Costs
ETA/SESA	03/21/97	DOL Equity in SESA Real Property 06-97-010-03-325	1	79,346
ETA/SESA	05/05/97	DOL Equity in SESA Real Property 06-97-016-03-325	1	164,471
ETA/SESA	05/08/97	DOL Equity in SESA Real Property 06-95-011-03-325	1	150,939
ETA/SESA	08/13/97	DOL Equity in SESA Real Property 06-97-051-03-325	1	3,952,692
ETA/SESA	08/21/97	DOL Equity in SESA Real Property 06-97-053-03-325	1	739,444
ETA/SESA	08/22/97	DOL Equity in SESA Real Property 06-97-054-03-325	1	542,465
ETA/SESA	09/30/97	DOL Equity in SESA Real Property 06-97-056-03-325	7	0
ETA/JTPA	02/20/97	Comparative Analysis of JTPA 02-96-258-03-340	2	0

Appendix

Unresolved Audits Over Six Months Old

Agency/Program	Date Issued	Name of Audit Report Number	Number of Recommendations	Questioned Costs
ETA/JTPA	02/26/96	City of Chicago JTPA 05-96-001-03-340	3	679,773
ETA/JTPA	09/25/98	Cherokee Nation 06-98-009-03-340	9	529,272
ETA/JTPA	03/19/99	Colorado Springs JTPA Program 06-99-006-03-340	16	0
ETA/DINAP	09/30/98	California Indian Manpower (Single Audit) 12-98-503-03-355	1	22,244
ETA/DOWP	09/30/98	Audit of NAPCA 09-98-201-03-360	5	157,872
ETA/DSFP	10/13/98	Idaho Migrant Council 18-99-002-03-365	4	54,170
ETA/OJC	02/19/99	Advantage Resource Group 18-99-008-03-370	1	23,036
ETA/STW	09/28/98	STW Opportunities Program in Iowa 05-98-006-03-385	2	0

Appendix

Unresolved Audits Over Six Months Old

Agency/Program	Date Issued	Name of Audit Report Number	Number of Recommendations	Questioned Costs
ESA/ADMIN	08/18/94	ESA Salaries & Expenses 03-94-008-04-001	2	0
ESA/FECA	03/31/98	FECA Deceased Claimant ID 03-98-003-04-431	2	439,086
ETA/DOWP	02/03/99	National Council of Senior Citizens 18-99-007-07-735	11	5,837,548
Congressional Action Required to Resolve:				
ETA/FLC	03/31/98	H-2A Program Could Be Better 04-98-004-03-321	2	0
Total Non-monetary Recommendations and Questioned Costs:			387	29,704,874

Appendix

Unresolved Audits Over Six Months Old

Agency/Program	Date Issued	Name of Audit Report Number	Number of Recommendations	Questioned Costs
<i>Total Funds Recommended for Better Use:</i>				
Management Decision Not Yet Issued by Agency:				
ETA/WTW	02/08/99	Atlanta Private Industry Council 04-99-002-03-386	1	3,500,000
ETA/WTW	03/24/99	Policy and Technical Assistance to Improve WtW 05-99-008-03-386	1	800,000
ETA/DOWP	02/03/99	National Council of Senior Citizens 18-99-007-07-735	3	1,130,000
Total Funds Recommended for Better Use:			5	5,430,000
Total Non-Monetary Recommendations, Questioned Costs and Funds Recommended for Better Use:			<u>392</u>	<u>35,134,874</u>

Appendix

Final Audit Reports Issued by the OIG

DOL Strategic Goal						
Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendations	Questioned Costs	Funds Put to Better Use	Other Monetary Impact
Goal 1 - A Prepared Workforce						
National Skill Standards						
National Skill Standards Board	9/24/99	18-99-012-01-300	0	60,861	56,466	0
United States Employment Service						
Rhode Island's One Stop Readiness under WIA	9/15/99	02-99-209-03-320	5	0	0	0
Job Training Partnership Act						
Northern Rhode Island PIC	8/3/99	02-99-211-03-340	0	0	4,300,000	0
Atlanta PIC PY 1996 JTPA Contracts	9/7/99	04-99-007-03-340	2	543,117	0	0
New Mexico Service Delivery Area	9/22/99	06-99-008-03-340	5	360,106	0	0
JTPA Title IIA's AFDC Participant Earnings	9/24/99	06-99-011-03-340	0	0	0	0
Indian and Native American Programs						
Phoenix Indian Center	9/24/99	09-99-008-03-355	10	183,709	0	0

