Semiannual Report to Congress

Office of Inspector General for the U.S. Department of Labor

Volume 62

April 1 - September 30, 2009

OFFICE OF INSPECTOR GENERAL
E PLURIBUS UNUM
UNITED STATES
DEPARTMENT OF LABOR

A Message from the Acting Inspector General

I am pleased to submit this *Semiannual Report to Congress,* which highlights the most significant activities and accomplishments of the U.S. Department of Labor, Office of Inspector General (DOL-OIG), for the six-month period ending September 30, 2009. During this reporting period, our investigative work led to 214 indictments, 221 convictions, and $123.1 million in monetary accomplishments. In addition, we issued 22 audit and other reports.

OIG audits and investigations continue to assess the effectiveness, efficiency, economy, and integrity of DOL's programs and operations. We also continue to investigate labor racketeering and/or organized crime influence against unions, employee benefit plans, and workers.

From an audit perspective, the OIG is highly engaged in ensuring the integrity of DOL activities related to the American Recovery and Reinvestment Act of 2009 (Recovery Act) funding. During this reporting period, we issued five reports to that end. Among our findings are that DOL implemented procedures for the accounting of Recovery Act financial activity, acted quickly to implement the premium-assistance provisions for workers who temporarily maintain their health insurance at group rates after losing their jobs, and effectively implemented the temporary program for additional unemployment compensation for eligible recipients. We also identified areas for improvement related to financial and performance reporting and programmatic coordination with states.

An audit found shortcomings with DOL's new iCert system, which is designed to identify inaccuracies in H-1B labor condition applications (LCAs) for foreign workers. We found that, because of missing electronic checks, manual reviews of the LCAs by analysts are necessary. However, increases in the volume of applications may result in analysts not being able to perform a 100 percent review. This increases the risk of LCAs being improperly certified.

Our audits also continue to reveal that some Job Corps centers do not comply with requirements for reporting performance for student attendance and accountability. We also found that, at three centers, a contractor had not ensured compliance with procedures to address student misconduct.

An audit of the handling of injured Federal employees' reemployment status at two Federal workers' compensation district offices found that the Department did not ensure that consistent intervention actions were taken toward removing cases from the periodic roll. This increased the risk of claimants continuing to receive full Federal Employee's Compensation Act benefits after they were able to return to work or after their compensation could have been reduced.

Our investigations continue to combat organized crime and/or labor racketeering involving the monies in union-sponsored benefit plans, internal union corruption, and labor-management relations. A major OIG investigation disclosed more than 30 years of organized crime control of the International Longshoremen's Association Local 1235, which represents port workers in New Jersey. In another investigation, the business manager for the Electrical Workers Local Union No. 3, who was a former New York State assemblyman, was sentenced to 10 years' imprisonment on racketeering, bank fraud, and false statement charges involving a number of schemes carried out for personal gain.

OIG investigations also identified vulnerabilities and fraud in DOL programs, such as the foreign labor certification (FLC) program. One OIG investigation led to the recent sentencing of Viktar Krus and his co-conspirators to various periods of incarceration for fraudulently obtaining visas for more than 3,800 foreign nationals and defrauding the government of $7.4 million in payroll taxes. Because of our investigative expertise, the OIG is a member of the International Organized Crime (IOC) strategy headed by the U.S. Attorney General. The IOC is committed to combating crime by international organized groups.

Finally, I would like to express my sincere gratitude to former DOL Inspector General Gordon S. Heddell, who is now serving as the Inspector General at the U.S. Department of Defense. During his leadership of more than eight years, the DOL-OIG consistently achieved significant results similar to those presented in this report. As Acting Inspector General, I look forward to continuing to work with the Secretary of Labor and her management team in ensuring the effectiveness of DOL in delivering services and protecting the rights and benefits of American workers and retirees.

Daniel R. Petrole
Acting Inspector General

Contents

Selected Statistics

Investigative recoveries, cost-efficiencies, restitutions, fines and penalties, forfeitures, and civil monetary action	$123.1 million
Investigative cases opened	174
Investigative cases closed	235
Investigative cases referred for prosecution	131
Investigative cases referred for administrative/civil action	65
Indictments	214
Convictions	221
Debarments	18
Audit and other reports issued	22
Outstanding questioned costs resolved during this period	$19.2 million
Allowed[1]	$10.2 million
Disallowed[2]	$9.0 million

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

Significant Concerns

The OIG works with the Department and Congress to provide information that will be useful in their management or oversight of the Department. The OIG has identified areas that we consider vulnerable to mismanagement, error, fraud, waste, or abuse. These issues form the basis for our annual Top Management Challenges report required under the Reports Consolidation Act of 2000. This recently issued report is found in its entirety on pages 73-84 of this report. The following is a synopsis of our specific concerns in each area.

Implementing the American Recovery and Reinvestment Act of 2009

The Recovery Act provided the Department with approximately $45 billion and mandated that these funds be spent expeditiously while ensuring transparency, accountability, and results. The funds will be used to provide extensions of unemployment benefits and to fund a new temporary Federal Additional Compensation (FAC) program. Funds were also allocated for Workforce Investment Act (WIA) programs, most of which will be expended through non-Federal entities, rather than directly by the Department.

The Recovery Act also created new or increased requirements impacting many of DOL's ongoing programs. Moreover, it requires Federal agencies, such as DOL, to implement an unprecedented level of transparency and accountability to ensure that the public can see where and how its tax dollars are being spent.

DOL has taken a number of actions to implement its responsibilities under the Recovery Act. For example, the Department reassigned staff to address the Recovery Act workload and launched a hiring initiative to meet its expanded program responsibilities. In addition, individual agencies have taken steps to address their specific increased responsibilities under the Recovery Act.

However, the Department faces several challenges in implementing the Recovery Act. The risk for waste, fraud, and abuse grows when large sums of money are being disbursed quickly, eligibility requirements are being established or changed, or new programs are being created. Our past audits involving the DOL's WIA programs have demonstrated serious problems with respect to grant accountability and our investigations have documented the proliferation of fraud schemes under similar circumstances. Also a challenge to the Department will be meeting the performance reporting requirements of the Recovery Act. Consistent with its oversight role, the OIG completed several audits in fiscal year (FY) 2009 assessing the Department's progress under the Recovery Act. These audits are discussed in the body of this report.

Protecting the Safety and Health of Workers

The two DOL agencies primarily responsible for worker safety and health are the Occupational Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA). Given the scope of their responsibilities, OSHA and MSHA are continually challenged to effectively utilize their operating resources to meet mission needs in all areas of responsibility.

With more than 7 million workplaces nationwide and with 5,071 fatal workplace injuries reported by the Bureau of Labor Statistics in 2008, OSHA's challenge is to target its limited resources to workplaces where they can have the greatest impact. To that end, in 2003, OSHA developed the Enhanced Enforcement Program (EEP). The EEP was designed to identify employers indifferent to their obligations under the Occupational Safety and Health Act in order to target their worksites with increased enforcement attention.

Our recent audit of OSHA's EEP found that OSHA did not always properly identify employers for enhanced enforcement. When it did, OSHA did not always take proper action nor place the appropriate management emphasis on compliance, commit the necessary resources, and provide clear policy guidance. The OIG made numerous recommendations to OSHA with respect to forming a task force to improve program efficiency and effectiveness. The Task Force would target employers who are indifferent to the safety of their employees and which are most likely to have unabated hazards and/or company-wide safety and health issues at multiple worksites. OSHA has established an EEP Revision Task Force to design a new program that will be able to identify and inspect recalcitrant employers more effectively.

With regard to MSHA, the OIG's reviews over the past several years revealed a pattern of weak oversight, inadequate policies, and a lack of accountability on the part of MSHA, which were exacerbated by years of resource shortages. Historically, MSHA was not meeting its statutory responsibility to conduct inspections at the nation's coal mines. Insufficient resources during a period of increasing mining activity made it difficult for the Department to ensure that it had enough resources in the right places to protect the safety of miners. As of April 30, 2009, MSHA reported that it had increased its enforcement personnel by 30 percent over 2006 levels. Additional hiring of trainees, due to attrition of enforcement personnel, is an ongoing activity. In 2008, for the first time in its history, MSHA reported that it completed 100 percent of all mandatory mine inspections. However, the OIG remains concerned that MSHA has improved its efforts in inspecting mines at the cost of not fulfilling other statutory responsibilities, such as mine plan reviews.

Improving Performance Accountability of Grants

In FY 2008, the Department's Employment and Training Administration (ETA) reported program costs totaling $3.2 billion for the WIA Adult, Dislocated Worker, and Youth programs. DOL is challenged in ensuring that discretionary grants are properly awarded and that the Department receives the quality of services that the taxpayers deserve. Successfully meeting the employment and training needs of citizens requires selecting the best service providers, making expectations clear to grantees, ensuring that success can be measured, providing active oversight, evaluating outcomes, and disseminating and replicating proven strategies and programs. Past OIG and Government Accountability Office (GAO) audits have found weaknesses in how ETA manages its grants to this end.

Our audits also found that ETA is challenged in providing adequate oversight and monitoring of the grants it awards, and the agency lacks reliable and timely performance data that would allow identification of problems in time to correct them.

The large increase in funding provided by the Recovery Act challenges the Department even more in ensuring that grant funds are appropriately spent on activities that will yield the desired training and employment outcomes.

As a result of the audits by the OIG and GAO, ETA has indicated that it will increase the emphasis placed on awarding discretionary grants competitively, develop procedures designed to better document decisions and discussions that lead to grant actions, implement new procedures to ensure the proper justification of any future noncompetitive awards, and provide training to agency grant officers on these new procedures. ETA has also stated that future agreements for pilots and demonstration grants will require grantees to obtain an independent evaluation of grant results. While these actions, if effectively implemented, should help to improve performance accountability, ETA needs to focus its future efforts on determining how best to prioritize its available resources to adequately monitor grant performance and how to evaluate grants to ensure that desired results are achieved. In conjunction with our planned Recovery Act audit work, we will review the Department's stated progress in this challenge area.

". . . the Recovery Act challenges the Department even more in ensuring . . . the desired training and employment outcomes."

Ensuring the Effectiveness of the Job Corps Program

Education, training, and support services are provided to approximately 60,000 students at 122 Job Corps centers located throughout the United States and Puerto Rico. Job Corps centers are operated for DOL by private companies through competitive contracting processes, and by other Federal agencies through interagency agreements. The program was appropriated nearly $1.7 billion in FY 2009.

The OIG's work has consistently identified challenges to the effectiveness of the Job Corps program. OIG audits have identified unsafe or unhealthy conditions and a lack of required safety inspections at some centers. Unsafe conditions affect the learning environment and could adversely impact the overall success of the Job Corps program. Further, Job Corps officials need to do more to address the problems of centers not taking appropriate action for student misconduct, including illegal drug use and violence. The lack of appropriate disciplinary action, including termination of enrollment, may place the remaining students at risk.

OIG audits have also found that weak controls at centers have resulted in the overstatement and misrepresentation of performance data. The OIG has found problems with the reporting of student outcomes, on-board strength, and attendance. This is a particular challenge for Job Corps when centers are operated by contractors through performance-based contracts, which tie cost reimbursement, incentive fees, and bonuses directly to contractor performance largely measured by on-board strength, attendance, and outcomes.

Job Corps continues to take actions such as strengthening policies and procedures, conducting periodic center assessments, and following up on issues identified in center assessments and contractor assessments. However, our audits continue to identify problems. Job Corps's actions may not achieve the desired outcomes unless proactive, consistent, and rigorous oversight of contractors and personnel is provided at all centers.

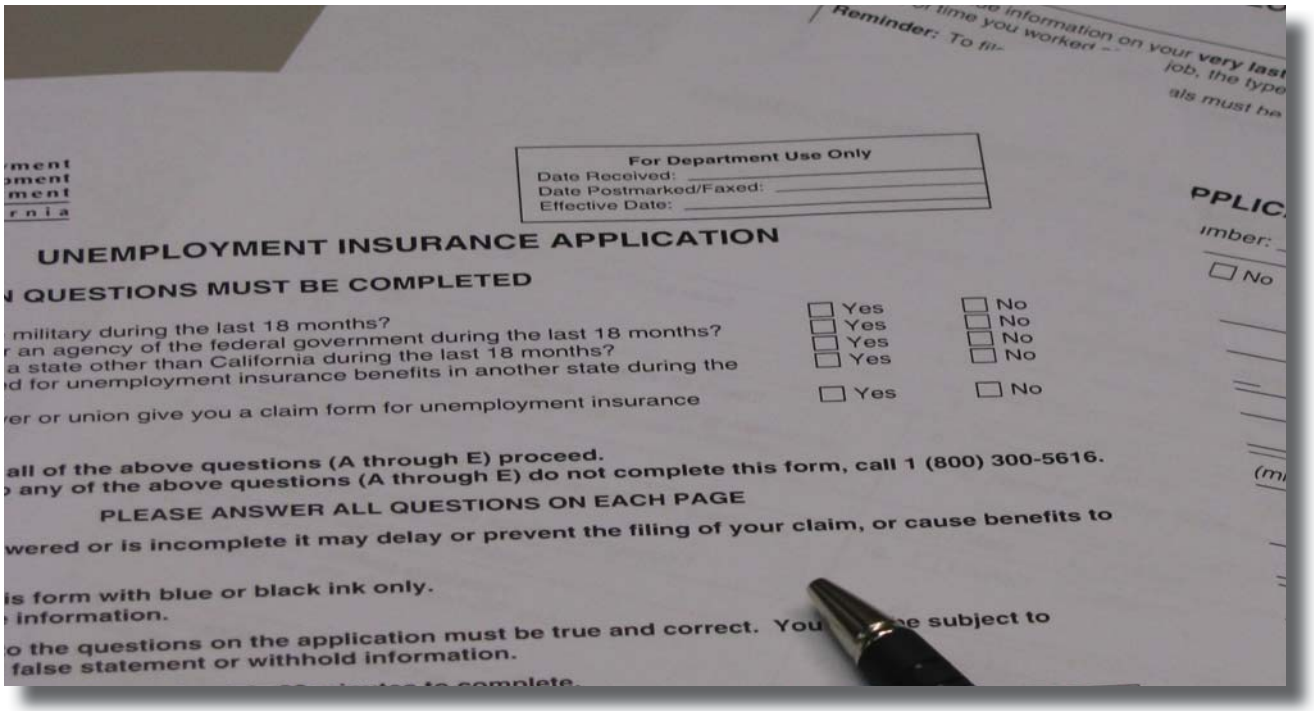
Safeguarding Unemployment Insurance

The Department partners with the states to administer unemployment benefit programs. State Unemployment Insurance (UI) provides benefits to workers who are unemployed and meet the eligibility requirements established by their respective states. UI benefits are largely financed through employer taxes imposed by the states and deposited in the Unemployment Trust Fund (UTF), from which the states pay the benefits.

Reducing and preventing overpayments by improving controls over eligibility, timely detecting and recovering overpayments, and combating fraud against these programs remain major challenges for the Department. In FY 2008, the Department reported a total overpayment rate of 9.92 percent, which equates to more than $3.8 billion in UI overpayments — an increase from the $3 billion reported in FY 2007. ETA estimates that about $1 billion of the $3.8 billion total overpayments resulted from willful misrepresentation by the claimant. Another challenge involves ensuring that State Workforce Agencies (SWAs) have adequate information technology (IT) contingency plans that provide for the continuation of services in the aftermath of disasters.

The Department has taken some measures to reduce and prevent overpayments. For example, the Department stated that it is continuing to promote the use of the National Directory of New Hires (NDNH) by all states. DOL has issued guidance to the states to address the legislative requirements of the Unemployment Compensation Integrity Act of 2008, which authorizes recovery of some UI fraud overpayments by offsetting Federal income tax refunds. Additionally, the Department frequently interacts with and refers to the OIG potential criminal matters to counteract fraud in the program. Despite the Department's efforts, the UI overpayment rate over the seven-year period from calendar year 2002 to 2008 averaged 9.6 percent, an increase over the previous 12-year period, which averaged 8.3 percent.

ETA plans to begin working with a selected group of SWAs each year to verify the existence and reliability of their IT contingency plans, using the risk-based approach that was recommended by the OIG.



"Reducing and preventing overpayments by improving controls over eligibility, timely detecting and recovering overpayments, and combating fraud against these programs remain major challenges for the Department."

Improving the Management of Workers' Compensation Programs

The Department has responsibility for managing the Energy Employees Occupational Illness Compensation Program Act (Energy workers' program) and the Federal Employees' Compensation Act (FECA) program, both of which were designed to address the needs of employees who are injured on the job.

The Energy workers' program was created to provide compensation to civilian employees who incurred an occupational illness, such as cancer, as a result of their exposure to radiation while employed in the nuclear weapons production and testing programs of the Department of Energy and its predecessor agencies. The challenge for the Energy workers' program centers on the number of claims that are denied for compensation and on the timeliness of its claim decisions.

In an audit we found that decisions involving the Energy workers' program issued by the Department complied with applicable laws and regulations and were based on the evidence provided by or obtained on behalf of claimants. The OIG also found that the Energy workers' program has made progress in reducing the time it takes to adjudicate claims. However, we found that the claims process remained lengthy and it could take up to two years or more to process and adjudicate a claim. In response to our audit, the Department has recently implemented new procedures to reduce the time it takes to develop impairment claims and is revamping its procedural guidance. Additionally, the Department is measuring its timeliness performance from the point of application to final decision and payment.

The challenge for the FECA program is the determination of continuing eligibility. All Federal agencies rely upon the Office of Workers' Compensation Programs (OWCP) to adjudicate the eligibility of claims, to manage the medical treatment of those claims, to make compensation payments, and to pay medical expenses. Ensuring proper payments while being responsive and timely to eligible claimants is a challenge for OWCP. Among these challenges are moving claimants off the periodic rolls after they are able to return to work or their eligibility ceases, preventing ineligible recipients from receiving benefits, and preventing fraud by service providers. The OIG recognizes that it is difficult to identify and address improper payments and/or fraud in the FECA program. This is further complicated by the fact that OWCP does not have the legal authority to match FECA compensation recipients against Social Security wage records.

In order to improve the administration of the program, the Department completed the roll-out of its new FECA benefit payment system that is designed to track due dates of medical evaluations, revalidate eligibility for continued benefits, use data mining to prevent improper payments, boost efficiency, and improve customer satisfaction. The Department needs to continue its efforts to seek legislative reforms to the FECA program to enhance incentives for employees who have recovered to: return to work; address retirement equity issues; discourage unsubstantiated or otherwise unnecessary claims; and make other benefit and administrative improvements.

Improving Procurement Integrity

The Department contracts for many goods and services to assist in carrying out its mission. In FY 2008, the Department's acquisition authority exceeded $1.8 billion and included more than 9,300 acquisition actions. Ensuring integrity in procurement activities is a continuing challenge for the Department. The OIG's past audit work has identified violations of Federal procurement regulations, preferential treatment in awards, procurement actions that were not in the government's best interest, and conflicts of interest in awards.

The Services Acquisition Reform Act (SARA) of 2003 requires that executive agencies appoint a Chief Acquisition Officer (CAO) whose primary duty is acquisition management. The Department's organization has not been in compliance with this requirement, as the Assistant Secretary for Administration and Management serves as the CAO while retaining other significant nonacquisition responsibilities. The OIG is concerned that until procurement and programmatic responsibilities are properly separated and effective controls are put in place, the Department will continue to be at risk for wasteful and abusive procurement practices. The new DOL leadership is considering its options regarding compliance with the requirements of SARA.

Maintaining the Integrity of Foreign Labor Certification Programs

The Department's foreign labor certification (FLC) programs provide U.S. employers access to foreign labor to meet worker shortages under terms and conditions that do not adversely affect U.S. workers. Maintaining the integrity of its FLC programs, while also ensuring a timely and effective review of applications to hire foreign workers, is a continuing challenge for the Department.