Appendix

Final Audit Reports Issued by the OIG

DOL Strategic Goal						
Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendations	Questioned Costs	Funds Put to Better Use	Other Monetary Impact
Older Workers Program						
AARP Insurance Policy	8/12/99	18-99-010-03-360	2	1,257,013	0	0
National Council of Senior Citizens/National Senior Citizens Education & Research Center	9/24/99	18-99-011-03-360	4	2,778,260	900,000	0
Job Corps Program						
Job Corps Loans & Advances	4/7/99	03-99-009-03-370	2	0	686,827	0
Keystone Job Corps Center	7/23/99	04-99-006-03-370	1	1,611	0	0
Talking Leaves Job Corps Center	9/22/99	06-99-010-03-370	9	1,052,574	0	0
Brero Construction Company	6/2/99	18-99-009-03-370	0	1,418,410	0	0
School-to-Work Program						
School-to-Work Sustainability Roll-up	5/14/99	05-99-012-03-385	2	0	0	0

Appendix

Final Audit Reports Issued by the OIG

DOL Strategic Goal						
Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendations	Questioned Costs	Funds Put to Better Use	Other Monetary Impact
Welfare-to-Work Program						
Pinellas WDB	4/5/99	03-99-011-03-386	0	0	0	0
SE Community College Grant	4/1/99	03-99-012-03-386	0	0	0	0
Richmond Private Industry Council	5/17/99	03-99-013-03-386	0	0	0	0
Alexandria RHA Grant	5/5/99	03-99-014-03-386	0	0	0	0
District 1199c Training & Upgrade	5/10/99	03-99-015-03-386	0	0	0	0
Welfare-to-Work Competitive Grant Implementation	9/27/99	03-99-017-03-386	0	0	0	0
Welfare-to-Work Formula Grant Implementation	9/20/99	03-99-018-03-386	7	0	0	0
Chicago Housing Authority	7/22/99	05-99-010-03-386	0	0	0	0
Columbus Urban League	7/15/99	05-99-011-03-386	0	0	0	0
CEDA of Cook County	7/27/99	05-99-013-03-386	0	0	0	0
City of Gary-DHHS	7/27/99	05-99-014-03-386	0	0	0	0
Full Employment Council	7/28/99	05-99-015-03-386	0	0	0	0
Action for Boston Community	8/5/99	05-99-016-03-386	0	0	0	0

Appendix

Final Audit Reports Issued by the OIG

DOL Strategic Goal						
Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendations	Questioned Costs	Funds Put to Better Use	Other Monetary Impact
Bennett College	8/3/99	05-99-017-03-386	0	0	0	0
Wildcat Service Corporation	8/13/99	05-99-018-03-386	0	0	0	0
San Diego Workforce	8/5/99	05-99-019-03-386	0	0	0	0
Second Round Welfare-to-Work Survey Results	9/20/99	05-99-020-03-386	10	0	474,698	0
Welfare-to-Work Implementation - Limited Survey	5/10/99	06-99-007-03-386	0	0	0	0
Workforce Investment Act						
Impact of WIA Administrative Cost Limitations	9/24/99	20-99-006-03-390	0	0	0	0
Single Audit						
Hawaii Department of Education	9/23/99	18-99-501-03-385	0	50,000	0	0
South Texas Workforce Development Board	9/23/99	18-99-503-03-340	0	19,811	0	0
Lancaster County School District #001	9/23/99	18-99-505-03-385	0	11,884	0	0
Eastern Kentucky CEP	9/23/99	18-99-504-03-340	0	51,397	0	0