OIG investigations continue to uncover schemes carried out by immigration attorneys, labor brokers, employers, and transnational organized crime groups, some with possible national security implications. These schemes often involve fraudulent applications filed with DOL on behalf of fictitious companies, or fraudulent applications filed using the names of legitimate companies without their knowledge, or complex schemes involving fraudulent DOL FLC documents filed in conjunction with, or in support of, similarly falsified identification documents required by other Federal and state organizations.

From an audit standpoint, the OIG has looked at and found problems with the administration of the FLC program. For example, a recent OIG audit of the iCert H1-B labor condition applications (LCAs) processing system found that system improvements are needed to better identify incomplete and/or obviously inaccurate LCAs. A prior OIG audit of the Permanent Electronic Review Management (PERM) system found that ETA had discontinued certain types of audits of applications for permanent foreign labor certification. We also found that ETA had not conducted audits of all the applications selected for audit. As a result, ETA may have certified fraudulent applications or applications that did not meet required criteria. In response to our audit, the Department began a review to determine the feasibility of reinstituting the audits it had previously discontinued and is conducting audits as resources permit.

Securing Information Technology Systems and Protecting Related Information Assets

DOL systems contain vital sensitive information that is central to the Department's mission and to the effective administration of its programs. DOL systems are used to determine and house the nation's leading economic indicators, such as the unemployment rate and the Consumer Price Index. They also maintain critical data related to worker safety and health, pension and welfare benefits, job training services, and other worker benefits.

Management of IT systems is a continuing challenge for DOL, as it is for all Federal agencies. Ensuring security, keeping up with new threats and IT developments, providing assurances that IT systems will function reliably, and safeguarding information assets will continue to challenge the Department today and in the future. While the Department continues to take steps to improve the security of its systems, the OIG continues to recommend the creation of an independent Chief Information Officer (CIO) to provide exclusive management oversight of all issues affecting the IT capabilities of the Department.

Ensuring the Security of Employee Benefit Plan Assets

The Department is charged with overseeing the administration and enforcement of the fiduciary, reporting, and disclosure provisions of Title I of the Employee Retirement Income Security Act (ERISA). As such, DOL is responsible for protecting the security of retirement, health, and other private-sector employer-provided benefits for America's workers, retirees, and their families. Benefit plans consist of approximately $5.6 trillion in assets covering more than 150 million workers and retirees.

Protecting these benefit plan assets against fraud, misconduct, and negligence is a challenge for the Department. OIG labor racketeering investigations demonstrate the continued vulnerability of plan assets to criminal activity. The Department is further challenged by its restricted legislative authority to oversee plan audits, and by ERISA's limited-scope audit exemption. While the Department has sought legislative changes, such as expanding the authority of Employment Benefits Security Administration (EBSA) to address substandard benefit plan audits and ensuring that auditors with poor records do not perform additional plan audits, these changes have not been enacted.

DOL is also challenged by EBSA's inability to assess the effectiveness of its enforcement program. A recent audit found that EBSA could not determine whether its civil enforcement projects, such as the Multiple Employer Welfare Arrangements project, were increasing compliance with ERISA, or whether the projects were decreasing the risk that workers will lose benefits. We also found that EBSA could not clearly demonstrate that it was directing its resources to the enforcement areas with the most impact on its mission to deter and correct ERISA violations.

Moreover, an audit of EBSA's Rapid ERISA Action Team (REACT) project has similar findings. Through the REACT project, EBSA aims to respond in an expedited manner to protect the rights and benefits of plan participants when the plan sponsor faces severe financial hardship or bankruptcy and the assets of the employee benefit plan are in jeopardy. The audit concluded that EBSA does not have a comprehensive method for measuring the desired activities and outcomes of the REACT project, and does not perform a national assessment to judge the value of the REACT project in meeting its overall enforcement mission.

"Benefit plans consist of approximately $5.6 trillion in assets covering more than 150 million workers and retirees."

American Recovery and Reinvestment Act

American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided $45 billion to DOL in four areas: unemployment benefits; employment and training; Job Corps construction and rehabilitation; and departmental oversight.

The OIG has developed an oversight plan as follows:

- *Phase One - Addresses how DOL is planning to administer and provide oversight of Recovery Act funds and how grantees are planning to utilize funds. This includes assessing how DOL will account for Recovery Act funds, provide guidance to states and grantees, establish performance measures for Recovery Act activities, and develop required reporting.*
- *Phase Two - Focuses on how DOL awards funds to grantees and contractors.*
- *Phase Three - Reviews how grantees and contractors performed and what was accomplished with Recovery Act funding.*

Procedures for Accounting and Reporting Financial Activity Under the Recovery Act

The Recovery Act requires Federal agencies to implement an unprecedented level of transparency to ensure that U.S. citizens can see where and how their tax dollars are being spent. We conducted an audit to determine if DOL implemented, or had plans to implement, procedures to account for and report on Recovery Act financial activity as required by applicable Federal law and Office of Management and Budget (OMB) guidance.

OMB established new reporting requirements for Federal agencies and other recipients of Recovery Act funds, including that Federal agencies provide weekly financial data to the Recovery.gov Web site on funds made available and expended. Agencies were required to submit these reports beginning March 3, 2009, and reporting on expenditures on April 6, 2009. As required by Section 1512 of the Recovery Act, each calendar quarter, recipients of Recovery Act funds must submit a report to FederalReporting.gov, a government centralized web portal, containing: (1) the total amount of recovery funds received from the Department; (2) the amount that was expended or obligated; (3) a list of all projects or activities funded with recovery dollars, including completion status and their impact on job creation and retention; and (4) detailed information on any subcontracts or subgrants awarded. The first such report from recipients is due on October 10, 2009, for the quarter ending September 30, 2009.

Our audit found that, generally, the Department had implemented procedures to account for Recovery Act financial activity as required by Federal law and OMB guidance and had reported on the use of Recovery Act funds in accordance with OMB guidance. DOL developed new accounting codes to separately account for Recovery Act funds within its existing general ledger system. The Department had also modified the existing timekeeping system to capture staff time spent on Recovery Act functions. This modification was originally scheduled to be completed by June 30, 2009, but completion was delayed until August 10, 2009. In the interim, the Department issued guidance requiring its program agencies to manually track and report Recovery Act time charges.

The Department implemented procedures to prepare reports required by OMB, meeting all reporting deadlines. However, in one of the weekly reports DOL had to restate its outlays by $8.9 billion, which underscores the importance of accurate Recovery Act funds reporting. At the time of our audit, the Department had not yet provided policy guidance or instituted procedures to ensure that recipients accurately report the receipt and usage of Recovery Act funds. At the time of our

audit, the first report to OMB was not yet due; however, timely establishment of procedures and issuance of needed guidance is critical as part of the Department's ongoing efforts to fully implement the Recovery Act.

We communicated to the Department the importance of accurate financial reporting on Recovery Act funds and emphasized the importance of establishing and issuing procedures for recipient reporting on a timely basis. The Department agreed with our assessment, and the Office of the Chief Financial Officer has already implemented additional financial controls. In addition, the Department issued guidance on recipient reporting. (Report No. 18-09-001-13-001, August 28, 2009)

Performance Reporting Creates Challenges for the Department

We conducted an audit to determine whether the Department implemented, or had plans to implement, OMB performance reporting requirements under the Recovery Act. OMB Memorandum M-09-15, "Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009", dated April 3, 2009, included five requirements pertaining to performance that the Department was to report on: major communications; weekly financial and activity reports; agency-wide Recovery Act plans; program-specific Recovery Act plans; and recipient reporting.

Our audit found that the Department had taken effective actions in three of the five required performance reporting areas, but needs to complete the remaining two requirements to increase the transparency and accountability of its Recovery Act programs in the areas of program-specific Recovery Act plans and recipient reporting.

OMB requires Federal agencies to develop program-specific Recovery Act plans that include measures for each program receiving Recovery Act funds. In its plan, which was approved by OMB, ETA stated that the purpose of the program was to assist individuals by "increasing work readiness, educational attainment, occupational skills, and connecting them to jobs in demand." We found that the Department did not plan to report or measure the use of Recovery Act funds to train or place participants in high-demand occupations. Specifically, ETA limited WIA reporting under the Recovery Act to the existing common performance measures: entered employment rate; employment retention rate; and average earnings. Without linking training and employment to high-growth sectors, the Department cannot provide assurance that it is achieving the purposes of the Recovery Act by reporting if participants were trained for and placed in high-growth sectors.

Finally, the Department could not demonstrate that the performance measures included in its program-specific Recovery Act plans were developed with full consideration of program-specific risks. OMB required that these plans include performance measures consistent with agency risk management plans. However, four of seven component agencies submitted their performance measures prior to completing their risk management plans.

We made four recommendations to the Senior Accountable Official for the Recovery Act to improve performance reporting. He agreed with the recommendations and has taken actions to address them. Although the Department stated that it would report on the type of occupational training provided with Recovery Act funds, the Department's planned actions did not clearly articulate how it will report what industry-specific training and related job placements WIA Adult and Dislocated Worker program participants received. (Report No.18-09-002-01-001, September 29, 2009)

". . . the Department cannot provide assurance that it is achieving the purposes of the Recovery Act by reporting if participants were trained for and placed in high-growth sectors."

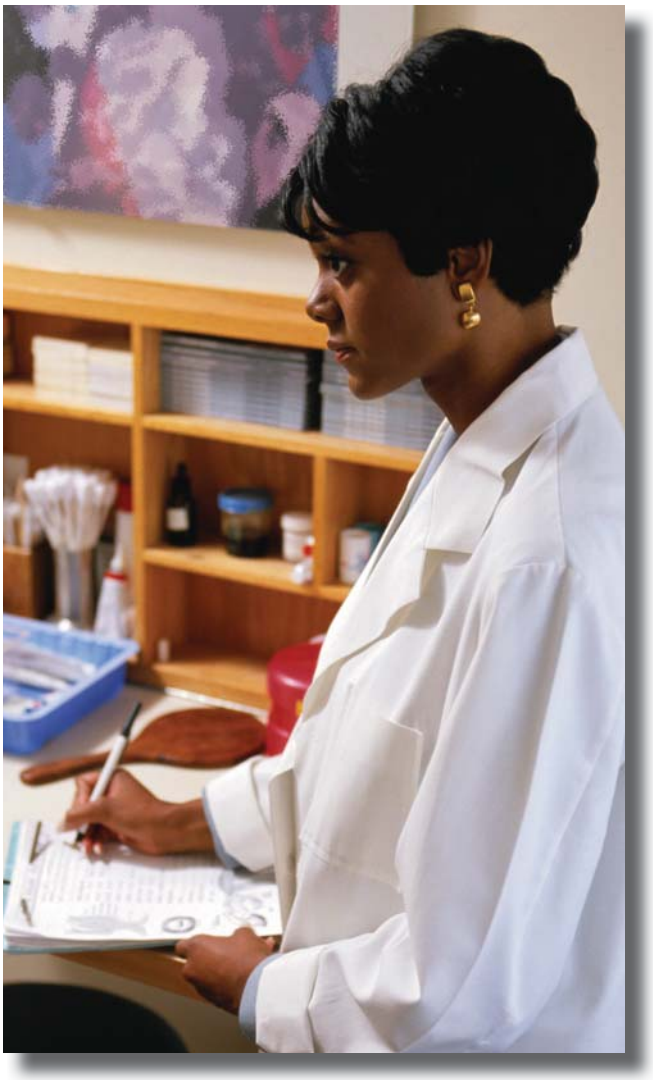
EBSA Acted Quickly to Implement COBRA Premium-Assistance Provisions

The Consolidated Omnibus Budget Reconciliation Act (COBRA), which was passed in 1986, gave workers who lost their jobs and health benefits the right to retain their group health coverage for up to 18 months by paying group rates. The Recovery Act helped eligible unemployed workers by providing assistance in paying COBRA premiums. It provided that eligible individuals pay 35 percent of their premiums, with the remaining 65 percent covered by a tax credit to the provider. The assistance lasts for up to 9 months for those eligible. EBSA is responsible for providing outreach and education about premium assistance and reviewing appeals of COBRA-covered private plans. The OIG conducted a performance audit to determine whether EBSA provided outreach related to premium assistance and established a system to timely review appeals of premium-assistance denials.

The OIG found that EBSA quickly started numerous outreach activities related to the COBRA provisions under the Recovery Act and had established a system to timely review appeals. Specifically, EBSA responded to more than 110,000 telephone inquiries related to COBRA premium assistance in the first five months after Recovery Act passage; created model notices within 30 days of Recovery Act passage to help plan administrators provide notice about the premium assistance to individuals who have a COBRA-qualifying event; expanded the EBSA Web site within three days of Recovery Act passage to include COBRA premium-assistance information; disseminated information related to premium assistance and filing of appeals using methods such as webcasts, state agency Web sites, and direct mailings to 42 organizations that may have had high numbers of individuals with COBRA-qualifying events; and expanded enforcement investigations to include Recovery Act requirements to notify eligible individuals of the premium-assistance availability.

We noted that several aspects of these efforts could be improved. Specifically, three of four DOL-funded One-Stop centers we visited did not have COBRA premium-assistance information available. EBSA did not use enforcement results to evaluate outreach efforts, and had not developed written contingency plans to ensure that the 15-day deadline is met for deciding COBRA appeals. In addition, electronic copies of determination letters contained unreliable issuance dates. Finally, EBSA's appeal decision was not stated at the beginning of the determination letters, which could make it difficult for individuals to understand whether their appeals had been approved or denied.

We recommended that EBSA increase outreach efforts by improving coordination with ETA to ensure that Recovery Act COBRA premium-assistance materials are displayed and distributed at all One-Stop centers, use feedback from enforcement investigations to help assess outreach efforts, develop a resource contingency plan, improve controls to ensure that accurate dates are used on applicant determination letters, and redesign the letters sent to appellants. EBSA has planned or initiated action on four of the five recommendations, but did not agree with the recommendation to develop more detailed resource contingency plans. (Report No. 18-09-003-12-001, September 30, 2009)



Ten States Successfully Implemented the Federal Additional Compensation Program

The Recovery Act authorized a new temporary Federal Additional Compensation (FAC) program that added a taxable $25 supplement to the weekly benefit allowance paid to eligible unemployed recipients. This additional weekly benefit was made available for the period February through December 2009. ETA, which oversees the UI program, estimated that the FAC program will cost about $8.7 billion.

We conducted an audit of the FAC program to determine whether 10 randomly selected states: (1) implemented the FAC program as authorized; (2) paid the $25 weekly supplement in accordance with allowable methods identified in the Recovery Act; (3) had adequately designed systems for implementing the FAC program in compliance with Federal requirements; and (4) separately accounted for and accurately reported financial and program data. The 10 states selected for review were California, Florida, Indiana, Minnesota, New Mexico, New York, Ohio, Oklahoma, Vermont, and Virginia.

Our audit found that, overall, the implementation of the FAC program had gone well. As of June 30, 2009, the 10 states had paid about $1.3 billion in benefits to FAC recipients. We also found that the states faced continuing challenges in implementing the FAC program in the areas of overpayment identification, recovery capabilities, and tax withholding. Overpayments by states during the period February 2009 through June 2009 ranged from $160,000 to $2.5 million. These challenges were caused by the short time frame the states had to implement the program and difficulties in reprogramming existing systems to meet FAC program requirements.

We recommended that ETA ensure that the affected states complete the required reprogramming for withholding taxes and identifying and recovering overpayments, and recover and report FAC overpayments. ETA concurred with the findings and said it will immediately address the recommendations. (Report No. 18-09-004-03-315, September 30, 2009)

"These challenges were caused by the short time frame the states had to implement the program and difficulties in reprogramming existing systems to meet FAC program requirements."

YouthBuild Grantees Had Not Been Informed of the Expanded Population Eligible to Be Served

During the course of conducting a performance audit of Recovery Act YouthBuild grants, we found a condition that warranted immediate corrective actions by ETA. Grantees, specifically those that were awarded grants from a solicitation issued before the Recovery Act became law, were not made aware that the Recovery Act expanded the population that could be served with YouthBuild program funds. The Recovery Act contains language specifying that the YouthBuild program may serve individuals who have dropped out of high school and reenrolled in an alternative school, if that reenrollment is part of a sequential service strategy. YouthBuild grants awarded with Recovery Act funds under the pre-Recovery Act solicitation should have notifications included in the grants regarding Recovery Act requirements.

It is important that the Department notify Recovery Act YouthBuild grantees to ensure that they are aware of the expanded population Congress authorized to be served under the Act. Accordingly, we recommended that ETA immediately notify all YouthBuild grantees that received Recovery Act funds of the expanded population of individuals eligible to be served. In response to the report, the Grant Officer sent a letter to all YouthBuild grantees notifying them of the expanded eligibility criteria. (Report No. 18-09-005-03-001, September 29, 2009)

Employment and Training Programs

Foreign Labor Certification Programs

The Employment and Training Administration's (ETA's) foreign labor certification programs allow U.S. employers to employ foreign labor to meet worker shortages by filing labor certification applications through ETA's foreign labor certification process. The H-1B visa specialty workers program requires employers who intend to employ foreign specialty occupation workers on a temporary basis to file labor condition applications (LCAs) with ETA stating that appropriate wage rates will be paid and workplace guidelines will be followed. The H-2B program established a means for U.S. nonagricultural employers to bring foreign workers into the United States for temporary employment. The Permanent Foreign Labor Certification program allows an employer to hire a foreign worker to work permanently in the United States.

OIG audits and investigations continue to identify program weaknesses and schemes by unscrupulous attorneys, labor brokers, employers, and others to abuse the programs.

Improved Controls Needed over iCert Processing System to Better Identify Incomplete and/or Obviously Inaccurate H-1B Labor Condition Applications

The H-1B specialty (professional) worker program allows employers, or their representatives, to file an LCA, ETA Form 9035E, with the Department if they intend to employ alien workers for a temporary period in professional or specialty occupations. ETA's Office of Foreign Labor Certification (OFLC), by delegation through the Immigration and Nationality Act, is responsible for reviewing LCAs for completeness and obvious inaccuracies and must certify or deny the applications within seven days of their filing.

OFLC implemented iCert, a new system to improve processing of H-1B LCA on April 15, 2009. Once the LCA is submitted by the employer, iCert runs a series of eChecks against the data. If any field fails a check, the case and specific field will be flagged for review and verification by an OFLC analyst. We performed an audit of the iCert processing system to determine if processing controls over the new iCert H-1B LCAs are sufficient to identify incomplete or obviously inaccurate applications. During FY 2008, OFLC received approximately 400,000 H-1B LCAs for processing.

Through our review of 179 randomly selected LCAs, we found that OFLC's iCert automated electronic checks (eChecks) need to be strengthened. The eChecks controls in place failed to identify 29 LCAs that were either incomplete and/or contained obviously inaccurate information.

According to OFLC, some missing eChecks were not identified in the system's original design. Other eChecks were not included because OFLC had not made a decision on the legal basis for denying the LCA. In addition to the missing eChecks, we also identified one eCheck that was not working as designed. OFLC has no formal written procedure for implementing improvements to the eChecks within iCert as they are identified.

Because eChecks does not assess certain fields in the LCAs, the iCert system also relies on analyst reviews to identify incomplete or obviously inaccurate LCAs. However, OFLC's reliance on analyst reviews of LCAs to catch errors that could be caught through better-designed eChecks still does not fully mitigate the risk that LCAs could be improperly certified. For example, analyst reviews may be reduced or discontinued in the future due to higher processing volumes. OFLC analysts at one processing center stated that, as of August 2009, they would continue to review 100 percent of flagged LCAs, but review only 80 percent of the non flagged LCAs. The poorly designed eChecks and lack of

analyst review increase the potential for LCAs to be improperly certified, and could lead to petitions being filed with the U.S. Department of Homeland Security for H-1B visas that are not justified.

We recommended that ETA identify and implement improvements to iCert as they are identified and incorporate the missing eChecks identified in our audit. We also recommended that ETA develop a contingency plan of action to address handling the anticipated increase in processing volume. ETA agreed with the recommendations and stated that it has planned or initiated the necessary corrective actions. (Report No. 06-08-004-03-321, September 30, 2009)

"The poorly designed eChecks and lack of analyst review increase the potential for LCAs to be improperly certified, and could lead to petitions being filed with the U.S. Department of Homeland Security for H-1B visas that are not justified."

Immigration Attorney and Construction Company Executive Sentenced in Connection with Visa Fraud Scheme

Michael Mitry Hadeed Jr., an immigration attorney who was previously convicted on charges of conspiracy to commit immigration fraud and making false statements, was sentenced on May 29, 2009, to 2 years' probation, 3 months' electronic monitoring, and fined $2,000. Hadeed's conviction resulted in the loss of his law license. Amine Coudsi, a former executive at Pillar Construction Company (Pillar), also pled guilty to conspiracy to commit immigration fraud and was sentenced to 1 year of probation and ordered to forfeit $20,000 in criminal proceeds.

Through his large-scale immigration fraud scheme, Hadeed used a local business to sponsor foreign nationals and undocumented workers for no-show jobs or jobs for which they were not qualified. In support of visa petitions filed with the government, he assisted in the creation and submission to the government of fraudulent "experience letters" that made false claims regarding the beneficiaries education, training, and work experience. In one instance, Hadeed charged over $20,000 to help an immigrant fraudulently obtain an immigrant visa.

Pillar executives Maher Chalabi and Raja Khoury conspired with immigration broker, Mamoun Najib to file DOL forms (ETA-750) and arrange for no-show jobs for undocumented workers. Najib brokered the fraud by charging and collecting an average of $14,000 from each worker. Workers were periodically issued payroll checks to be used as proof to the government that they were legitimately employed. In exchange for not being reported as illegally working in the United States, the workers returned the full amount of each payroll check to Najib plus the 7.5% FICA and Medicare tax paid by Pillar. Approximately $4,000 of the $14,000 that each worker paid was divided among Chalabi, Khoury, and Coudsi.

This was a joint investigation with Immigration and Customs Enforcement (ICE) and the Federal Bureau of Investigation (FBI). *United States* v. *Michael Mitry Hadeed, Jr.; United States* v. *Mamoun Najib; United States* v. *Maher Chalabi; United States* v. *Raja Khoury; United States* v. *Amine Coudsi* (E.D. Virginia)

Kingpin and Conspirators Sentenced in Large-Scale Visa Fraud Scheme

Viktar Krus was sentenced on July 17, 2009, to 87 months in prison for operating a criminal conspiracy responsible for committing visa, asylum, and marriage fraud; making fraudulent statements under oath; and filing fraudulent documents to obtain employment-based visas for hundreds of foreign workers. On April 2, 2009, Krus pled guilty to committing visa and tax fraud, as well as to money laundering. Among various other assets, Krus was ordered to forfeit $11,044,239 and to jointly and severally pay restitution in the amount of $7.5 million with co-conspirators Dzmitry Krasautsau, Jekaterina Cerednicenko, and Vahe Harutyunyan. Krasautsau, Cerednicenko, and Harutyunyan were also sentenced during this reporting period. Additionally, Beth Anne Broyles, a former immigration attorney responsible for filing the majority of the labor certification petitions on behalf of the Krus criminal organization, pled guilty on September 17, 2009, to conspiracy to commit visa fraud, for her role in the scheme.

Since 2001, the Krus organization was instrumental in fraudulently filing labor certification applications with the Department to obtain visas for more than 3,800 individuals, defrauding the government of $7.4 million in payroll taxes, charging visa recipients exorbitant fees for visa-related services, and housing visa recipients in dirty, overcrowded stash houses that Krus owned and for which he charged excessive rent. Some visa petitions were submitted with the intent of bringing in substantially more workers than contracted for or needed by clients. Once in the United States, most of the workers were leased out to undisclosed hotels or businesses not listed on the clients' visa petitions in states that were not identified in the applications. The workers were transported and shielded from detection for commercial advantage and private financial gain.

Between July and August 2009, Krasautsau, Cerednicenko, and Harutyunyan were all sentenced for committing and conspiring to commit money laundering and visa fraud. Consequently, in addition to the $7.5 million restitution judgment, Krasautsau, Cerednicenko and Harutyunyan were, respectively, sentenced to 73, 78, and 78 months' incarceration in Federal prison. Krasautsau, Cerednicenko, and Harutyunyan, like Krus, all have forfeiture orders of more than $11 million. Krasautsau and Cerednicenko will be immediately removed from the United States upon the completion of their prison sentences. Upon his release from prison, Harutyunyan will serve a three-year probation term.

The DOL-OIG investigated this case as part of a task force that included the ICE; the Internal Revenue Service Criminal Investigation Division (IRS-CID); the U.S. Department of State (State) Bureau of Diplomatic Security (DS); the U.S. Department of the Treasury Financial Crimes Enforcement Network; the U.S. Postal Inspection Service (USPIS); the FBI; the Naval Criminal Investigative Service (NCIS); and the Virginia Beach (Virginia) Police Department. *United States* v. *Viktar Krus, et al.* (E.D. Virginia)

"Since 2001, the Krus organization was instrumental in fraudulently filing labor certification applications . . . to obtain visas for more than 3,800 individuals . . ."

Man Pleads Guilty in Labor Certification Fraud Scheme

Ladep N. Gwamzhi pled guilty on May 20, 2009, to a charge of labor certification fraud for his role to defraud and obtain money by filing fraudulent employment-based visa applications on behalf of foreign nationals. On September 2, 2009, a co-owner of Immanuel Chambers, LLC, a company specializing in immigration-related services, was indicted for his alleged role in the scheme. Beginning in 2005, Gwamzhi and others allegedly submitted in excess of 150 fraudulent labor certification petitions for permanent employment. Additionally, a fraudulent certification petition was electronically filed with DOL on behalf of an individual who posed as someone who wanted to establish a local furniture business. The defendant and other Immanuel Chambers employees purportedly registered the fictitious furniture business for the individual and then prepared and subsequently filed a fraudulent permanent labor certification petition with DOL for the fictitious employer. This is a joint investigation with the State OIG and ICE. *United States v. Nandang Ladep Gwamzhi* (D. Maryland)

"The defendant and other Immanuel Chambers employees purportedly registered the fictitious furniture business . . . and subsequently filed a fraudulent permanent labor certification petition with DOL for the fictitious employer."

RICO Indictment Charges 12 Individuals in $6 Million Scheme to Employ Temporary Work Visa Holders and Undocumented Workers at Businesses in 14 States

Eight Uzbek nationals were among 12 defendants indicted on May 27, 2009, on Racketeer Influenced and Corrupt Organizations Act (RICO) charges for activities which occurred in 14 states. Among the criminal acts alleged in a pattern of racketeering activity are forced labor trafficking, identity theft, harboring and transporting undocumented workers, money laundering, visa fraud, extortion, and fraud in foreign labor contracting.

The RICO indictment alleges that the defendants were involved in a criminal enterprise in which hundreds of undocumented workers were employed at hotels and other businesses across the country. The defendants allegedly used false information to acquire 1,200 H-2B work visas through DOL. The defendants created Web sites designed to recruit undocumented workers and to facilitate the sale of H-2B visas to foreign nationals the defendants did not intend to employ. The defendants incorporated multiple businesses in the states of Missouri and Kansas to disguise their criminal activities, including processing payrolls for both temporary and undocumented workers, and evading employment tax liability such as FICA and UI on the undocumented workers. Many of the undocumented workers were allegedly victims of human trafficking and were coerced to work in violation of the terms of their visa without proper pay and under the threat of deportation. They were also forced to reside together in substandard apartments and pay exorbitant rental fees.

This is a joint investigation with ICE, IRS-CID, the FBI, U.S. Deparment of Homeland Security Citizen and Immigration Services (DHS-CIS), the Kansas Department of Revenue, and the Independence (Missouri) Police Department.

"Many of the undocumented workers were allegedly victims of human trafficking and were coerced to work in violation of the terms of their visa without proper pay and under the threat of deportation."

Defendant Pleads Guilty and Two Others Are Charged with Conspiracy to Fraudulently Obtain H-1B Visas and Violations of the Bank Secrecy Act

Mahesh K. Gangineni, a Kansas gas station owner, pled guilty on August 12, 2009, to conspiring to defraud the DOL's H-1B and permanent work visa certification programs and to a charge of structuring financial transactions. Gangineni was indicted in July 2009 along with two co-defendants and two companies controlled by his co-defendants. Gangineni and one co-defendant allegedly created false paperwork to make it appear that Gangineni was contracted as a computer programmer for the co-defendant's company. Promoting Gangineni's fictitious employment, they submitted fraudulent paperwork to the government seeking H-1B visas and later a permanent work visa for Gangineni.

In a separate count, Gangineni and the remaining co-defendant were charged with structuring financial transactions totaling about $2 million at four Kansas banks to evade the Bank Secrecy Act requiring reports on transactions of $10,000 or more.

This is a joint investigation with IRS-CID. *United States* v. *Mahesh Kumar Gangineni* (D. Kansas)

Temporary Labor Agency Owner Sentenced for Failing to Pay Over $400,000 in Employment Taxes

Vitali Popkov, co-owner of Mirage Cleaning Service (Mirage), was sentenced on May 6, 2009, to 21 months' incarceration, and 3 years' probation, and was ordered to pay restitution of $423,635. Popkov had previously pled guilty to marriage fraud, aiding and abetting marriage fraud, and tax evasion. From 2003 through 2007, Popkov operated Mirage (formerly U.S. Cleaning Service, Inc.), which was a temporary labor agency that contracted with businesses to provide employees for cleaning, assembly, and other unskilled labor at hotels and other businesses in the Cincinnati, Ohio, area. Mirage employed between 100 and 200 employees, including many undocumented workers, at any given time. Popkov paid wages totaling over $2.7 million to employees of Mirage and failed to withhold Federal employment taxes on the wages paid to his employees, resulting in the evasion of $423,635 in Federal employment taxes. This was a joint investigation with IRS-CID and ICE. *United States* v. *Vitali Popkov* (S.D. Ohio)

Brothers Found Guilty in Conspiracy to Fraudulently Obtain Employment Visas

Alberto and Bernardo Peña, twin brothers and principal officers of AMEB, a foreign contract labor firm, were found guilty April 3, 2009, of conspiring with each other and others to obtain fraudulent H-2B visas for 87 Indian nationals in exchange for at least $20,000 per visa. They were employed by Charles Keith Viscardi, who was the owner and operator of Viscardi Industrial Services, LLC (VIS), to recruit the H-2B applicants and process their government documents for their fraudulent H-2B visas.

The Peñas, Viscardi, and three other conspirators were indicted in March 2008. Viscardi pled guilty in August 2008 for his involvement in the scheme, which generated an estimated $1.8 million in profits for the conspirators.

The conspirators submitted petitions for nonimmigrant worker visas and other documentation to DHS-CIS, DOL, and other government entities, falsely representing that the undocumented workers would be employed at VIS. The conspirators assisted the undocumented workers in completing the H-2B visa petitions and in filing them with DOL. After their arrival in the United States, Viscardi transported and temporarily housed the workers and they were granted H-2B visas. He and his co-conspirators accepted cash and other forms of payment from the undocumented workers. None of the undocumented workers was ever employed by VIS; instead they simply dispersed throughout the country after paying for their fraudulently obtained visas. This was a joint investigation with DSS and ICE. *United States* v. *Alberto Peña*, *Bernardo Peña* (S.D. Texas)

Workforce Investment Act

The goal of the Workforce Investment Act (WIA) is to consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs in the United States, and for other purposes. The OIG has conducted numerous audits of the WIA program and its grantees since WIA's enactment, including audits of state WIA expenditures, training and educational services provided to dislocated workers, and state-reported performance data. The Department has implemented many of our recommendations to improve WIA program administration and performance. OIG investigations have resulted in the prosecution of individuals who illegally obtained WIA funds, thereby denying eligible persons the benefit from employment services. Our investigations have also documented conflict-of-interest issues involving program administrators.

Workforce Investment Act Data Validation

ETA's WIA data validation initiative is intended to ensure that State Workforce Agencies (SWAs) report accurate and reliable WIA performance data. ETA uses this data as the basis for the WIA performance measure results included in the Department's annual Performance and Accountability Report.

We conducted an audit of ETA's data validation initiative for the WIA Adult and Dislocated Worker programs. WIA provides formula-based funding to SWAs to design and operate both training programs, with FY 2009 funding totaling $2.2 billion. Our objective was to determine whether ETA exercised adequate oversight of the SWAs' data validation efforts.

Our audit found that ETA needs to strengthen its oversight to ensure that SWAs are conducting data validations correctly. Overall, our analysis of 622 participant files from the SWAs' data element validation reviews found that 263, or 42 percent, were not validated using the appropriate ETA criteria or source documentation. This occurred because: (1) SWAs did not fully understand ETA data element validation requirements or the instructions for validating data elements in participant exit records; (2) ETA regional offices did not have a plan or guide to monitor the SWAs' data validation process; and (3) ETA regional offices did not have access to two reports on the SWAs' data validation results that would assist them in their monitoring efforts and enhance their technical assistance to the SWAs. Without an effective monitoring process, ETA has no assurance that data validation is operating as designed, so that the data can be relied upon for accurately reporting performance results.

We noted that ETA was not providing timely updates to the software used for data validation, because it has not had sufficient funds to do so. The lack of timely updates hampered SWAs' ability to efficiently conduct data validations. We also found that reported participant and exiter data were inconsistent from SWA to SWA, because ETA instructions did not clarify which self-service participants and exiters should be counted. As a result, Congress, stakeholders, and the public do not have accurate information on participation levels, which is needed to fully report on whether the One-Stop systems are meeting the needs of business and the workforce. Until clear instructions are issued, the Adult and Dislocated Worker programs will continue to operate without any substantive assurance that the total participant level counts are reliable.

We recommended that ETA finalize the Data Validation Monitoring Guide, require its regional offices to implement a monitoring plan of data validation at the SWAs, and provide regional offices access to data validation results that they can use to assist in monitoring SWAs. We also recommended that ETA sufficiently fund the data validation software, and develop and disseminate instructions that clearly define how SWAs should report self-service participants. ETA generally agreed with the recommendations and has initiated corrective actions to address the recommendations (Report No. 03-09-003-03-390, September 30, 2009)

Job Corps

Job Corps operates 122 centers throughout the United States and Puerto Rico to provide occupational skills, academic training, job placement services, and other support services, such as housing and transportation, to approximately 60,000 students each year. Its primary purpose is to assist eligible youth who need intensive education and training services.

Our audit work continues to reveal that some operators of Job Corps centers overstate their performance results (i.e., vocational training completions and student attendance) in order to improve the centers' operating performance, which can result in the operating contractor receiving greater performance-based financial incentives.

Center Does Not Meet Job Corps Requirements for Reporting Performance for Student Attendance and Accountability

We conducted an audit of the Montgomery Job Corps Center in Montgomery, Alabama, one of three centers operated by Dynamic Educational Systems, Incorporated (DESI), for the Office of Job Corps. Our objectives were to determine whether DESI ensured compliance with Job Corps requirements for reporting performanc, managing and reporting financial activity, and managing safety and health programs. We also examined two hotline complaints alleging improper practices by DESI management and staff. Our audit did not substantiate the hotline allegations.

We found that DESI did not ensure compliance with Job Corps requirements for reporting performance for student attendance and accountability. Specifically, student leave days were not supported with the required leave forms or approvals, and the Montgomery Job Corps Center did not consistently attempt to contact students or their parents when students were missing from the Center. Further, the center understated the number of students participating in its off-site Work-Based Learning program and could not verify attendance at their work sites or determine if program benefits were properly received. We attributed these control weaknesses to inadequate center procedures, staff not following established center procedures, and lack of training and supervision.

We also found that DESI did not ensure compliance with Job Corps requirements for managing and reporting financial activity. Specifically, Montgomery staff did not consistently verify that work hours reported on time sheets were reliable, or maintain adequate documentation for its use of government vehicles. We did not identify any noncompliance with Job Corps requirements for managing health and safety programs.

We recommended that Job Corps direct DESI to develop and implement the controls needed to ensure its centers' compliance with Job Corps requirements related to student attendance and accountability, time sheet preparation and approval, and government vehicle use. Job Corps concurred with the report's recommendations and has initiated corrective actions. (Report No. 26-09-002-01-370, June 2, 2009)

"We recommended that Job Corps direct DESI to develop and implement the controls needed to ensure its centers' compliance with Job Corps requirements related to student attendance and accountability, time sheet preparation and approval, and government vehicle use."

Contractor Did Not Comply with Safety Requirements Regarding Student Misconduct at Several Job Corps Centers

We conducted an audit of 3 of the 10 Job Corps centers operated by Adams and Associates, Inc. (Adams), under contract with the Office of Job Corps. We selected the Atterbury Job Corps Center in Edinburgh, Indiana, and the Gadsden Job Corps Center in Gadsden, Alabama, based on risk assessments, and a third center, Shriver Job Corps Center in Devens, Massachusetts, based on a hotline complaint. Our objectives were to determine whether Adams ensured the centers' compliance with Job Corps requirements regarding center safety and financial and performance reporting. We also determined the merit of a hotline complaint alleging improper management practices pertaining to student misconduct, career technical training (CTT) completions, and Work-Based Learning (WBL) at Shriver.

Our audit found that Adams did not ensure center compliance with Job Corps requirements for safety in the area of student misconduct. Specifically, Atterbury and Shriver officials did not convene fact-finding boards and behavior review panels as required for students suspected of misconduct such as threats of violence and patterns of inappropriate behavior. As a result, potentially dangerous students were allowed to stay on at the center without consideration of appropriate disciplinary action. This placed other students and staff at risk and was in violation of Job Corps's zero-tolerance policy.

As a separate issue, Atterbury and Gadsden did not report significant incidents, such as inappropriate sexual behavior, physical assault, and narcotics possession, to Job Corps as required. At a minimum, the failure to report significant incidents hindered Job Corps's ability to monitor center safety in order to both ensure that significant student misconduct was handled appropriately and respond to negative press regarding such incidents.

Adams also had control weaknesses in two areas related to Job Corps requirements for reporting performance — CTT completions and Student Attendance/Accountability. For CTT completions, Adams did not ensure that students completed all required training tasks; and for Student Attendance/Accountability, Adams did not consistently attempt to contact students or their parents when the students were missing from the center, and student leave was not supported as required.

Our review of financial activity showed no indication of noncompliance with related Job Corps requirements. In addition, we did not substantiate two of the allegations made against Shriver that related to students being rushed through CTT programs to improve reported performance or being placed in WBL programs to extend enrollment when they were already employed. However, we found that Shriver did not consistently comply with the requirements for CTT completions and did not comply with requirements for student accountability regarding its WBL students.

We recommended that Job Corps direct Adams to develop and implement procedures and improve oversight in the areas of convening fact-finding boards / behavior review panels, reporting significant incidents to Job Corps, properly reporting CTT completions, contacting AWOL students or their parents, and reporting student leave. Job Corps concurred either fully or in part with each of our eight recommendations, and the corrective actions taken or planned meet the intent of the recommendations. (Report No. 26-09-003-01-370, September 30, 2009)

Worker and Retiree Benefit Programs

Office of Workers' Compensation Programs

The Employment Standards Administration's (ESA's) Office of Workers' Compensation Programs (OWCP) administers the Federal Employees' Compensation Act (FECA), Black Lung, Longshore and Harbor Workers, and Energy Employees Occupational Illness Compensation programs, each of which has separate financing schemes through Federal and/or industry funds.