Appendix

Final Audit Reports Issued by the OIG

DOL Strategic Goal						
Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendations	Questioned Costs	Funds Put to Better Use	Other Monetary Impact
Bureau of Labor Statistics						
BLS' Employment Cost Index System: Year 2000 Quality Assurance Review	5/27/99	17-99-009-11-001	0	0	0	0
BLS' International Price System: Year 2000 Quality Assurance Review	9/20/99	17-99-012-11-001	0	0	0	0
BLS Economic Data Security	7/20/99	09-99-007-11-001	41	0	0	0
	Goal Totals	40	100	7,788,753	6,417,991	0
Goal 2 - A Secure Workforce: Income Security						
Unemployment Insurance Service						
Improving State UI Field Audits	8/3/99	03-99-008-03-315	1	0	0	0
Department of Treasury Administrative Charges to the Unemployment Trust Fund	9/21/99	06-99-012-03-315	3	47,880,572	0	0

Appendix

Final Audit Reports Issued by the OIG

DOL Strategic Goal						
Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendations	Questioned Costs	Funds Put to Better Use	Other Monetary Impact
Longshore and Harbor Workers Compensation						
DOL LHWCA Special Fund Audit	9/14/99	12-99-007-04-432	0	0	0	0
DOL DCCA Special Fund Audit	9/14/99	12-99-008-04-432	0	0	0	0
Coal Mine Workers Compensation (Black Lung)						
Black Lung and Social Security Memorandum of Understanding	4/8/99	17-99-008-04-433	1	0	0	0
	Goal Totals	5	5	47,880,572	0	0
<i>Maintaining a Departmental Strategic Management Focus</i>						
OIG Management						
Confidential Funds	5/18/99	12-99-003-09-001	5	0	0	0
CFO Management						
FY 1998 Management Advisory Comments	9/2/99	12-99-009-13-001	38	30	0	0
DOLAR\$ Year 2000 Testing	7/26/99	17-99-010-13-001	0	0	0	0

Appendix

Final Audit Reports Issued by the OIG

DOL Strategic Goal						
Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendations	Questioned Costs	Funds Put to Better Use	Other Monetary Impact
All Department of Labor Agencies						
Milwaukee Area American Indian Manpower	9/16/99	05-99-009-50-598	4	352,693	0	0
SER Corporation of Kansas	9/20/99	05-99-021-50-598	2	3,783	0	0
	Goal Totals	5	49	356,506	0	0
	Totals	50	154	56,025,831	6,417,991	0

Appendix

Final Evaluation Reports Issued by the OIG

DOL Strategic Goal						
Program Name Name of Report	Date Issued	Report Number	Number of Non-Monetary Recommendations	Questioned Costs	Funds Put to Better Use	Other Monetary Impact
Goal 2 - A Secure Workforce						
Review of Medical Reimbursements and Authorization of Surgical Requests for the Office of Workers' Compensation Programs	5/17/99	2E-04-430-0001	1	0	N/A	N/A
Review of Federal Employees' Compensation Program Customer Service Surveys for the Employment Standards Administration	5/17/99	2E-04-431-0002	6	0	N/A	N/A
Review of Non-Chargeable Claimants Under the Federal Employees' Compensation Act (FECA)	9/24/99	2E-04-431-0001	1	0	N/A	N/A
Goal 3 - Quality Workplaces						
Review of the Mine Safety and Health Administration's Technical Expertise in Approving and Certifying Mining Equipment	9/30/99	2E-06-001-0005	3	0	N/A	N/A

	Division Totals	Totals
Cases Opened:		
Program Fraud	176	
Labor Racketeering	62	238
Cases Closed:		
Program Fraud	197	
Labor Racketeering	39	236
Cases Referred for Prosecution:		
Program Fraud	88	
Labor Racketeering	41	129
Cases Referred for Administrative/Civil Action:		
Program Fraud	23	
Labor Racketeering	0	23
Indictments:		
Program Fraud	76	
Labor Racketeering	36	112
Convictions:		
Program Fraud	102	
Labor Racketeering	42	144
Debarments:		
Program Fraud	2	
Labor Racketeering	37	39
Recoveries, Cost Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:		
Program Fraud	\$12,977,502	
Labor Racketeering	\$5,636,841	\$18,614,343

Categories	Amount
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.)	\$1,636,491
Cost Efficiencies: (The one-time or per annum dollar amount/value of management's commitment, in response to OIG investigations, to more efficiently utilize the government's resources.)	\$4,599,593
Restitutions: (The dollar amount/value of restitutions resulting from OIG criminal investigations.)	\$8,607,936
Fines/Penalties: (The dollar amount/value of fines, assessments, seizures, investigative/court costs, or other penalties resulting from OIG criminal investigations.)	\$463,773
Civil/Monetary Actions: (The dollar amount/value of forfeitures settlements, damages, judgements, court costs, or other penalties resulting from OIG civil investigations.)	\$3,306,550
Total:	<hr/> \$18,614,343