The Federal Employees' Compensation Act (FECA) Program

The FECA program provides workers' compensation coverage to 2.7 million Federal and Postal employees for employment-related injuries and occupational diseases. In FY 2008, OWCP made nearly $1.7 billion in wage loss compensation payments to claimants and processed approximately 19,000 initial wage loss claims. At that FY's end, 43,000 claimants were receiving regular monthly wage loss compensation payments.

Improved Reemployment Status Monitoring Needed in OWCP Jacksonville and New York District Offices

The OIG conducted an audit to determine the adequacy of the Jacksonville and New York district offices' oversight of injured Federal employees (claimants) who are on the periodic roll in the temporary "reemployment status not yet determined" category. We selected these two offices because our preliminary assessment indicated they may not be effectively moving claimants from the "reemployment status not yet determined" category on the periodic roll. Both offices were among those with the highest percentage of cases in this category.

Our audit found that OWCP needs to improve its monitoring of claimants' statuses. Neither of the two offices reviewed took consistent intervention actions, such as referring claimants for vocational rehabilitation, directed toward removing cases from the "reemployment status not yet determined" category. Furthermore, as of June 30, 2008, 20,236 (37 percent) of 54,674 claimants were receiving full benefits in the temporary "reemployment status not yet determined" category, of which 2,860 (14 percent) had been so categorized for 15 years or longer. These are claimants whose reemployment status should have been determined so that they might possibly be able to return to full-time work or have their compensation reduced.

We attribute the ineffective and untimely case management to insufficient district office supervisory oversight of claims processing and to supervisors not requiring claims examiners to use the OWCP integrated Federal Employees Compensation System Reminder feature. Effective and timely case management will better ensure that claimants receive only the benefits they are due.

We recommended that ESA require the Jacksonville and New York district directors to identify periodic roll claimant cases that needed immediate case management and take the necessary actions to reduce compensation payments and/or remove ineligible claimants from the periodic roll. ESA stated that the agency plans to take actions to enhance claims examiners' ability to manage cases in a timely manner. (Report No. 04-09-004-04-431, September 29, 2009)

Former U.S. Senate Employee Pleads Guilty to Mail Fraud for Illegal Receipt of $259,000 in FECA Benefits

Theodore Holmes, who worked as a printing and reprographics specialist at the U.S. Senate, pled guilty on August 7, 2009, to mail fraud and admitted he wrongfully received $259,645 in FECA benefits.

In February 1999, Holmes filed a notice of an on-the-job knee injury, and from February 2000 to August 2009 received FECA benefits for total disability as a result of his work-related condition. OWCP repeatedly informed Holmes that he was required to report any outside work activities or income, volunteer work, self-employment, or involvement in a business enterprise. Holmes denied any such activities or income in entries made on documents he submitted to DOL.

However, Holmes owned, conducted the day-to-day operations of, and derived income from several car- wash businesses from February 2000 to August 2009. He also devoted a substantial amount of time to coaching a traveling flag football team. *United States* v. *Theodore Holmes* (D. District of Columbia)

Virginia Beach Woman Pleads Guilty to Defrauding FECA Program

Adelaide L. Gilmore, a former office automation clerk at the Naval Air Station Oceana Housing Office in Virginia Beach, Virginia, pled guilty on September 8, 2009, to making false statements to obtain FECA benefits.

In 1992, Gilmore injured her foot while at work with the Navy. Later, in 1998, she injured her shoulder and filed an injury claim linking her shoulder to her 1992 foot injury. Gilmore was awarded FECA benefits beginning around December 1999 and had been receiving approximately $2,125 in monthly compensation payments. Her payments stopped October 1, 2009, when she was officially removed from the periodic rolls as the result of her guilty plea. Gilmore submitted fraudulent DOL documentation in 2007, 2008, and 2009 in which she did not report work activities, income, or a change in her medical condition.

Our investigation revealed that Gilmore worked as a self-employed, paid counselor at a Virginia Beach, Virginia, business since at least 2009. In January 2008, the business's Web site began listing Gilmore as a member of the staff. The listing, which included Gilmore's picture, reported that Gilmore worked with a resident psychologist to provide counseling, ministerial, and social work services. Monitored visits to the business confirmed her activities. This was a joint investigation with NCIS. *United States* v. *Adelaide L. Gilmore* (E.D. Virginia)

Anonymous Source Helps Convict FECA Defrauder

Patrick Wilson, a former Navy civilian employee, was sentenced on April 24, 2009, to 13 months' imprisonment followed by 3 years' supervised release for committing fraud against the FECA program. Wilson was ordered to pay $97,945 in restitution to OWCP, and $59,944 in restitution to the U.S. Department of Veterans Affairs (VA). The investigation began after a videotape from an anonymous source showed Wilson constructing a room addition on his Florida home. Further surveillance captured Wilson doing construction work on his home and dancing at a nightclub. Wilson's OWCP file indicated he was totally disabled and wheelchair-bound. According to VA records, Wilson, who is a U.S. Marine Corps veteran, had 100 percent loss of the use of both his feet and purportedly had no other outside income. This was a joint investigation with the VA-OIG. *United States* v. *Patrick Wilson* (M.D. Florida)

Defense Logistics Agency Employee Pleads Guilty to Mail Fraud

Bill Thompson, a former crane operator for the Department of Defense, Defense Logistics Agency (DLA), was sentenced on May 18, 2009, to 5 years' probation and ordered to pay full restitution in the amount of $198,856. Thompson pled guilty to mail fraud in February 2009 for his role in mailing false DOL documentation to OWCP.

Thompson sustained a FECA-covered work injury in January 2000, while employed with DLA at the Red River Army Depot (RRAD). In May 2002, Thompson had an OWCP-approved surgery, which, according to his physician, rendered him disabled from his DLA position and any other light duty work. He immediately began receiving total disability wage loss benefits from OWCP.

In August 2002, Thompson began working for a business purportedly owned by an alleged conspirator. The investigation established that Thompson worked regularly and performed numerous jobs for profit, including welding, sandblasting, and automotive and radiator repairs. Over the next four years, Thompson falsified DOL documentation wherein he failed to report his work activity and earnings to OWCP, which allowed him to continue to receive total disability wage loss benefits. Based upon this scheme, Thompson received OWCP wage loss benefits resulting in a loss to OWCP of $134,589.

In a separate scheme, Thompson, while receiving FECA total disability benefits, purchased a disability insurance policy through Combined Insurance Company of America (CICA). Thompson falsified his insurance application by stating that he was employed and working on a full-time basis at RRAD, had no medical problems, and had received no medical treatment for the past five years. In September 2004, Thompson filed a claim against the policy for an alleged injury in March 2004. Thompson stated that he had lost his job at RRAD and that he was employed at another company. An alleged conspirator completed and signed the employer's portion of several claim forms, stating that she was the owner of the company employing Thompson and that he had been disabled from March to September 2004. Based upon the scheme, CICA mailed five separate checks to Thompson, resulting in a loss to CICA of $64,302.

This was a joint investigation with the DLA. *United States* v. *Bill W. Thompson* (E.D. Texas)

The Black Lung Benefits Act (BLBA) Program

The BLBA provides monthly payments and medical benefits to coal miners totally disabled from pneumoconiosis (black lung disease) arising from employment in or around the nation's coal mines. This Act also provides monthly benefits to a miner's dependent survivors if black lung disease caused or hastened the miner's death. OIG investigations focus on fraud involving individuals who illegally claim or obtain Black Lung benefits for themselves or due to the death of a family member. In addition, OIG investigations also address fraud perpetrated by medical or health care providers intent on defrauding the system.

Daughter and Grandson Sentenced for Stealing Black Lung Benefits

Connie Martin was sentenced on July 2, 2009, for theft of Black Lung program benefits. Her son, John Martin, was sentenced June 1, 2009, for his role in the scheme. Both defendants were sentenced to 6 months' home confinement, 5 years' probation, and ordered to jointly and severally pay restitution in the amount of $60,550.

Connie Martin's mother, the intended recipient of Black Lung survivor benefits, died on May 11, 1997. The Division of Coal Mine Workers' Compensation, however, was not notified of the death and monthly benefit checks continued to be mailed to a post office box from which Connie and John Martin retrieved them.

After the death of Connie's mother, Connie and John Martin forged the deceased's name on the benefit checks and cashed them at various locations in and around the Welch, West Virginia, area. Connie Martin also forged the deceased's signature on a DOL form which concealed the death and ensured that the benefits would continue. *United States* v. *John M. Martin*; *United States* v. *Connie S. Martin* (S.D. West Virginia)

Ohio Woman Charged with Stealing Nearly $350,000 in Benefit Payments

An Ohio woman was indicted on August 11, 2009, for allegedly stealing benefit payments totaling $349,185. In the alleged scheme, the defendant stole $148,558 in Black Lung disability benefits paid to the defendant on behalf of a relative who died in December 1977. It is further alleged that the defendant stole Social Security benefit payments paid to and on behalf of the same relative, totaling $126,821. The defendant purportedly also received Supplemental Security Income disability benefit payments in her own name, totaling $76,806, to which she was not entitled. This is a joint investigation with the Social Security Administration (SSA) OIG.

". . . the defendant stole $148,558 in Black Lung disability benefits paid to the defendant on behalf of a relative who died in December 1977."

Employee Benefits Security Administration

The Employee Retirement Income Security Act (ERISA) of 1974 requires that most large employee benefit plans obtain an annual audit of their financial statements. These audits are important because they help protect plan participants and beneficiaries by ensuring the proper value of assets and the proper computation of benefits. One of the Employee Benefits Security Administration's (EBSA's) responsibilities is to ensure that these audits meet ERISA requirements, including professional auditing standards, to help protect participant and beneficiary benefits.

EBSA Could Strengthen Policies and Procedures Related to the REACT Project

ERISA was enacted to protect pension, health, and other employee benefit plans of American workers. Currently, there are more than 6 million plans involving 150 million workers and $6 trillion in assets. Through the Rapid ERISA Action Team (REACT) project, EBSA aims to respond in an expedited manner to protect the rights and benefits of plan participants when the plan sponsor faces severe financial hardship or bankruptcy and the assets of the employee benefit plan are in jeopardy. We conducted an audit of EBSA's REACT project to determine if the project was accomplishing its goal.

Our audit found that EBSA has not developed and implemented national policies or procedures to proactively identify potential REACT cases prior to a bankruptcy filing. Specifically, EBSA has not defined "severe financial hardship" or a standard method of assessing a plan sponsor's financial condition in identifying potential REACT cases. Instead, individual EBSA regions interpret this target population differently. Moreover, EBSA relies heavily on complaints from plan participants to identify potential REACT cases. While an investigation of complaints received is a valid source, it is reactive. This approach may not provide the most timely or systematic identification of troubled plans or the highest-risk cases, and may reduce EBSA's ability to fully protect and/or recover unpaid plan assets.

Furthermore, EBSA does not have a comprehensive method for measuring the desired activities and outcomes of the REACT project, and does not perform a national assessment to judge the value of the REACT project in meeting its overall enforcement mission to protect at-risk benefit plan assets. Specifically, EBSA does not measure three specific REACT goals related to bankruptcy: (1) immediately identifying any unpaid plan contributions; (2) notifying all affected plans of the bankruptcy filing; and (3) providing assistance to plans, participants, and beneficiaries in filing "proofs of claim." The agency either does not document the information needed to assess all REACT project goals or has not defined or implemented measures to determine how well these goals are being accomplished or their value to the REACT project.

We recommended that EBSA take the following actions: (1) develop more specific guidance for proactively targeting REACT cases based on severe financial hardship; (2) establish a performance measure(s) to accurately capture the REACT project's impact; and (3) develop an overall REACT project assessment that incorporates the regional assessments to determine whether the project is accomplishing its goal. EBSA disagreed with many of our audit conclusions and defended current agency practices. EBSA did, however, agree to take several actions aimed at addressing most of our recommendations. (Report No. 05-09-005-12-001, September 30, 2009)

Unemployment Insurance Programs

Enacted over 60 years ago as a Federal-state partnership, the Unemployment Insurance (UI) program is the Department's largest income-maintenance program. This multibillion-dollar program assists individuals who have lost their jobs through no fault of their own. While the framework of the program is determined by Federal law, the benefits for individuals are dependent on state law and are administered by State Workforce Agencies (SWAs) in 53 jurisdictions covering the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands under the oversight of ETA.

The OIG actively performs criminal investigations and refers for prosecution cases that involve individuals who defraud unemployment benefit programs. Recent investigations have documented the manner in which criminals steal identities to file for fraudulent UI benefits.

Five Car-Wash Managers Are Sentenced for Conspiracy to Defraud the Government

Between June and September 2009, one former regional manager and four former managers of Super Bright and Car Care car washes in Pennsylvania and New Jersey were sentenced for their roles in a conspiracy to defraud the government. The conspiracy included Nicholas Sama, the former northeast regional manager of five Super Bright and Car Care car washes, and former managers Timothy Gibson, Lee Gordon, William Spencer, and Herbert Wolf. The defendants were sentenced to varying terms of probation and community service and fines ranging from $10,000 to $500,000.

Sama was determined to have conspired with the other managers to systematically hire undocumented workers to avoid the costs of hiring an attorney and paying visa filing fees for temporary workers, which would have totaled approximately $1,000 to $2,000 per petition. Sama and the other Super Bright and Car Care managers directed a payroll scheme wherein they knowingly provided undocumented workers with stolen identities that were used by the company to illegally employ the workers. Super Bright and Car Care paid the workers with company payroll checks payable to their fraudulent identities. The employer then directed the employees to an area bank with which it had a standing agreement to cash its payroll checks without requiring identification. To further avoid detection for knowingly having employed illegal workers, and to appear legitimate, Super Bright and Car Care made contributions to the Unemployment Insurance system on behalf of the illegal workers under the workers' fraudulent identities.

This was a joint investigation with ICE and SSA-OIG. *United States* v. *Car Care Inc*., *Nicholas Sama*, *Lee Gordon, Timothy Gibson, William Spencer, Herbert Wolf*. (E.D. Pennsylvania)

"The defendants were sentenced to varying terms of probation and community service and fines ranging from $10,000 to $500,000."

Company Owner Pleads Guilty in Conspiracy Scheme with Labor Leasing Agency Owners

Eugene DiNatale, owner and president of DiNatale & Associates, pled guilty on April 6, 2009, to charges of conspiracy and aiding in the preparation and filing of false tax returns to the Federal government.

DiNatale, along with Chuck Sirirathasuk, employed by DiNatale as a senior accountant, advised labor leasing agency owners on how to evade employment taxes and unemployment compensation taxes owed to the State of Pennsylvania. Sirirathasuk pled guilty to the same charges as DiNatale in January 2009.

DiNatale and Sirirathasuk conspired with labor leasing agency owners to file false IRS forms to evade Federal payroll and income taxes and then prepared the false returns on their behalf. In several cases, DiNatale actually prepared two sets of returns for the labor leasing agency client, one with a small tax liability to the IRS and one with a large tax liability to the IRS, and then instructed the labor leasing agency owners to file only the small returns. DiNatale and Sirirathasuk also prepared false corporate income tax returns showing over stated business expense deductions allowable for "Other Costs" on IRS forms in order to generate false income tax returns. This was a joint investigation with IRS-CID. *United States* v. *Eugene DiNatale* (E.D. Pennsylvania)

"DiNatale and Sirirathasuk conspired with labor leasing agency owners to file false IRS forms to evade Federal payroll and income taxes and then prepared the false returns on their behalf."

Three Georgia Women Sentenced for UI Fraud

Ialanthe Jackson was sentenced on July 2, 2009, to 30 years' incarceration immediately after pleading guilty to felony racketeering fraud charges of financial identity theft, forgery in the first degree, and theft. Jackson was also ordered to pay $140,000 in restitution. Jackson's plea was accepted based upon her agreement to provide testimony against two additional co-defendants, Danielle Jordan and Tyuania Dodds, who both pled guilty to prohibited activities and racketeering and were sentenced in August 2009.

All three women admitted their role in a "fictitious employer" scheme whereby they obtained State of Georgia UI funds to which they were not entitled. Jordan and Dodds were each sentenced to 20 years' incarceration and were each ordered to pay $140,000 in restitution, less any amount paid by co-defendant Jackson. The significant jail sentences were attributable to Jackson's extensive criminal history, the complexity of the scheme, and Jordan's and Dodds's pleas being entered under the RICO statute. Jackson was also initially charged with RICO, but pled guility to the referenced charges in exchange for her cooperation against Jordan and Dodds. Jackson, Jordan, and Dodds were all given credit for time served between their arrests and sentencings, but must, respectively, serve mandatory sentences of 7 years, 4 years, and 4 years before being eligible for parole.

Jackson used her tax preparation and accounting service business to prepare inflated tax returns in 2005 and 2006, and to commit mortgage and bank fraud, all in support of her identity theft scheme. She was one of six co-defendants indicted in January 2008 for state violations concerning racketeering related to a UI fraud scheme amounting to $204,608. The defendants created fictitious employer entities and paid benefits to approximately 47 ineligible UI claimants, 38 of whom received benefits through the use of stolen Social Security numbers. A significant portion of the stolen funds were deposited onto prepaid credit cards.

This was a joint investigation with the Douglas County, Georgia, Sheriff's Office. *State of Georgia* v. *Ialanthe Jackson*; *State of Georgia* v. *Tyuania Dodds*; *State of Georgia* v. *Danielle Jordan* (Superior Court, Douglas County, Georgia).

Shell Company Set Up to Collect UI Checks

Anthony Pitts, the registered agent of A1 Auto Clean in Flint, Michigan, was sentenced on August 28, 2009, for his theft of UI benefits through the implementation of a fictitious employer scheme. Pitts was sentenced to 1 year and 1 day confinement; restitution in the amount of $35,827; and 24 months' supervised release.

Pitts formed A1 Auto Clean, a shell company, for the sole purpose of drawing unemployment benefits for himself and others. He provided false certifications to the State of Michigan regarding his unemployment status, which caused the State of Michigan to issue UI checks to Pitts (and others) via the U.S. mail.

In return for kickbacks, Pitts allowed several of his friends to fraudulently draw unemployment insurance benefits from A1 Auto Clean. Pitts confessed to implementing this scheme and to having participated in similar schemes under different shell companies. This was a joint investigation with the Michigan Unemployment Insurance Agency. *United States* v. *Anthony Zeno Pitts* (E.D. Michigan)

Mini-Mart Owner Sentenced to Prison for Cashing Thousands of Fraudulent Unemployment Benefit Checks

Maria Sanchez, the owner of 4-Way Mini Market in California, was sentenced on April 6, 2009, to 4 years and 9 months in prison for charges stemming from her laundering of thousands of fraudulent UI benefit checks totaling approximately $7 million. Sanchez, who pled guilty in October 2008 to conspiracy to launder money, was also sentenced to pay restitution of $6,979,104 and three years of supervised release.

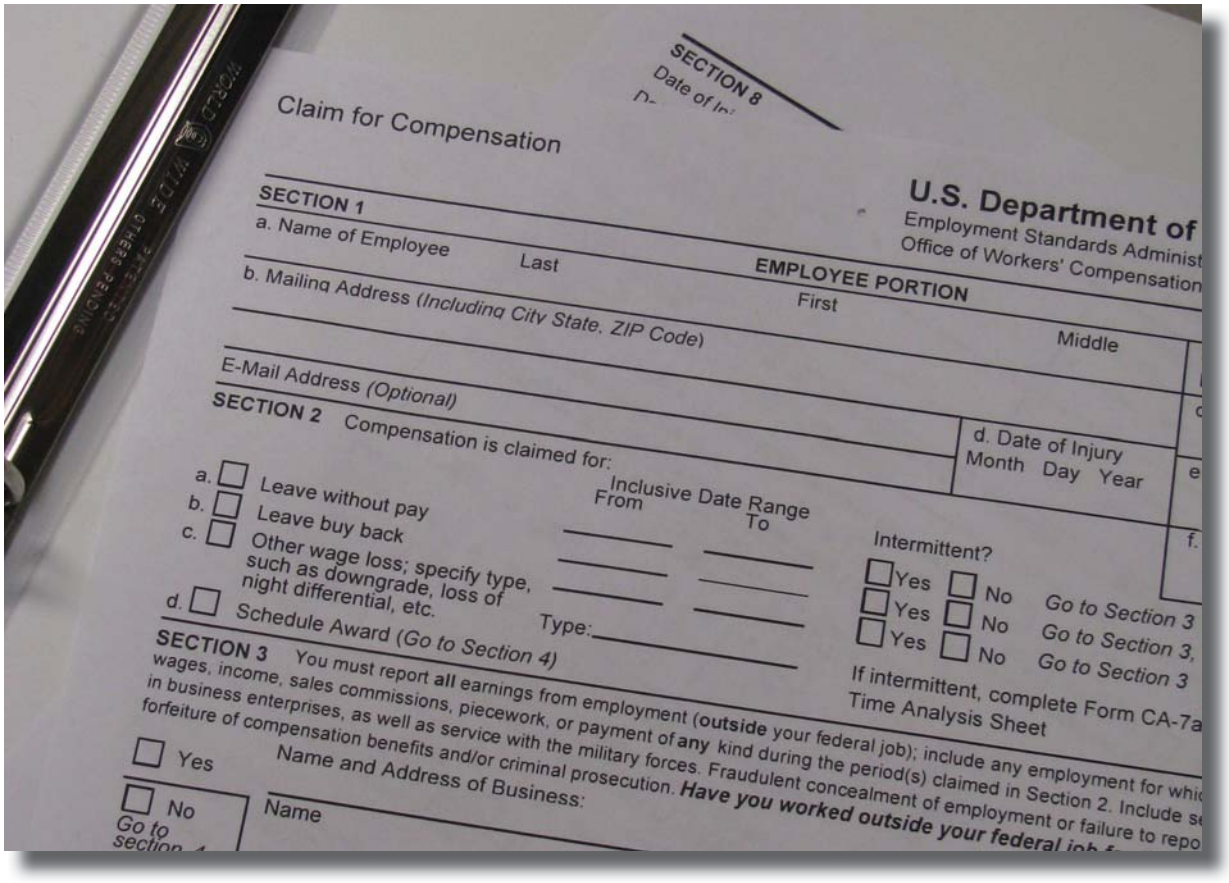
From 2000 until 2005, Sanchez cashed approximately 23,000 fraudulent UI checks from people throughout California. As part of the scheme, Sanchez would cash fraudulent UI checks on behalf of the other persons who had fraudulently acquired individuals' identities and filed false claims with the California Employment Development Department (EDD). Sanchez charged a higher than normal fee for each check she cashed. This was a joint investigation with the California EDD. *United States* v. *Maria Sanchez* (E.D. California)

California Employment Development Department Employee Indicted for UI Scheme

An Employment Program Representative with the California EDD and his alleged accomplice were indicted on May 13, 2009, for mail fraud, aggravated identity theft, and aiding and abetting, for their apparent roles in a UI fraud scheme. Between 2007 and 2008, the referenced EDD employee allegedly misused his position to access the UI database and reopen inactive UI claims. The employee targeted inactive claims with common names and changed the addresses on the claims to various other addresses that he or his accomplice purportedly controlled. The employee then illegally directed UI continued-claim forms and fraudulent payments to the unauthorized addresses.

The investigation alleges that approximately seven fraudulent UI claims bearing the identities of seven victims not entitled to UI compensation were used to perpetrate the scheme. Additionally, the activity of the EDD employee and his accomplice allegedly resulted in 51 fraudulent UI checks totaling approximately $30,150 being issued and negotiated. The checks were negotiated by the EDD employee and the accomplice at local check cashing facilities. Both defendants were charged with fraudulently collecting and cashing UI checks. This is a joint investigation with the California EDD Investigations Division.

"The employee targeted inactive claims with common names and changed the addresses on the claims to various other addresses that he or his accomplice purportedly controlled."



Wage and Hour Programs

The Davis-Bacon Act and related acts, such as the Copeland "Anti-Kickback" Act, require the payment of prevailing wage rates and fringe benefits on Federally financed or assisted construction. The McNamara-O'Hara Service Contract Act requires the payment of prevailing wage rates and fringe benefits to service employees on Federally financed service contracts. The OIG investigates violations by contractors receiving Federal construction funding for projects who submit falsified certified payroll records.

Two Companies Sentenced on Big Dig Fraud and False Statements Scheme; Additional Company Pleads Guilty to False Statements

Two companies doing subcontractor work on Boston's Central Artery/Tunnel (CA/T, also commonly referred to as the "Big Dig") project were sentenced for submitting false claims in violation of the Davis-Bacon Act on a Federal highway project. Both companies, Adams Management Group, Inc. (AMG), and Island Lath and Plaster, Inc. (Island), were subcontractors for McCourt Construction Co. (McCourt). On May 8, 2009, Modern Continental Construction Co. pled guilty to making false statements with respect to the construction of the slurry wall panel that ruptured in September 2004, flooding the I-93 roadway, and to making numerous false statements in connection with the billing of apprentice workers at journeymen rates on various Big Dig contracts.

The AMG and Island scheme was perpetrated between 2002 and 2006 and involved fraudulent billing of apprentice workers at the higher rate of pay for journeymen, resulting in continuing overpayments by the CA/T project to the contractor. The work, which was overbilled, was performed on a time and materials basis, which meant the subcontractor was paid for the time worked by each employee, as opposed to a fixed price for the work under contract. The scheme also defrauded the U.S. Department of Transportation's (DOT's) Disadvantaged Business Enterprise (DBE) program since AMG, the minority subcontractor, was portrayed as the contract recipient, although the work was substantially managed and controlled by Island. Island prepared the bills submitted by AMG to the CA/T project.

AMG was sentenced to a one-year term of probation, a $24,000 criminal fine, and $400 mandatory special assessment. Island was sentenced to a one-year term of probation, a $65,000 criminal fine, and $400 mandatory special assessment.

McCourt and two of its managers were previously convicted in Federal court regarding the same overbilling scheme. In addition, three individuals employed by Massachusetts Electrical Construction Company, a McCourt subcontractor on a tunnel contract, were previously convicted in federal court for submitting false claims in connection with overbilling apprentice labor at journeyman rates. McCourt paid the restitution owed to the CA/T project for the overbillings at issue here.

This was a joint investigation with DOT-OIG and the FBI.

United States v. *McCourt Construction Company, Inc. d/b/a McCourt/Obayashi JV*; *United States* v. *Modern Continental Corporation*; *United States* v. *Adams Management Group, Inc.*; *United States* v. *Island Lath and Plaster, Inc.*; *United States* v. *Ryan McCourt and Kenneth Hartley* (D. Massachusetts)

". . . AMG, the minority subcontractor, was portrayed as the contract recipient, although the work was substantially managed and controlled by Island."

Construction Company Owner Defrauds Government in 9/11 Reconstruction of Pentagon

Thomas Cousar, the owner of CAPCO Contracting, Inc.; Catherine Bradica, a CAPCO financial officer; and Daniel Monte, a CAPCO employee, were sentenced on April 17, 2009, for their roles in two separate conspiracy schemes to defraud the U.S. government.

Cousar was sentenced to 63 months' incarceration, restitution in the amount of $1,120,666 to be paid jointly with his co-defendants, 3 years' supervised probation, and a special assessment of $400. Bradica was sentenced to 41 months' incarceration, restitution in the amount of $1,120,666 to be jointly paid with her co-defendants, 3 years' supervised probation and a special assessment of $2,800. Monte was sentenced to 21 months' incarceration, restitution in the amount of $807,161 to be jointly paid with his co-defendants, and 3 years' supervised probation.

Cousar and Bradica pled guilty in February 2008 to mail fraud, major fraud against the Federal government, and conspiracy to defraud the U.S. government for two separate schemes in which they falsified invoices related to the construction of a baseball park and a university sports complex, and the reconstruction of the Pentagon following the terrorist attacks of September 11, 2001. Monte pled guilty to the conspiracy charge.

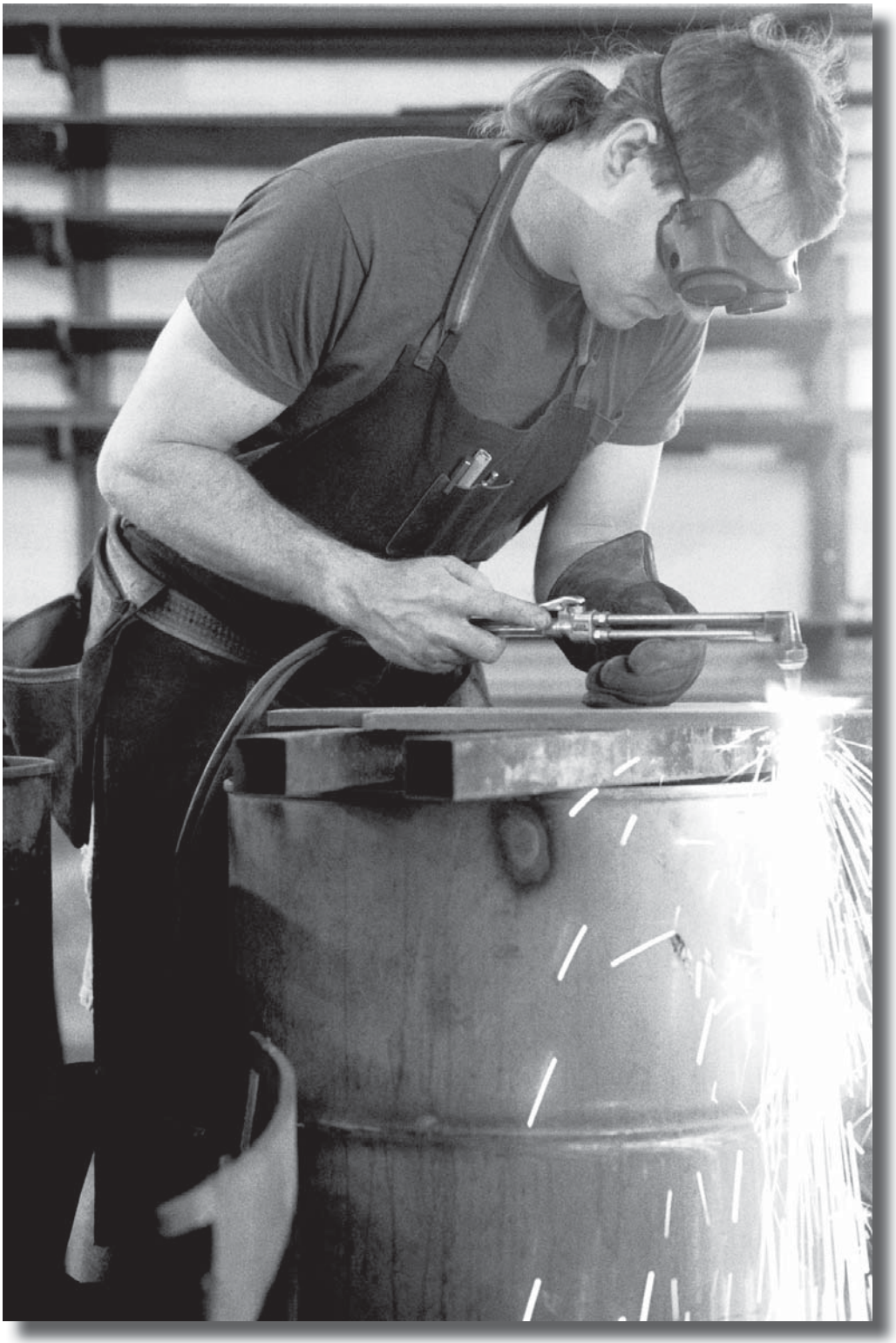
From 1999 through 2001, CAPCO was paid on a time and materials basis for the construction of the Pittsburgh Pirates Professional Baseball Park and the Peterson Event Center at the University of Pittsburgh. In violation of the Copeland Act, Cousar and Bradica falsified required certified payrolls by over-reporting regular and overtime hours worked and by adding names of individuals who had not worked on the job for those specific days and hours. In addition, Cousar and Bradica indicated that employees were paid overtime rates when actually the employees received straight hourly rates in the form of expense checks. CAPCO was bound by collective bargaining agreements (CBAs) to remit reports and payments for work performed by union employees.

During the reconstruction of the Pentagon in 2001, Cousar, Bradica, and Monte used a billing scheme to falsely report inflated labor hours and excessive material costs. They also diverted material from the Pentagon reconstruction job to other CAPCO projects. AMEC Construction Management, Inc. (AMEC), was the general contractor for the Pentagon reconstruction project, and CAPCO was a subcontractor.

Cousar, Bradica, and an AMEC project supervisor, Joseph Arena Jr., conspired to conceal their personal relationship and CAPCO payments for the personal benefit of Arena. Cousar, Bradica, and Arena further attempted to conceal unethical conduct by providing the U.S. Department of Defense (DoD)-OIG with a fraudulent invoice and personal check. Arena previously pled guilty to conspiracy in October 2006 and on May 1, 2009, was sentenced to 2 years' probation and fined $10,000.

This was a joint investigation with IRS-CID, DoD Defense Criminal Investigative Service (DCIS), DoD Defense Contract Audit Agency (DCAA), USPIS, and the FBI. *United States* v. *Thomas Cousar*; *United States* v. *Catherine Bradica*; *United States* v. *Daniel Monte*; *United States* v. *Joseph Arena* (W.D. Pennsylvania)

"Cousar and Bradica pled guilty in February 2008 to mail fraud, major fraud against the Federal government, and conspiracy to defraud the U.S. government . . . they falsified invoices related to the construction of a baseball park and a university sports complex, and the reconstruction of the Pentagon following the terrorist attacks of September 11, 2001."



Worker Safety, Health, and Workplace Rights

Occupational Safety and Health Administration

Company Falsifies Employees' Qualifications to Secure Government Safety Contracts

John Meyer, a former vice president of IMS Safety, Inc. (IMS), was sentenced on July 8, 2009, to 24 months' incarceration and 3 years' supervised release. On June 8, 2009, IMS and its owner, Joseph Mazzurco, pled guilty to charges of conspiracy and mail fraud. Additionally, on September 9, 2009, Christopher Rotante, vice president of IMS, was sentenced to 1 year and 1 day incarceration and 3 years' supervised release. In addition, Meyer and Rotante were ordered to jointly and severally pay restitution of $1,035,000, and to pay $1,035,000 in forfeiture to the New York City Department of Environmental Protection (NYCDEP).

IMS provided health and safety training courses to qualify employees working at certain NYCDEP jobsites. In order to secure these NYCDEP contracts, Mazzurco falsified résumés and qualifications to show compliance with Occupational Safety and Health Administration (OSHA) regulations.

Meyer participated in the conspiracy to defraud NYCDEP by having IMS hold itself out as a firm specializing in the regulatory compliance of worker health and safety. IMS was hired by NYCDEP contractors to provide safety oversight at NYCDEP construction sites. NYCDEP contracts required such safety oversight, and required that safety oversight personnel be trained in rules and regulations relating to worker safety and experienced in the construction industry and construction safety. However, from approximately 2006 through 2008, Meyer and others engaged in a scheme in which they made, and caused to be made, false representations to NYCDEP regarding the experience and training of certain IMS employees, so that NYCDEP would approve the employees' appointments to safety oversight positions. These included false representations concerning the employees' experience in the construction industry and with construction safety, and concerning the employees' training on rules and regulations relating to worker health and safety.

This was a joint investigation with the United States Environmental Protection Agency's Criminal Investigation Division, the New York City Department of Investigation, the New York State Department of Health, the New York State DOL, and DCIS. *United States* v. *Mazzurco et al; United States* v. *Rotante*; *United States* v. *Meyer* (S.D. New York)

"IMS provided health and safety training courses to qualify employees working at certain NYCDEP jobsites. In order to secure these NYCDEP contracts, Mazzurco falsified résumés and qualifications to show compliance with Occupational Safety and Health Administration (OSHA) regulations."

Labor Racketeering

Labor Racketeering

The OIG at the DOL has a unique programmatic responsibility to investigate labor racketeering and/or organized crime influence involving unions, employee benefit plans, or labor-management relations. The Inspector General Act of 1978 transferred responsibility for labor racketeering and organized crime–related investigations from the Department to the OIG. In doing so, Congress recognized the need to place the labor racketeering investigative function in an independent law enforcement office free from political interference and competing priorities. Since the 1978 passage of the Inspector General Act, OIG special agents, working in association with the Department of Justice's Organized Crime and Racketeering Section and various United States Attorneys' Offices, have conducted criminal investigations to combat labor racketeering in all its forms.

Traditional Organized Crime: Traditionally, organized crime groups have been involved in benefit plan fraud, violence against union members, embezzlement, and extortion. Our investigations continue to identify complex financial and investment schemes used to defraud benefit fund assets, resulting in millions of dollars in losses to plan participants. The schemes include embezzlement or other sophisticated methods, such as fraudulent loans or excessive fees paid to corrupt union and benefit plan service providers. OIG investigations have demonstrated that abuses by service providers are particularly egregious due to their potential for large dollar losses and because they often affect several plans at the same time. The OIG is committed to safeguarding American workers against being victimized by labor racketeering and/or organized crime.

Nontraditional Organized Crime: Our current investigations are documenting an evolution of labor racketeering and/or organized crime corruption. We are finding that nontraditional organized criminal groups are engaging in racketeering and other crimes against workers in both union and nonunion environments. Moreover, they are exploiting DOL's foreign labor certification and Unemployment Insurance (UI) programs.

Impact of Labor Racketeering on the Public: Labor racketeering activities carried out by organized crime groups affect the general public in many ways. Because organized crime's exercise of market power is usually concealed from public view, millions of consumers unknowingly pay what amounts to a tax or surcharge on a wide range of goods and services. In addition, by controlling a key union local, an organized crime group can control the pricing in an entire industry.

The following cases are illustrative of our work in helping to eradicate both traditional and nontraditional labor racketeering in the nation's labor unions, employee benefit plans, and workplaces.

Internal Union Investigations

Our internal union cases involve instances of corruption, including officers who abuse their positions of authority in labor organizations to embezzle money from union and member benefit plan accounts and defraud hard working members of their right to honest services. Investigations in this area also focus on situations in which organized crime groups control or influence a labor organization, frequently to influence an industry for corrupt purposes or to operate traditional vice schemes. Following are examples of our work in this area.

Former New York State Assemblyman Sentenced for Racketeering

Brian McLaughlin, a former New York State assemblyman, business manager of the J Division of Local Union No. 3 of the International Brotherhood of Electrical Workers, and president of the New York City Central Labor Council (CLC), was sentenced on May 20, 2009, for violation of the RICO Act. He received a sentence of 10 years' imprisonment to be followed by 3 years' supervised release, and he was ordered to pay restitution in the amount of $845,977, and a forfeiture amount of $3,097,101. In addition, McLaughlin was ordered to pay a $25,000 fine.