Investigations Case List

Defendant	Indictments	Convictions	Sentenced	Monetary
Employee Misconduct				
Burnside, Michael C. College of West Virginia	X	X		\$0 \$250,000
London, Cheryl Renee		X	X	\$75
London, Thurman		X		\$0
McFadden, Jacqueline	X	X	X	\$600
McGlothlin, Danny	X	X	X	\$2,684
Morgan, Ronald	X			\$0
Willard, Lewis	X			\$0
Total	5	5	3	\$253,359
ESA-Black Lung				
Adkins, Paul		X	X	\$1,628,232
Angulo, Dorothy G.	X	X	X	\$18,821
Cool, Willa Jean		X	X	\$32,012
Independent Home Medical			X	\$1,028,833
McConnell, Doris J.			X	\$100
McConnell, Marsha L.			X	\$100
Milam, Peggy			X	\$12,571
Vernado, Edna		X	X	\$24,058
Total	1	4	8	\$2,744,727
ESA-FECA				
Barnett, Richard L.				\$200,000
Baros, Nicanor	X	X	X	\$8,501
Billings, Charles W.	X			\$0
Blehr, Rochel			X	\$31,025
Campos, Lucy		X		\$0
Chao, Aileen			X	\$21,187
Critchell, Charles E.	X			\$0
Degrado, Catherine		X	X	\$0
Degrado, Vincent				\$205,598
Dockery, Herbert Donald	X			\$0
Earnest, Barbara S.	X	X		\$0
Emerson, Shirley A.	X			\$0
Evans, David L	X	X		\$0
Glick-Scroggins, Beth Ann	X			\$0
Gonzales, Gilbert R.	X			\$0
Granger, Eva	X	X		\$0

Investigations Case List

Defendant	Indictments	Convictions	Sentenced	Monetary
Groth, Patricia	X	X		\$0
Guilford, Mark L.	X	X	X	\$9,669
Gyergyo, John A.			X	\$14,524
Hardenbrook, Wendy A.	X	X	X	\$50
Helton, Larry G.			X	\$82,852
Hoss, John L.		X		\$0
Johnson, Louis			X	\$40,100
Kelley, Kathleen L.	X	X		\$0
Keyes, Larry				\$33,000
Kramer, John Yurick	X			\$0
Krol, Wayne	X			\$0
Marin, Philip	X			\$0
Marmer, Jeffrey			X	\$3,650
McKinney, Janet				\$1,080
McQueen, Calvin L.	X	X	X	\$91,623
Mills, Flora			X	\$29,193
Minnelli, Patricia A.	X			\$0
Nessman, Lawrence	X	X		\$0
Pascucci, Nicholas			X	\$325,309
Pena, Donney		X	X	\$12,000
Pilger, Merle A.	X	X	X	\$21,361
Pouncey, Thaddis	X	X		\$0
Reed, Sr., Robert E.			X	\$25
Reyes, Patricia Yvonne		X		\$0
Richardson, Donald	X	X		\$0
Rogers, Jerry Rodney		X	X	\$8,350
Romero, Maria Concepcion		X	X	\$101,601
Schneider, John T.	X			\$0
Sforza, Alfred			X	\$19,289
Sheehan, Robert D.	X	X		\$0
Standridge, J.	X	X		\$0
Struzzieri, Anthony		X	X	\$66,910
Sullivan, Adam	X			\$0
Vendetti, Vincent			X	\$0
Wagner, Connie	X	X	X	\$8,025
Walker, Doretha	X			\$0
Weiss, Kathleen			X	\$3,025
Wells, Carolyn H.		X	X	\$64,188
Total	30	25	24	\$1,402,135