McLaughlin admitted to orchestrating a series of schemes and directing individuals under his control to take steps which facilitated his acceptance of bribes, in the form of automobiles and cash, from union contractors, and the embezzlement of thousands of dollars from organizations such as the Electchester Athletic Association, the William Jefferson Clinton Democratic Club, CLC, and the Committee to Elect Brian McLaughlin. McLaughlin admitted to making false statements in connection with a mortgage application submitted to a Federally insured financial institution, committing numerous violations of the Taft-Hartley Act, and using mail and wire fraud schemes to deprive the J Division of Local 3 and its union members of their rights to his honest services as a union official. The CLC is a chartered affiliate of the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO). As a former New York State assemblyman, McLaughlin represented the 25th Assembly District in Queens, New York. This is a joint investigation with the FBI and the New York City Department of Investigation. *United States* v. *Brian M. McLaughlin* (S.D. New York)

Genovese Organized Crime Family Captain Convicted of Racketeering Charges and Mob Control of New Jersey Waterfront

Michael Coppola, a captain in the Genovese La Costa Nostra (LCN) Crime Family, was convicted on July 21, 2009, of RICO and RICO conspiracy. Coppola was found guilty of two racketeering acts, which included the Genovese LCN Crime Family's 33-year extortion and control of International Longshoremen's Association (ILA) Local Union 1235, the deprivation of honest services by Local Union 1235 presidents, wire fraud in connection with a scheme to defraud Local Union 1235 members of property, and conspiracy to possess identification documents or false identification documents with the intent to use in an unlawful manner. ILA Local 1235 represents port workers in New Jersey. This was a joint investigation with the FBI and the New Jersey Division of Criminal Justice. *United States* v. *Michael Coppola* (E.D. New York)

Seven Organized Crime Associates Plead Guilty in Scheme Involving Illegal Gambling, Extortion, and Labor Racketeering

Five associates of the Gambino LCN Organized Crime Family and two associates of the Lucchese LCN Organized Crime Family pled guilty between May and September 2009 for their roles in running an enterprise that engaged in illegal gambling, extortion, fraud schemes, and labor racketeering. The defendants were members of Laborers International Union of North America (LIUNA) Local Union (LU) 1153, International Union of Operating Engineers (IUOE) LU 825, or construction companies. The seven defendants who pled guilty, along with 16 other LCN "made" members and organized crime associates, were indicted in May 2008 on charges that included racketeering conspiracy, extortion with threats of violence, theft of union benefits, Taft-Hartley violations, mail fraud, illegal gambling, and various other thefts and frauds.

Charles "Buddy Musk" Muccigrasso, a Gambino soldier and a member of IUOE LU 825, pled guilty to charges of racketeering conspiracy. Muccigrasso admitted that, from about 2002 through 2008, he conducted the affairs of the Gambino Crime Family through a pattern of illegal activity that included the commission of the racketeering acts.

Ralph Cicalese, a Gambino associate and a LIUNA LU 1153 shop steward, pled guilty to racketeering conspiracy. Cicalese, a former investigator with the Essex County, New Jersey Prosecutor's Office, admitted that from about 2002 through 2008, he, and others associated with the Gambino Crime Family, conspired to conduct and participate in criminal activities that affected interstate commerce. Cicalese had the responsibility to oversee and supervise Gambino gambling agents and to carry out labor racketeering activities.

Paul Lanza, a Lucchese associate and the owner of Barone Construction and Equipment Corporation (Barone), and his son Jonathan Lanza, a Lucchese associate and an employee of Barone, each pled guilty to conspiracy charges related to embezzlement from an employee benefit plan. Jonathan Lanza also pled guilty to making false statements. From about 2006 through 2007, Barone employed nonunion engineers to operate heavy machinery at a job in Morristown, New Jersey. Barone had a collective bargaining agreement (CBA) with IUOE LU 825, a fact Jonathan denied, which resulted in his plea to making false statements. Under the CBA, Barone was obligated to hire LU 825 members when employing operating engineers for various construction jobs as well as paying the wages and contributions to the Local 825 Benefit Funds. The Lanzas conspired to conceal the payment of wages to some of its nonunion workers by directing some of its workers to submit false invoices. By using nonunion operating engineers, Barone Construction failed to contribute $43,418 to the Local 825 Benefit Funds.

Joseph Schepisi, a Kiska Construction Company superintendent, pled guilty to misprision of a felony for assisting Muccigrasso and another defendant in a no-show/low-show scheme at the Goethals Bridge project between New York and New Jersey. John Cataldo, a Gambino associate and an organizer for IUOE LU 825 who was aware of the no-show/low-show scheme, pled guilty to conspiracy to commit wire fraud for making telephone calls that warned the other defendant whenever another LU 825 business agent was en route to the jobsite so that Muccigrasso would be present at the jobsite.

Christopher Doscher, a Gambino associate and member of LIUNA LU 1153, pled guilty to conducting an illegal gambling business. Doscher admitted that, from about 2002 through 2007, he operated an illegal gambling operation that utilized an offshore wire room service that would take the bets from bettors who called in on phone numbers they were provided.

This is an ongoing, large scale, multiagency investigation involving numerous Federal, state, and local law enforcement agencies, including the FBI, the New Jersey State Police, and the Union County New Jersey Prosecutor's Office. *United States* v. *Andrew Merola, et al.* (D. New Jersey)

Union Employees Sentenced for Rigging Elections

A former president, a former acting president, and four former local union employees of the International Brotherhood of Teamsters (IBT) Local 743, one of the largest Teamsters locals in the country, were sentenced in August and September 2009 for conspiring together and with others to rig two elections in favor of an incumbent slate of officers in 2004.

Between August and December 2004, the defendants and others caused hundreds of members' addresses in an IBT Local 743 computer database to be changed from the members' previously recorded addresses to new addresses belonging to the defendants' friends and family. Fraudulently delivered ballot packages intended for Local 743 members in two closely contested elections were then collected by the defendants, and the ballots later were cast or caused to be cast in favor of the incumbent slate of officers.

Robert Walston, a former IBT Local 743 president, was sentenced to 57 months' imprisonment followed by 3 years' supervised release and ordered to make restitution in the amount of $900,936. Richard Lopez, a former Local 743 acting president, was sentenced to 24 months in prison and 2 years' supervised release, and ordered to make restitution in the amount of $864,924. Local 743's former comptroller, Thaddeus Bania, was sentenced to 40 months in prison followed by 2 years' supervised release, and ordered to make restitution in the amount of $900,936. David Rodriguez, a former Local 743 organizer, was sentenced to 18 months in prison and 2 years' supervised release, and ordered to make restitution in the amount of $864,924. Former Local 743 Business Agent Cassandra Mosley was sentenced to 1 day served in prison followed by 6 months' home confinement, 2 years' supervised release with 200 hours of community service, and ordered to make restitution in the amount of $900,936. The final defendant in this case, Mark Jones, a former IBT Local 743 organizer, was sentenced to 6 months' probation and fined $2,000. This was a joint investigation with USPIS and the Office of Labor Management Standards (OLMS). *United States* v. *Lopez, et al.* (N.D. Illinois)

". . . the defendants and others caused hundreds of members' addresses in an IBT Local 743 computer database to be changed . . ."

Benefit Plan Investigations

The OIG is responsible for combating corruption involving the monies in union-sponsored benefit plans. Those pension plans and health and welfare benefit plans comprise hundreds of billions of dollars in assets. Our investigations have shown that the assets remain vulnerable to labor racketeering schemes and/or organized crime influence. Benefit plan service providers, including accountants, actuaries, attorneys, contract administrators, investment advisors, insurance brokers, and medical providers, as well as corrupt plan officials and trustees, continue to be a strong focus of OIG investigations.

Union Officers Plead Guilty to Embezzling More Than $380,000 in Union and Benefit Plan Funds

Paul S. Peters II, the former president and plan administrator of the Waterfront Guard Association Local 1852 (WGA), and Brian W. Armentrout, WGA's former recording secretary, each pled guilty on July 9, 2009, for their roles in an embezzlement scheme. Both pled guilty to embezzlement from a labor union, and Peters additionally pled guilty to embezzling from the union-sponsored employee welfare and pension plans.

From 2002 through 2005, in excess of $380,000 was embezzled from the WGA plans and transferred into the union operating account. During this period, Peters and Armentrout received improper personal disbursements through checks written to themselves from the WGA union operating account using the embezzled WGA plan assets, which served as the funding mechanism for the disbursements. Peters made misrepresentations about why the money was being paid by listing the checks and other documents as being for various purposes, such as citing operating expenses, reimbursement of pensioners' medical payments, and plan administering salary.

The embezzled monies were converted and used to purchase, among other things, a Ford Mustang convertible and a Ford Expedition, home improvements, stock transactions, home mortgage payments, and boarding costs for horses.

This was a joint investigation with the EBSA. *United States* v. *Paul S. Peters, II; United States* v. *Brian W. Armentrout* (D. Maryland)

Office Manager Pleads Guilty to ERISA Violation

Shannon DeShasier, a bookkeeper and office manager for a masonry company in Illinois, pled guilty on April 29, 2009, to making false statements in relation to documents required by the Employee Retirement Income Security Act (ERISA). The Springfield, Illinois-based company operated under a CBA with the Laborer's District Council of Chicago and vicinity.

Between 2001 and 2006, DeShasier embezzled $82,958 from the company, including funds that should have been remitted to the Laborer's Pension and Welfare Funds. In 2005, DeShasier knowingly submitted an installment note to the Funds, on which the signature of the president of the company was falsified, to conceal and cover up the fact that funds designated for deposit with the Laborer's Pension Fund and Laborer's Welfare Fund were embezzled and converted for her own use. This is a joint investigation with USPIS. *United States* v. *Shannon DeShasier* (C.D. Illinois)

Investment Advisor Charged with Allegedly Embezzling $24 Million from Union Pension Funds

The co-owner and president of a Chicago-based company that invested union pension funds was charged on July 21, 2009, with allegedly embezzling approximately $24 million. The defendant is suspected of stealing the funds between approximately 2002 and September 2006 while acting as the investment manager at his firm. The defendant entered into investment management agreements on behalf of his company with a number of union pension funds and caused the union pension funds to place approximately $169 million with the defendant's company.

The allegations include that after obtaining control of the union pension funds, the defendant fraudulently caused his company to make "capital calls" on accounts containing the union pension funds, knowing the funds that he was causing to be withdrawn were not going to be directed toward investments, legitimate management fees, or overhead expenses attributable to the pension plan investors. Rather, the defendant supposedly caused the capital calls to occur in order to obtain funds that he could convert for his own use and benefit, resulting in losses totaling approximately $24 million. This is a joint investigation with EBSA and the FBI.

Cardiologist Pleads Guilty to Approximately $13.4 Million in Health Care Fraud

Dr. Sushil Sheth, an Illinois cardiologist, pled guilty on August 19, 2009, to charges of health care fraud for his role in a fraudulent reimbursement scheme. Between 2002 and 2007, Dr. Sheth received approximately $13.4 million in fraudulent reimbursements from Medicare and other health care insurers, including several union health and welfare funds, for cardiac care when those services were not performed and used the proceeds for his own benefit. Dr. Sheth used his hospital privileges to access and to obtain information about patients without their knowledge or consent. He hired individuals to bill Medicare and other insurance providers for medical services that he purportedly rendered to patients whom he never treated. After waiting nearly a year after the treatment was provided, Dr. Sheth often submitted false claims for providing the highest level of cardiac care – treatment in an intensive care unit – on multiple days during the patients' hospital stays. This was a joint investigation with EBSA, the FBI, the U.S. Department of Health and Human Services (HHS) OIG, and the Office of Personnel Management OIG. *United States* v. *Sushil Sheth* (N.D. Illinois)

"...Dr. Sheth received approximately $13.4 million in fraudulent reimbursements from Medicare and other health care insurers, including several union health and welfare funds, for cardiac care when those services were not performed and used the proceeds for his own benefit."

Company President Indicted for Giving Kickbacks and Embezzling Money from Carpenters' Pension Fund and Operating Engineers' Pension Plan

The president of a company acting as a consultant on investments in a gambling casino was indicted on May 26, 2009. He was charged with giving kickbacks to the then executive secretary-treasurer of the Michigan Regional Council of Carpenters (who also served as the chairman of the Board of Trustees of the Carpenters' Pension Trust Fund) and stealing $4 million from the Carpenters' Pension Trust Fund and the Operating Engineers Local 324 Pension Plan. In addition, the defendant was charged with conspiring to commit wire fraud, to embezzle union pension funds, to give kickbacks to a union official, and to launder the proceeds of this illegal activity.

Between 2002 and 2008, the defendant allegedly conspired with other individuals to defraud and to embezzle money from the Carpenters' Fund and the Local 324 Plan in connection with investments made by the pension plans in the construction of a casino in Biloxi, Mississippi. The president of the company managing the investments of the pension funds is also allegedly complicit in the scheme.

It is purported that the Carpenters' Fund retained the management company as an investment advisor with the understanding that the management company would then hire the defendant and the defendant's company to do consulting work on an investment in a gambling casino.

The defendant allegedly agreed to pay (and paid) kickbacks to the chairman, which included a share in $800,000 in profit from a casino investment made by the Carpenters' Fund. In addition, the defendant is charged with providing kickbacks to the chairman in the form of free concert tickets and hotel stays worth thousands of dollars. The defendant is also charged with laundering the pension fund money stolen from the pension plans and with making fraudulent wire transfers to his bank in Las Vegas, Nevada, from banks in Michigan.

This is a joint investigation with the FBI and EBSA, with assistance from the Securities and Exchange Commission (SEC).

Two Doctors, One Nurse, and Three Companies Sentenced in Missouri Health Care Fraud Scheme

Dr. James Harold Ellegood and his wife, Wynsleen Ellegood; Dr. Rajitha Goli; and three companies all were sentenced during this reporting period for their roles in a scheme involving conspiracy, money laundering, and making false statements regarding physician home visits.

The three companies sentenced were Missouri Physician Home Services, Inc. (MPHS), operated by Dr. Ellegood and his wife, a nurse; Hanford Nuclear Services, Inc. (HNS), owned by Rengarajan Soundararajan, Ph.D., a chemist, who is the brother-in-law of Wynsleen Ellegood; and Arogya, Inc. (Arogya), a medical consulting company owned and operated by Dr. Goli's two brothers, who are also medical doctors.

All of the defendants pled guilty in February 2009 to charges involving conspiracy, money laundering, and making false statements. Dr. Ellegood and MPHS submitted numerous reimbursement claims for services falsely representing that Dr. Ellegood had personally provided the services that were actually provided by Dr. Goli. To conceal Dr. Goli's payments for her services, Dr. Ellegood and MPHS funneled Dr. Goli's payments through HNS and Arogya. Wynsleen Ellegood made false statements in an annual financial report (Form 5500) of the Carpenters Health and Welfare Trust Fund by concealing the fact that Dr. Ellegood had not personally provided physician services to patients.

Dr. Ellegood was sentenced to 33 months' incarceration and 3 years' supervised release, and jointly and severally ordered to pay restitution of $983,140 to Medicare with co-defendants MPHS and Dr. Goli. MPHS, represented by Dr. Ellegood, was further sentenced to 5 years' supervised probation and ordered to pay the same amount of restitution. Wynsleen Ellegood was sentenced to 3 years' probation, a $2,000 fine and ordered to pay restitution of $3,567. Dr. Goli was sentenced to 37 months' incarceration and 3 years' supervised release; restitution to Medicare in the amount of $605,609 (joint and several liable with co-defendants MPHS and Dr. Ellegood). HNS and Arogya were each sentenced to 3 years' probation and fines of $50,000.

This was a joint investigation with HHS-OIG. *United States* v. *Physician Home Services, Inc.; United States* v. *James Harold Ellegood, M.D.; United States* v. *Wynsleen K. Ellegood, R.N.; United States* v. *Rajitha Goli, M.D.; United States* v. *Hanford Nuclear Services, Inc.; United States* v. *Arogya, Inc.* (E.D. Missouri)

"All of the defendants pled guilty in February 2009 to charges involving conspiracy, money laundering, and making false statements."

Former Pension Benefit Manager Pleads Guilty to Embezzlement

Harry Keil, a former administrative manager, pled guilty on May 5, 2009, to embezzling money from the Machinist Union, District 9. Keil was hired in August 2006 by the trustees of the International Association of Machinists and Aerospace Workers District 9 as the administrative manager of the pension and health and welfare funds. Keil caused a series of payments to be made from the Pension Plan and the Health and Welfare Plan based on false invoices which he created. In some instances, he supported the illegal payments with invoices which bore the names of entities which did legitimate business with the Plans and, as a result, the false invoices appeared to be valid. Payments were made to his personal bank accounts and loans. Between 2006 and 2008, Keil embezzled $341,000 from the Plans. This is a joint investigation with EBSA. *United States* v. *Harry Keil* (E.D. Missouri)

Women Charged with Defrauding Culinary Union's Health Care Insurance Program in Las Vegas

Two California women and two Las Vegas, Nevada, women were charged on April 10, 2009, with organizing and/or participating in a scheme to defraud the Las Vegas Hotel and Restaurant Employees International Union Welfare Fund (Culinary Fund) by submitting claims for unauthorized cosmetic surgeries performed on union members in Mexico.

The defendants allegedly devised a scheme to defraud the Culinary Fund through the submission of fraudulent health care claims. They purportedly met with prospective patients for the purpose of conducting cosmetic surgery consultations. The prospective patients were allegedly told that even though cosmetic procedures were not covered by the Culinary Fund, the defendants would bill the Culinary Fund for the cosmetic procedure by making it appear as if the patient had suffered an unexpected injury in Mexico and had received emergency medical treatment.

The Culinary Fund, which provides medical insurance services to at least 50,000 participants in the hospitality industry in the Las Vegas, Nevada, area, was billed approximately $4.9 million for "out of country" claims for the time period of approximately January 2002 through February 2006. The "out of country" claims were almost entirely from Mexico, with the majority of those claims for emergency procedures. The Culinary Fund paid more than $3 million on the claims.

One of the defendants participated in the scheme by making appointments for Culinary union patients. This same defendant, who is not a licensed nurse, also performed after-surgery care such as the removal of stitches and fluids. This is a joint investigation with USPIS and the FBI. (D. Nevada)

"The out of country claims were almost entirely from Mexico, with the majority of those claims for emergency procedures. The Culinary Fund paid more than $3 million on the claims."

Labor-Management Investigations

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

Three Gambino Family Members Sentenced for Racketeering Conspiracy and Murder

Nicholas Corozzo, a captain in the Gambino LCN Organized Crime Family, and Jerome Brancato, a Gambino family soldier, were sentenced on April 17, 2009, after previously pleading guilty to RICO conspiracy and extortion, respectively. Corozzo received 13½ years' incarceration and 3 years' supervised release for the extortion of the owner of a union trucking company and a 1975 double murder. For his extortion, Brancato was sentenced to 15 months' incarceration and 3 years' supervised release. Charles Carneglia, a member of the Gambino LCN Organized Crime Family, was sentenced September 17, 2009, to life imprisonment for RICO conspiracy, including predicate acts of murder, murder conspiracy, felony murder, robbery, kidnapping, and extortion.

Carneglia, Corozzo, and Brancato are 3 of 62 defendants associated with the Gambino, Genovese, and Bonanno LCN Organized Crime Families charged in a February 2008 80-count indictment. The charged crimes span more than three decades and reflect the Gambino family's corrosive influence on the construction industry in New York City and beyond and its willingness to resort to violence, even murder, to resolve disputes in dozens of crimes of violence dating from the 1970s to the present, including eight acts of murder, murder conspiracy, and attempted murder.

This was a joint investigation with the FBI, New York State Organized Crime Task Force, DOT, New York City Department of Investigation, New York City Business Integrity Commission, and New York Metropolitan Transportation Authority. *United States* v. *Joseph Agate, et al.* (E.D. New York)

". . . 3 of 62 defendants associated with the Gambino, Genovese, and Bonanno LCN Organized Crime Families charged in a February 2008 80-count indictment."

City Street-Lighting Contractor Indicted for Paying Off IBEW Business Representative

A former owner and operator of a New York-based electric company was indicted April 2, 2009, for allegedly providing unlawful payments and benefits to an International Brotherhood of Electrical Workers (IBEW) Local 3 business representative. From approximately 1993 through 2006, the defendant's company employed members of IBEW Local 3 to install and maintain streetlights and traffic signals in New York City under contracts with the city. Commencing in the mid-1990s through 2006, it is alleged that the defendant made repeated cash payments to a business representative of Local 3 and arranged for a luxury vehicle to be given to the business representative for the representative's use in February and March 2004. This is a joint investigation with the FBI and the New York City Department of Investigation.

Two Individuals Sentenced and Two Former Executive Board Members of Bus Drivers' Union Plead Guilty to Extortion Conspiracy

Two former executive board members and union delegates of Local 1181 of the Amalgamated Transit Workers Union (Local 1181) were indicted on June 3, 2009, and pled guilty on September 10, 2009, to extortion conspiracy. As part of this ongoing investigation, on May 26, 2009, Neil Cremin, a New York Department of Education (DOE) Office of Pupil Transportation (OPT) employee, was sentenced to 8 months' incarceration for soliciting and accepting cash payments from various private bus company owners who held transportation contracts with the DOE. George Ortiz, another DOE OPT employee who pled guilty to soliciting and accepting cash payments, was sentenced on June 8, 2009, to 30 months' incarceration.

Local 1181 represents approximately 15,000 school bus drivers and school bus escorts in New York City. From at least the 1980s through 2006, the Genovese Organized Crime Family -- a criminal organization that is part of La Cosa Nostra -- influenced and asserted control over Local 1181, including the appointment of certain individuals to serve as officers for Local 1181. The defendants served as members, delegates, executive board members, and assistant trustees of Local 1181--one from approximately 1984 through 2008, and the other from approximately 1993 through 2008.

From at least the 1980s through 2006, various Local 1181 officers were involved in a wide-ranging scheme to solicit, collect, and receive illegal cash payments of tens of thousands of dollars from bus company owners and operators whose employees were members of Local 1181, and from companies whose employees were not Local 1181 members. The defendants allegedly participated in this scheme along with other Local 1181 officers, including Salvatore Battaglia, who was both president of Local 1181 and a member of the Genovese LCN Organized Crime Family, and another individual who was both secretary-treasurer of Local 1181 and an associate of the Genovese LCN Organized Crime Family. The defendants and other participants in the scheme used both their union status and, as applicable, their organized crime status, as a means of inducing payment, obtaining tens of thousands of dollars from bus company owners through intimidation, threats, and fear of personal and economic harm.

The defendants are the fourth and fifth high-ranking Local 1181 officials to be charged in connection with this investigation. Battaglia pled guilty in January 2008 to racketeering, extortion, and Taft-Hartley violations and was sentenced in June 2008 to 57 months in prison.

This is an ongoing joint investigation with the FBI, OLMS, and the New York Police Department. *United States* v. *Maddalone et al.* (S.D. New York) and *United States* v. *Neil Cremin* (S.D. New York)

Ten Charged in Carpenters Union Corruption Case

The head of the New York City District Council of Carpenters (NYCDCC), together with seven other officials of the United Brotherhood of Carpenters and Joiners (the Carpenters Union), one construction contractor, and a contractors' representative, were indicted on August 5, 2009, in a 29-count RICO indictment, for their alleged roles in a scheme by which Carpenters Union officials, in return for bribes, allowed construction contractors to avoid full payment of union wages and benefits at various jobsites in New York City. Two of the individuals charged in the indictment are associated with the Genovese and Lucchese LCN Organized Crime Families.

The Carpenters Union is a national labor union that represents skilled workers at construction sites. In New York City, approximately 20,000 members of the union are divided into 11 locals, overseen by the NYCDCC. On behalf of its locals, the NYCDCC entered into numerous CBAs with construction contractors and construction contractor associations operating at jobsites in New York City.

In the alleged scheme, union officials accepted bribes in exchange for allowing contractors to violate the CBA, thereby facilitating embezzlement of ERISA-covered funds.

In exchange for the bribes, the defendants allegedly allowed and helped certain contractors to defraud the Carpenters Union and its benefit funds out of millions of dollars by permitting the contractors to pay union members cash at below-union rates, work without benefits, employ undocumented workers and nonunion workers, and avoid payment to the union benefit funds in violation of applicable CBAs. The defendants purportedly helped the contractors to conceal the scheme by: filing false shop steward reports, giving the contractors advance notice of jobsite visits by Carpenters Union investigators, issuing union cards to the undocumented workers who labored for those contractors for cash, giving false testimony, and destroying documents.

Since 1994 the Carpenters Union and its constituent locals and District Council have been bound by a Federal consent decree stemming from a civil case brought by the United States under the RICO Act to address a history of union corruption and organized crime influence within the District Council.

As a result of the indictments, the International United Brotherhood of Carpenters and Joiners of America placed the NYCDCC under emergency trusteeship and also removed NYCDCC's executive secretary-treasurer, as well as the president/business manager, and the business agent of the largest local in the council.

This is a joint investigation with the FBI, IRS, and SSA-OIG.

Departmental Management

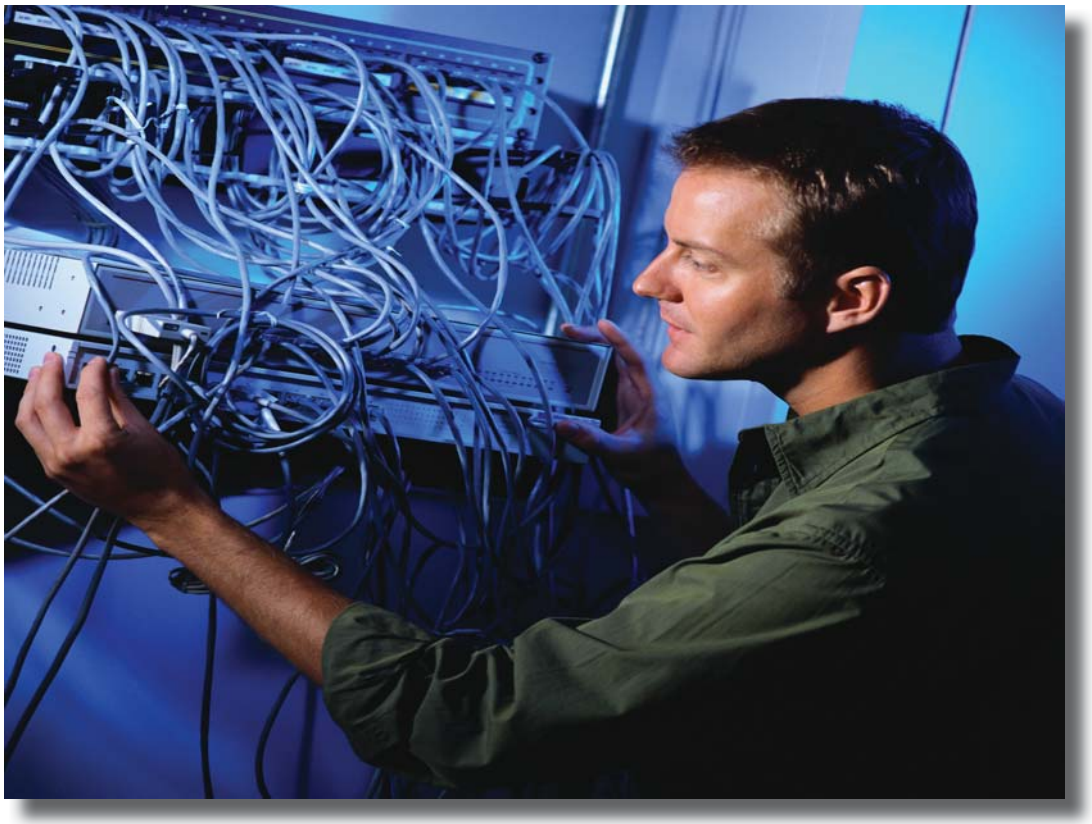
Information Security Weaknesses Identified through FISMA Audit

Information security controls are critical to ensure the confidentiality, integrity, and availability of the systems and the DOL applications they support. As part of our annual Federal Information Security Management Act (FISMA) audit work during this period, the OIG issued Notifications of Findings and Recommendations (NOFRs) to six component agencies within the Department. The NOFRs communicated details related to weaknesses in the design or operation of information security controls related to access, configuration management, certification and accreditation, contingency planning, and incident response. Examples of these weaknesses include: system service accounts configured with nonexpiring passwords that were not disabled, or had not had their passwords changed within the past year; audit configurations that were insufficient to follow up on suspicious activity; certification and accreditation packages that did not identify key security controls for continuous monitoring; contingency planning processes that did not provide for maintaining updates to the agency's official contingency plan; and incident response procedures that were not being followed.

OIG audited systems in the following agencies:

- Bureau of Labor Statistics (BLS) - National Longitudinal Surveys System
- Employment Standards Administration (ESA) - Electronic Labor Organization Reporting System
- Job Corps - General Support System
- Mine Safety Health Administration (MSHA) - Mine Accident, Injury, and Employment System
- Office of the Assistant Secretary for Administration and Management (OASAM) - Civil Rights Center Title VI/VII Information System
- Office of the Chief Financial Officer (OCFO) - SunGard Mainframe

The NOFRs will be used in reporting to the Chief Information Security Officer significant and/or systemic deficiencies, if any, in the controls over information security within DOL, and assessing the potential impact on DOL's overall security program effectiveness. (Report Nos. 23-09-003-11-001, September 1, 2009; 23-09-004-07-001, September 2, 2009; 23-09-005-04-421, September 10, 2009; 23-09-007-06-001, September 10, 2009; 23-09-008-13-001, September 10, 2009; 23-09-006-01-370, September 15, 2009)



Strengthened Management Controls Needed over DOL Purchase Card Program

The purchase card program was established in the late 1980s as a way for agencies to streamline Federal procurement processes through a low-cost, efficient means of attaining goods and services directly from merchants. It allows cardholders to pay for and receive items in less time than it would take under the normal procurement process. For DOL, overall control of the purchase card program lies with OASAM. OASAM manages the program and is responsible for providing oversight, controls, and technical assistance.

We conducted an audit to determine if OASAM's oversight of the DOL purchase card program was sufficient to prevent and detect unauthorized charges. We audited the program for the period June 1, 2007, through May 31, 2008. During this time, approximately 1,266 cardholders used purchase cards to procure $21.2 million in goods and services.

Our testing of a statistical sample of 287 transactions totaling $409,035 found that two key transaction-level controls — authorization and independent receipt of goods — were not adequately followed. Based on this testing, we estimate that 73 to 82 percent of the 60,694 purchase card transactions did not comply with established controls. Such noncompliant transactions increase the risk that fraudulent, improper, or other abusive activity could occur without detection.

We concluded that OASAM needs to strengthen its oversight of the DOL purchase card program. An extensive part of the purchase card process is delegated to program agencies, which is further delegated to the respective agency/organization program coordinators (A/OPC). Although OASAM did conduct monitoring of high-risk purchase card transactions in FY 2007 and again in FY 2008, it had not monitored A/OPCs to ensure that they were effectively implementing controls over purchase card activity for their respective program agencies.

We made four recommendations to OASAM to improve management controls over the DOL purchase card program. OASAM generally agreed with the findings and stated that OASAM plans to take actions to address the findings and recommendations to improve program oversight and compliance. (Report No. 06-09-003-07-001, September 3, 2009)

DOL Contractor Pleads Guilty for Accepting Bribes

John Albert Nolan, a former Employment and Training Administration (ETA) contractor, pled guilty on July 10, 2009, to accepting a bribe as a public official. While working at ETA's Philadelphia, Pennsylvania, Backlog Center, Nolan conspired with another individual who worked at the Law Offices of Earl David / Jed David Philwin (co-conspirator) to manipulate priority dates and other information on ETA applications. As a result of Nolan's actions, benefits, such as qualification under the Legal Immigration Family Equity (LIFE) Act of 2000, were granted to applicants who would not otherwise have been entitled to them. For his role in the conspiracy, Nolan received cash and other items of value from the co-conspirator. Due to his conviction, Nolan was terminated from his position as a dispatcher for the Hopewell (Virginia) Police Department. This was a joint investigation with ICE. *United States* v. *John Albert Nolan* (S.D. New York)

Former ACS Employee Pleads Guilty in a Scheme to Embezzle More Than $260,000

Laquoia Mills, a former Affiliated Computer Systems, Inc. (ACS) employee, pled guilty on August 31, 2009, to wire fraud in a scheme to embezzle more than $260,000. DOL contracts with ACS for medical-bill processing functions connected to claims under the FECA, Black Lung Benefits Act (BLBA), and Energy Employees Occupational Illness Compensation (EEOIC) programs. ACS reported in May 2009 that an electronic funds transfer of $263,726 had been wrongfully diverted from the intended recipient to an unknown account.

Mills allegedly orchestrated the embezzlement by redirecting the funds transfer from ACS to an account she controlled. Shortly afterward, the defendant allegedly purchased two vehicles, gave a family member $20,000, and attempted to pay for a new home in cash. OIG agents stopped the purchase of the home on the day the transaction was to close. The OIG took possession of the remaining $228,954 in the defendant's account and returned the recovered funds to DOL's ESA. *United States* v. *Laquoia Mills* (N.D. Florida)

Single Audit Act

Audits Conducted Under the Single Audit Act Identified Material Weaknesses and Significant Deficiencies in 74 of 248 Reports

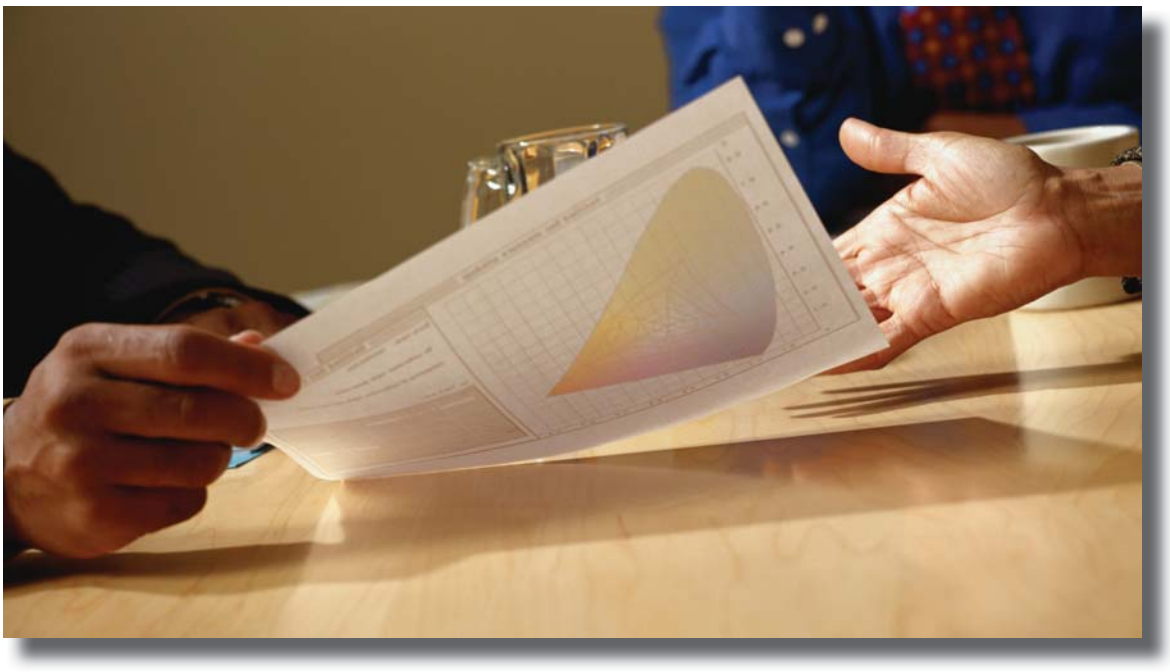
Office of Management and Budget (OMB) Circular A-133 provides audit requirements for state and local governments, colleges and universities, and nonprofit organizations receiving Federal awards. Under this circular, covered entities that expend $500,000 or more a year in Federal awards are required to obtain an annual organization-wide audit that includes the auditor's opinion on the entity's financial statements and compliance with Federal award requirements. Non-Federal auditors, such as public accounting firms and state auditors, conduct these single audits. The OIG reviews the resulting audit reports for findings and questioned costs related to DOL awards, and to ensure that the reports comply with the requirements of A-133.

In the 248 audit reports we reviewed this period, covering DOL expenditures of more than $37.2 billion during audit years 2003 through 2008, the non-Federal and state auditors issued 57 qualified or adverse opinions on awardees' compliance with Federal grant requirements, on their financial statements, or both. In particular, the auditors identified 187 findings and $39.9 million in questioned costs in 74 of the 248 reports reviewed as material weaknesses or significant deficiencies, indicating serious concerns about the auditees' ability to manage DOL funds and comply with the requirements of major grant programs. We reported these 187 findings and 221 related recommendations to DOL managers for corrective action. Not correcting these deficiencies could lead to future violations and improper charges.

Recipients expending more than $50 million a year in Federal awards are assigned a cognizant Federal agency for audit, and the cognizant agency is responsible for conducting or obtaining quality control reviews of selected A-133 audits. In FY 2009, DOL was the cognizant agency for 18 recipients.

During the period, we issued one report of our quality control review of an auditor's report and supporting audit documentation. The purpose of the review was to determine whether: (1) the audit was conducted in accordance with applicable standards and met the single audit requirements; (2) any follow-up audit work was needed; and (3) there were any issues that might require management's attention.

The audit work performed was acceptable and did meet the requirements of the Single Audit Act and A-133. Additional work was not required to bring the audit into compliance with the requirements of the Single Audit Act and there were no issues that required management's attention.




DEPARTMENT OF LABOR
24 HOUR ATM

Legislative Recommendations

Legislative Recommendations

The Inspector General Act requires the OIG to review existing or proposed legislation and regulations and to make recommendations in the Semiannual Report concerning their impact on the economy and efficiency of the Department's programs and on the prevention of fraud and abuse. The OIG's legislative recommendations have remained markedly unchanged over the last several Semiannual Reports, and the OIG continues to believe that the following legislative actions are necessary to promote increased efficiency in and protection of the Department's programs and mission.

Allow DOL Access to Wage Records

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

In addition, a provision in the State Unemployment Tax Authority (SUTA) Dumping Prevention Act of 2004 (Public Law 108-295) enables state agencies responsible for the administration of unemployment compensation programs to obtain access to the NDNH. By cross-matching UI claims against this new-hire data, states can better detect overpayments to UI claimants who have gone back to work but who continue to collect UI benefits. However, this law does not provide DOL nor the OIG with access to the NDNH. To make the new-hire data even more useful for this purpose, legislative action is needed requiring that employers report a new hire's first day of earnings and provide a clear, consistent, nationwide definition for this date. Moreover, access to SSA and UI data would allow the Department to measure the long-term impact of employment and training services on job retention and earnings. Outcome information of this type for program participants is otherwise difficult to obtain.

Amend Pension Protection Laws

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

Expand the authority of EBSA to correct substandard benefit plan audits and ensure that auditors with poor records do not perform additional plan audits. Changes should include providing EBSA with greater enforcement authority over registration, suspension, and debarment and the ability to levy civil penalties against employee benefit plan auditors. The ability to correct substandard audits and take action against auditors is important because benefit plan audits help protect participants and beneficiaries by ensuring the proper value of plan assets and computation of benefits.

Repeal ERISA's limited-scope audit exemption. This provision excludes pension plan assets invested in banks, savings and loans, insurance companies, and the like from audits of employee benefit plans. The limited scope prevents independent public accountants who are auditing pension plans from rendering an opinion on the plans' financial statements in accordance with professional auditing standards. These "no opinion" audits provide no substantive assurance of asset integrity to plan participants or to the Department.