Investigations Case List

Defendant	Indictments	Convictions	Sentenced	Monetary
ESA-Long Shore				
Blake, Jewel Delanders		X	X	\$115,682
Chehovich, Edward M.			X	\$9,194
Slater, Michael E.	X			\$0
Total	1	1	2	\$124,876
ESA-Wage and Hour				
***Sealed ***		X		\$0
Canale, Alfred		X	X	\$2,100
Lokesh, Bommegowda		X	X	\$2,025
***Sealed ***		X		\$0
***Sealed ***		X		\$0
S. J. Thomas Co. Inc.				\$28,000
Sayer, Sr., Robert L.				\$8,884
Schon, Bella		X		\$0
Schwartz, Harry		X		\$0
Sharp Construction Co.		X	X	\$25,100
***Sealed ***		X		\$0
Taub, Abraham		X		\$0
Thomas, Edmond		X	X	\$101,433
Woldiger, Abraham		X		\$0
Total	0	12	4	\$167,542
ESA-Other				
Lansing, Steven R.	X			\$0
Vahoviak, William J.		X	X	\$17,813
Total	1	1	1	\$17,813
ETA-Job Corps				
Maynard, James			X	\$5,000
Total	0	0	1	\$5,000

Investigations Case List

Defendant	Indictments	Convictions	Sentenced	Monetary
ETA-JTPA				
Amsel, Elliot			X	\$725,000
Barkley, Gordon L.		X	X	\$110
Cantave, Gina				\$6,000
Chernick, Paul			X	\$48,000
Demaio, Michael				\$3,000
Eck, Vicki E.	X	X		\$0
Madden, Donna		X	X	\$36,268
Morris, Eugene				\$4,000
Naiman, Elimelech			X	\$25,000
Skime, Kevin	X	X		\$0
Smart, James		X	X	\$36,318
Upchurch, Robin Annette				\$8,000
Williams, Crystal			X	\$150,050
Total	2	5	7	\$1,041,746
ETA-Unemployment Insurance/SESA				
***Sealed ***	X			\$0
Allison, Lawrence			X	\$3,247
Andrejco, David A.		X	X	\$10,975
Astacio, Samuel		X	X	\$4,540
Baker, James R.	X			\$0
Barbaro, Anthony J.			X	\$15,425
Barry, Clark L.		X	X	\$4,550
Barzer, Karen			X	\$3,936
Bibb-Nichols, Charlene A		X	X	\$1,900
Biddiscombe, Dawn M.	X			\$0
Blount, George	X	X	X	\$3,142
Brock, Terrie D.		X	X	\$3,991
Bruno, Diane T.	X			\$0
Brunson, Sr., Winnon		X	X	\$3,276
Campbell, Sydney L.		X	X	\$3,600
Coats, Michael	X			\$0
Cooper, Jr., George		X	X	\$3,641
Cravotta, Jon	X	X		\$0
Crawford, Anthony		X		\$0
Davenport, Michael		X	X	\$2,937
Diamond, Perry J.			X	\$3,056
Dinkins, Celesia T.		X	X	\$2,025
Donovan, James M.	X	X		\$0

Investigations Case List

Defendant	Indictments	Convictions	Sentenced	Monetary
Ellison, Rickie C.		X		\$0
Ewell, Kendra	X	X		\$0
Fenner, Anthony			X	\$14,501
Frith, Albert		X		\$0
Fusilier, Carl	X	X	X	\$4,925
Gallemore, Willie		X	X	\$5,544
Garnett, Jeffrey			X	\$3,725
Gibson, Arthur	X	X	X	\$3,753
Ginnetti, Derek T.	X			\$0
Goodrich, Dale			X	\$3,840
Graham, Frank S.	X			\$0
Guy, David A.	X			\$0
Hardy, Sandra		X	X	\$3,850
Harris, Granville			X	\$4,474
Heard, Mark C.		X		\$0
Helem, Sheila			X	\$3,981
Hill, Jerry			X	\$3,292
Holdaway, Diane N.	X			\$0
Holdaway, Melissa J.	X			\$0
Holdaway, Tobiann	X			\$0
Isom, Elase			X	\$4,036
Jefferson, Janet M.	X			\$0
Jenkins, Artis	X	X	X	\$13,279
Jew, Tara C.		X	X	\$3,688
King-Elliott, Trudy	X			\$0
Lasater, William			X	\$5,395
Lawrence, Delaine	X	X		\$0
Lawrence, Malcolm	X	X		\$0
Malkin, Ira	X			\$0
Matheny, Marilyn D.	X			\$0
McClain, Alphonso	X			\$0
McNeil, Ernest L.		X	X	\$3,295
Mitchell, Rosalyn		X	X	\$4,546
Montgomery, Michael			X	\$4,747
Morrison, Leslie A.	X			\$0
Nelson, Timothy V.	X	X	X	\$3,447
Parisio, William C.		X	X	\$1,025
Petry, Michelle		X	X	\$3,719
Pinson, Dion T.		X	X	\$4,400
Porter, Keith W.				\$22,392
Prater, Mary A.		X	X	\$2,725
Riley, Joshua R.	X			\$0

Investigations Case List

Defendant	Indictments	Convictions	Sentenced	Monetary
Rochester, Melvin		X	X	\$4,746
Rogers, Kenneth			X	\$3,767
Roy, Jr., Antoine			X	\$3,151
Russell, Bill			X	\$3,782
Salas, Christine M.	X			\$0
Sammons, Bonnie C.		X	X	\$5,286
Sanders, Gale			X	\$3,833
Saxena, Sanjay			X	\$816,616
Seaborn, Robert D.	X	X	X	\$11,190
Shawler, Karen E.			X	\$2,252
Smiley, Lamar	X	X	X	\$4,529
Smith, Udell			X	\$3,827
Stawicki, Thomas J.	X	X	X	\$4,200
Stoler, Bruce K.	X			\$0
Talbot, Louis			X	\$3,888
Talley, Wavy		X	X	\$3,667
Taylor, Renaldo W.	X	X		\$0
Thomas, Deborah		X	X	\$3,835
Vieyra, Louis			X	\$6,147
Vitagliano, Mary R.	X			\$0
Ward, Ralph			X	\$7,300
Warren, Garry W.			X	\$3,027
White, Mark			X	\$3,791
Whitthorne, Joseph R.		X	X	\$2,208
Wierzbicki, Norman		X	X	\$4,618
Wilhelm, William F.	X			\$0
Williams, Jr., Leon		X	X	\$4,649
Wilson, Kevin		X	X	\$4,399
Wood, Johnnie			X	\$4,361
Worth, Timothy			X	\$2,804
Total	36	45	62	\$1,120,693
OSHA				
Beshears, Cheryl Renee		X	X	\$1,100
Beshears, Gary Lynn		X	X	\$1,100
Brown, Gary Curtis		X	X	\$1,100
Noller, Sr., William Oscar		X	X	\$2,100
Total	0	4	4	\$5,400

Investigations Case List

Defendant	Indictments	Convictions	Sentenced	Monetary
Benefit Plan				
Baker, Joan	X	X	X	\$25
Barron, Concepcion			X	\$100,000
Bear Stearns and Company				\$1,035,819
***Sealed ***	X			\$0
Bucci, Anthony R.	X	X		\$0
Buonopane, Paul T.	X			\$0
Buonopane, Robert A.	X			\$0
Cambra, George Edward		X		\$0
Carione, Angelo			X	\$0
Carione, Joseph			X	\$0
Carlow, Joseph			X	\$0
Ciepiela, William			X	\$46,735
Compagnie Detudes et de Participat				\$1,000,000
Del Val, Tomasa Nancy		X		\$0
Dipalma, James		X		\$0
***Sealed ***	X			\$0
Edward Esbin and Sons		X		\$0
Esbin, Barry		X		\$0
Esbin, Richard		X		\$0
Fernandez, Omar			X	\$7,500
Frankola, Marino			X	\$120,000
Freda, Paul	X	X		\$0
Guerrero, Marta		X	X	\$50,050
Hernandez, Elsa			X	\$45,000
Hickey, Dennis C.			X	\$599,279
Hickey, Dennis E.			X	\$0
Hickey, Maria			X	\$0
***Sealed ***			X	\$300,050
***Sealed ***		X		\$0
Impulse Plumbing		X		\$0
Jodzio, Kimberly			X	\$54,019
Laforgia, Nicholas	X	X		\$0
Lair, James J	X	X	X	\$5,000
Maguire, John R.			X	\$3,150
Maguire, Raymond	X			\$0
Mirkov, Gabriel			X	\$50
Paladino, Jr., Michael	X	X		\$0
Perrucci, Angela	X	X	X	\$0
Punales, Jesus		X		\$0

Investigations Case List

Defendant	Indictments	Convictions	Sentenced	Monetary
Rodriguez, Betty			X	\$0
Ruidiaz, Sori		X	X	\$50
Russo, Andrew			X	\$0
Salles, Stuart				\$180,000
Skuraton, Gregory S.	X	X		\$0
Smokrovic, Jere			X	\$5,000
Socarras, Jose			X	\$115,000
Tavares, Joseph Patrick		X		\$0
Taylor, Leonard Keith	X			\$0
Valera, Felicia		X	X	\$20,050
Villota, Clara		X	X	\$50,050
Wilson, George L. J.		X		\$0
Woods, Pam	X	X	X	\$94,824
Total	15	25	27	\$3,831,651

Internal Union

Abate, Joseph P.			X	\$1,000
Aetna Life Insurance Company				\$28,430
Anderson, James S.			X	\$14,397
Anderson, Kevin			X	\$324
Anderson, Mark			X	\$28,948
***Sealed ***	X			\$0
***Sealed ***	X			\$0
***Sealed ***	X			\$0
Continental Insurance Company				\$25,000
Cucuro, Emanuele				\$3,000
Elliot, Steven				\$137,500
Ford, Fred	X			\$0
***Sealed ***	X			\$0
Gochis, Mike			X	\$3,956
Humphreys, George			X	\$0
Lynch Planning,				\$40,000
National Plan Administrators				\$25,000
***Sealed ***	X			\$0
Sandoval, Meyer		X		\$0
***Sealed ***	X			\$0
Spencer, Robert Lee	X			\$0
Stubbolo, Dennis				\$20,000
***Sealed ***	X			\$0
Williams, Warner			X	\$3,700
Total	9	1	7	\$331,255

Investigations Case List

Defendant	Indictments	Convictions	Sentenced	Monetary
Labor-Management				
Allender, Donald	X			\$0
Ameri, Paul		X	X	\$5,400
Arteca, Robert			X	\$100
Barila, Vincent		X	X	\$52,687
Boring, Joette Marie			X	\$7,200
Busillo, Maria	X			\$0
Carenas Guaman, Ruth		X	X	\$0
Cataldo, Gilbert	X			\$0
Dileo, Stephen A.	X	X		\$0
Diversified Laborers, Inc.	X	X	X	\$100,200
Gatto, Joseph			X	\$5,000
Gatto, Louis			X	\$100
Girlando, Joseph			X	\$100,100
Goldberg, Leonard		X	X	\$900
Guidice, Anthony			X	\$100
Kaplan, Benjamin		X		\$0
Kuriakose, Aleyamma		X	X	\$0
McAlister, Sherrie Siegeli		X	X	\$480,050
McPherson, James W.		X	X	\$480,025
Miranda Aguirre, Gloria		X	X	\$0
Nicholson, Harry	X	X		\$0
Pancle Mejia, Ester		X	X	\$0
Ponce, Armando C.			X	\$100,100
Pottackal, Kuriakose Kizhakke		X	X	\$0
Rizzo, Dan			X	\$100
Serpico, John	X			\$0
Total	7	14	19	\$1,332,062
Other - Labor Racketeering				
***Sealed ***	X			\$0
***Sealed ***	X			\$0
***Sealed ***	X			\$0
Spoleta Construction Co., Inc.	X	X		\$0
Spoleta, Michael	X	X		\$0
Total	5	2	0	\$0

Allegation Reports by Source:

Hotline Operations - Calls, Letters, and Walk-ins from Individuals or Organizations	182
Letters from Congress	12
Letters from DOL Agencies	3
Incident Reports from DOL Agencies	4
Letters from Non-DOL Government Agencies	6
Government Accounting Office (GAO)	3
Total	210

Allegation Reports by Referral:

Referred to Office of Audit	2
Referred to Office of Investigations Regional/Field Offices	24
Referred to DOL Program Management	143
Referred to Other Agencies	18
No Further Action Required	23
Total	210

United States Department of Labor Office of Inspector General



The OIG Hotline

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Written complaints may be sent to:

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

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