Require direct reporting of ERISA violations to DOL. Under current law, a pension plan auditor who finds a potential ERISA violation is responsible for reporting it to the plan administrator, but not directly to DOL. To ensure that improprieties are addressed, we recommend that plan administrators or auditors be required to report potential ERISA violations directly to DOL. This would ensure the timely reporting of violations and would more actively involve accountants in safeguarding pension assets, providing a first line of defense against the abuse of workers' pension plans.

Strengthen criminal penalties in Title 18 of the United States Code. Three sections of Title 18 serve as the primary criminal enforcement tools for protecting pension plans covered by ERISA. Embezzlement or theft from employee pension and welfare plans is prohibited by Section 664, making false statements in documents required by ERISA is prohibited by Section 1027, and giving or accepting bribes related to the operation of ERISA-covered plans is outlawed by Section 1954. Sections 664 and 1027 subject violators to 5 years' imprisonment, while Section 1954 calls for up to 3 years' imprisonment. We believe that raising the maximum penalties to 10 years for all three violations would serve as a greater deterrent and would further protect employee pension plans.

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

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

The OIG also recommends that ETA seek the authority to bar employers and others who submit fraudulent applications to the H-1B foreign labor certification program, similar to that it has regarding the H-2A and the H-2B programs.

Enhance the WIA Program Through Reauthorization

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

Improve state and local reporting of WIA obligations. A disagreement between ETA and the states about the level of funds available to states drew attention to the way WIA obligations and expenditures are reported. The OIG's prior work in nine states and Puerto Rico showed that obligations provide a more useful measure for assessing states' WIA funding status if obligations accurately reflect legally committed funds and are consistently reported.

Modify WIA to encourage the participation of training providers. WIA participants use individual training accounts to obtain services from approved eligible training providers. However, performance reporting and eligibility requirements for training providers have made some potential providers unwilling to serve WIA participants.

Support amendments to resolve uncertainty about the release of WIA participants' personally identifying information for WIA reporting purposes. Some training providers are hesitant to disclose participant data to states for fear of violating the Family Education Rights and Privacy Act.

Strengthen incumbent worker guidance to states. Currently no Federal criteria define how long an employer must be in business or an employee must be employed to qualify as an incumbent worker, and no Federal definition of "eligible individual" exists for incumbent worker training. Consequently, a state could decide that any employer or employee can qualify for a WIA-funded incumbent worker program.

Improve the Integrity of the FECA Program

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

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

OFFICE OF INSPECTOR GENERAL
E PLURIBUS UNUM
UNITED STATES
DEPARTMENT OF LABOR

Appendices

Index of Reporting Requirements Under the IG Act of 1978

REPORTING	REQUIREMENT	PAGE
Section 4(a)(2)	Review of Legislation and Regulation	65
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	92
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	93
Section 5(a)(5) and Section 6(b)(2)	Summary of Instances Where Information Was Refused	NONE
Section 5(a)(6)	List of Audit Reports	87
Section 5(a)(7)	Summary of Significant Reports	ALL
Section 5(a)(8)	Statistical Tables on Management Decisions on Questioned Costs	86
Section 5(a)(9)	Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	86
Section 5(a)(10)	Summary of Each Audit Report over Six Months Old for Which No Management Decision Has Been Made	92
Section 5(a)(11)	Description and Explanation of Any Significant Revised Management Decision	NONE
Section 5(a)(12)	Information on Any Significant Management Decisions with Which the Inspector General Disagrees	NONE

Requirements Under the Reports Consolidation Act of 2000

REPORTING	REQUIREMENT	PAGE
Section 3(d)	Top Management Challenges Facing the U.S. Department of Labor	73

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210

OCT 15 2009

MEMORANDUM FOR THE SECRETARY

FROM: DANIEL R. PETROLE DRP
Acting Inspector General

SUBJECT: Top DOL Management Challenges

On July 10, 2009, the Office of Inspector General (OIG) transmitted the Top DOL Management Challenges to the Department for review and comment. Since that date, we have made revisions based on agency comments. I am attaching the final version of this report. We request that the report be printed in its entirety in the Department's Performance and Accountability Report similar to the Independent Auditors' Report of the Consolidated Financial Statements Report.

I would be pleased to meet with you concerning any aspect of this report.

Attachment

cc: Deputy Secretary Seth Harris
Mary Ann Wyrsch
Richard French

Working for America's Workforce

2009 Top Management Challenges Facing The Department of Labor

The Top Management Challenges identified by the Office of the Inspector General (OIG) for the Department of Labor (DOL) are discussed below. The Department's responses and presentation of its progress on the Top Management Challenges are shown following the OIG report.

For 2009, the OIG considers the following as the most serious management and performance challenges facing the Department:

- Implementing the American Recovery and Reinvestment Act of 2009
- Protecting the Safety and Health of Workers
- Improving Performance Accountability of Grants
- Ensuring the Effectiveness of the Job Corps Program
- Safeguarding Unemployment Insurance
- Improving the Management of Workers' Compensation Programs
- Improving Procurement Integrity
- Maintaining the Integrity of Foreign Labor Certification Programs
- Securing Information Technology Systems and Protecting Related Information Assets
- Ensuring the Security of Employee Benefit Plan Assets

For each challenge, the OIG presents an overview of the challenge, a description of the challenge, and the OIG's assessment of the Department's progress in addressing the challenge. The OIG continues to review and monitor how these complex issues are addressed.

CHALLENGE: Implementing the American Recovery and Reinvestment Act of 2009

OVERVIEW: The American Recovery and Reinvestment Act of 2009 (Recovery Act) was signed into law on February 17, 2009. It is an unprecedented effort to jumpstart the economy, while creating or saving millions of jobs. DOL has three key roles in the Recovery Act effort: providing worker training for these jobs; easing the burden of the recession on workers and employers by providing for extensions and expansions of unemployment benefits; and assisting and educating unemployed workers regarding expanded access to continued health benefits. The Recovery Act also appropriates substantial funding for construction, alteration, and repair of Federal buildings and for infrastructure projects such as roads, bridges, and public transit.

CHALLENGE FOR THE DEPARTMENT: The Recovery Act provided the Department with approximately $45 billion and mandated that these funds be spent expeditiously while ensuring transparency, accountability, and results. The risk for fraud and abuse grows when large sums of money are being disbursed quickly, eligibility requirements are being established or changed, or new programs are being created. Consequently, the Department has to meet the challenges inherently created by increased funding and the corresponding increase in the attempts at fraud and abuse that will likely follow. In addition, the Department has new or increased requirements impacting many of its ongoing programs. For example, the Recovery Act contains premium assistance provisions that expand the Consolidated Omnibus Budget Reconciliation Act (COBRA) eligibility and provide eligible individuals with a 65% reduction of their COBRA premiums for up to nine months. The Employee Benefits Security Administration (EBSA) will now be responsible for administering the extension and subsidization of COBRA for certain groups of eligible laid off workers and for handling appeals, outreach, and regulatory responsibilities. Handling the appeals in a timely manner, and having the necessary, trained personnel to do so, is a major challenge, as EBSA has reported receiving 6,000 inquiries per week about the COBRA premium reduction.

In addition, the increased funding tied to improvements to the Nation's infrastructure work will have an impact on Departmental enforcement efforts related to worker pay.

About $40 billion of the Department's Recovery Act funds will be used to provide extensions of unemployment benefits and to fund a new temporary Federal Additional Compensation program, which increases the Weekly Benefit Amount for unemployment benefits by $25 per week. While costly, the Recovery Act provisions relating to benefit extensions are (1) a continuation of the Emergency Unemployment Compensation program created by the Supplemental Appropriations Act 2008, and (2) an inducement for states to pay benefits under the permanent federal-state extended benefit program. The Federal Additional Compensation program is new to the Department, as well as to the States that are paying the additional weekly benefit and the Department will be challenged to ensure that these benefits are accounted for correctly.

The Recovery Act provided almost $5 billion for Workforce Investment Act (WIA) programs, most of which will be expended through non-Federal entities, rather than directly by the Department. While these WIA programs are not new, our past audits have demonstrated problems with respect to grant accountability. Given the large number of grants being awarded under tight time frames, the pressure to spend the funds quickly, and the increased reporting requirements mandated by the Recovery Act, the Department now faces even greater challenges in demonstrating and reporting that grants are properly awarded, funds are properly spent, and that these investments achieve their intended outcomes.

The amount of Recovery Act funding designated for infrastructure work will increase the number of Federal construction projects over the course of two years. The Wage and Hour Division (WHD) will be required to publish up-to-date and accurate prevailing wage determinations for use on the newly funded construction projects, and to establish an active enforcement program for Recovery Act covered projects. Many WHD investigators have little or no experience with Davis-Bacon Act enforcement. Davis-Bacon complaint workloads are expected to substantially increase, an increase that may continue over a number of years given that some of the funded projects may be under construction for several years. It will be a challenge for WHD to assign a sufficient number of trained personnel that will ensure workers receive the wages they are legally due, and avoid a backlog of non-Recovery Act complaints as a result of increased Recovery Act worker complaints.

The Recovery Act requires Federal agencies to implement an unprecedented level of transparency and accountability to ensure the public can see where and how their tax dollars are being spent. The Department faces several challenges in implementing the performance reporting requirements of the Recovery Act. Most importantly, the Department needs to report whether recipients used Recovery Act funds to train and place participants in high-demand occupations or industries. Additionally, the Department needs to develop policies and procedures to perform data quality reviews of the quarterly reports submitted by recipients.

DEPARTMENT'S PROGRESS: The Department continues to implement its responsibilities under the Recovery Act and financial and performance reporting guidance issued by the Office of Management and Budget (OMB). In keeping with the Recovery Act's goals for accountability and transparency, DOL established a Web site (http://www.dol.gov/recovery/) to keep the public informed on how it is spending Recovery Act funds, and updates it regularly. The Department reassigned staff to address Recovery Act workload and launched a hiring initiative to meet its expanded program responsibilities. Individual agencies have taken steps to address their increased responsibilities under the Recovery Act. The Department appointed a Senior Accountable Official for the Recovery Act. The Senior Accountable Official has held weekly meetings to discuss the Department's progress in fulfilling the Recovery Act's responsibilities. The Office of the Chief Financial Officer has developed new accounting codes to enable it to separately account for Recovery Act funds. EBSA responded to more than 110,000 telephone inquiries related to COBRA premium assistance in the first five months after Recovery Act passage, and the Employment and Training Administration (ETA) made available to the states $40 billion to support and expand unemployment insurance and $3.5 billion in training and employment formula funds. WHD has selected a senior executive to manage implementation of its Recovery Act plan, and budget, administrative, procurement, human resources and wage determination and enforcement staff have been reassigned to assist in Recovery Act efforts.

OIG completed several audits in fiscal year (FY) 2009 assessing the Department's progress under the Recovery Act. For Recovery Act financial activity, OIG found that, generally, the Department has implemented procedures to account for Recovery Act financial activity as required by Federal law and OMB guidance, and report on the use of Recovery Act funds in accordance with OMB guidance.

OIG's audit of the implementation of the Federal Assistance Compensation program in 10 states found that all of the states had aggressively implemented the program. As of June 30, 2009, the 10 states had paid about $1.3 billion in benefits to Federal Assistance Compensation program recipients. Challenges encountered by the states included overpayment identification, recovery capabilities, and the withholding of taxes. The audit also found non-compliance issues concerning states not reporting overpayment information to ETA and not withholding taxes when requested by claimants.

OIG's audit of EBSA's implementation of the COBRA premium assistance provisions of the Recovery Act found that EBSA quickly started outreach activities to implement the COBRA provisions under the Recovery Act, and designed and implemented a process to provide timely reviews of appeals of premium assistance denials. EBSA could improve several aspects of its efforts through improved coordination with ETA to ensure Recovery Act COBRA premium assistance materials are displayed and distributed at all One-Stop centers, using feedback from enforcement investigations to help assess outreach efforts, developing a resource contingency plan, improving controls to assure accurate dates are used on applicant determination letters, and redesigning the letters sent to appellants.

CHALLENGE: Protecting the Safety and Health of Workers

OVERVIEW: The Department administers the Occupational Safety and Health Act of 1970 and the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement Emergency Response Act of 2006. The workplace safety and health of our nation's workers depends on DOL's strong enforcement of these laws.

CHALLENGE FOR THE DEPARTMENT: The two DOL agencies primarily responsible for worker safety and health are the Occupational Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA). OSHA is responsible for ensuring safe and healthful working conditions for 111 million workers at more than seven million establishments. MSHA is responsible for the safety and health of over 390,000 miners who work at more than 14,800 mines. Given the scope of their responsibilities, OSHA and MSHA are continually challenged to effectively utilize their operating resources to meet mission needs in all areas of responsibility.

With more than 7 million workplaces nationwide and with 5,071 fatal workplace injuries reported by the Bureau of Labor Statistics in 2008[1], OSHA's challenge is to target its limited resources to workplaces where they can have the greatest impact. In 2003, OSHA developed the Enhanced Enforcement Program (EEP). The EEP was designed to identify employers indifferent to their obligations under the Occupational Safety and Health Act in order to target their worksites with increased enforcement attention.

Our recent audit of OSHA's EEP found that OSHA did not always properly identify employers for enhanced enforcement. When it did, OSHA did not always take proper action nor place the appropriate management emphasis on compliance, commit the necessary resources, and provide clear policy guidance. For example, in 29 OSHA-designated EEP cases, OSHA did not take any of the appropriate enhanced enforcement actions, and 16 of the 29 employers reported 20 subsequent fatalities. Of these, 14 fatalities were in cases that shared similar violations. The OIG recommended that OSHA form a task force to make recommendations to improve program efficiency and effectiveness in the following areas: targeting employers indifferent to the safety of their employees which are most likely to have unabated hazards and/or company-wide safety and health issues at multiple worksites; ensuring appropriate actions (i.e., follow-up and related worksite inspections) are taken on indifferent employers and related companies; centralizing data analysis to identify employers with multiple EEP qualifying and/or fatality cases that occur across Regions; and identifying and sharing Regional and Area Offices' "best practices" to improve compliance with EEP requirements.

1 *These numbers include fatalities not under OSHA jurisdiction, such as deaths among miners, transportation workers, domestic workers, some public employees, and the self-employed, as well as fatalities that fall outside of OSHA's definition of work-relatedness.*

Regarding MSHA, the OIG's reviews over the past several years revealed a pattern of weak oversight, inadequate policies, and a lack of accountability on the part of MSHA, which were exacerbated by years of resource shortages. Historically, MSHA was not meeting its statutory responsibility to conduct inspections at the nation's coal mines. Insufficient resources during a period of increasing mining activity made it difficult for the Department to ensure that it had enough resources in the right places to protect the safety of miners. While Congress allocated supplemental funding to MSHA in FY 2006 to hire additional mine inspectors, the full impact of that increase was not immediately realized. MSHA states that it takes from 18 to 24 months of classroom and on-the-job training for a new hire to become a qualified mine inspector. Therefore, MSHA is just now reaching a point where those new mine inspectors can have an impact on MSHA's workload. Retirements and other attritions make maintaining a sufficient number of trained mine inspectors an ongoing challenge.

DEPARTMENT'S PROGRESS: OSHA has established an EEP Revision Task Force to design a new program that will be able to identify and inspect recalcitrant employers more effectively. Some changes under consideration include mandatory follow-up inspections, more inspections of other establishments of an identified company, and additional enhanced settlement provisions. OSHA plans for the new program to include a more intensive examination of an employer's history for systemic problems that would trigger additional mandatory inspections.

All personnel hired under the FY 2006 supplemental funding provided to MSHA by Congress have now completed their training and are mine inspectors. As of April 30, 2009, MSHA reported that it had increased its enforcement personnel by 30 percent over 2006 levels. Additional hiring of trainees, due to attrition of enforcement personnel is an ongoing activity. Efforts are also underway to attract and retain engineers and specialists. In 2008, for the first time in its history, MSHA reported that it completed 100 percent of all mandatory mine inspections. However, the OIG remains concerned that MSHA has improved its efforts in inspecting mines at the cost of not fulfilling other statutory responsibilities, such as mine plan reviews.

CHALLENGE: Improving Performance Accountability of Grants

OVERVIEW: In FY 2008, the Department's ETA reported program costs totaling $3.2 billion for the WIA Adult, Dislocated Worker, and Youth programs. WIA Adult employment and training programs are provided through financial assistance grants to States and territories to design and operate programs for disadvantaged persons, including public assistance recipients. ETA also awards grants to States to provide reemployment services and retraining assistance to individuals dislocated from their employment. Youth programs are also funded through grant awards that support program activities and services to prepare low-income youth for academic and employment success, including summer jobs, by linking academic and occupational learning with youth development activities.

CHALLENGE FOR THE DEPARTMENT: DOL is challenged to ensure that discretionary grants are properly awarded and that the Department receives the quality of services that the taxpayers deserve. Successfully meeting the employment and training needs of citizens requires selecting the best service providers, making expectations clear to grantees, ensuring that success can be measured, providing active oversight, evaluating outcomes, and disseminating and replicating proven strategies and programs. Past OIG and Government Accountability Office (GAO) audits have found weaknesses in how ETA manages its grants to this end. In audits involving the High Growth, Community Based, and WIRED initiatives, weaknesses found included the lack of competition in awarding grants, grants that failed to achieve major performance goals, grant agreements with goals that were so unclear it was impossible to determine success or failure, and grants whose required matching funds were not provided. Our audits also found that ETA has not evaluated the usefulness of individual grant products or the overall effectiveness of its discretionary grant initiatives. ETA is also challenged to provide adequate oversight and monitoring of the grants it awards, as the agency lacks reliable and timely performance data that would allow identification of problems in time to correct them. In 2005, ETA implemented a data validation initiative to ensure that state workforce agencies (SWA) report accurate and reliable performance data for WIA programs. OIG's recent audit of three states found that they were not using the appropriate ETA criteria or source documentation to perform the data validations. As a result, ETA has no assurance that data validation is operating as designed, or that the data reported by states can be relied upon for accurately reporting performance results.

The large increase in funding provided by the Recovery Act challenges the Department even more in ensuring that grant funds are appropriately spent on activities that will yield the desired training and employment outcomes.

DEPARTMENT'S PROGRESS: As a result of the audits by the OIG and GAO, ETA has indicated that it will increase the emphasis placed on awarding discretionary grants competitively, developed procedures designed to better document decisions and discussions that lead to grant actions, implemented new procedures to ensure the proper justification of any future non-competitive awards, and provided training to agency grant officers on these new procedures. ETA has also stated that future agreements for pilots and demonstration grants will require grantees to obtain an independent evaluation of grant results. While these actions, if effectively implemented, should help to improve performance accountability, ETA needs to focus its future efforts on determining how best to prioritize its available resources to adequately monitor grant performance and how to evaluate grants to ensure desired results are achieved. In conjunction with our planned Recovery Act audit work, we will review the Department's stated progress in this challenge area.

CHALLENGE: Ensuring the Effectiveness of the Job Corps Program

OVERVIEW: Education, training, and support services are provided to approximately 60,000 students at 122 Job Corps centers located throughout the United States and Puerto Rico. Job Corps centers are operated for DOL by private companies through competitive contracting processes, and by other Federal Agencies through interagency agreements. The program was appropriated nearly $1.7 billion in FY 2009.

CHALLENGE FOR THE DEPARTMENT: The OIG's work has consistently identified challenges to the effectiveness of the Job Corps program. These challenges include ensuring the safety and health of students and having accurate, reliable, performance data necessary to determine the success of the program. OIG audits have identified safety program weaknesses at some centers, including unsafe or unhealthy conditions and the lack of required safety inspections. Unsafe conditions affect the learning environment and could adversely impact the overall success of the Job Corps program. Further, Job Corps officials need to do more to address the problems of centers not taking appropriate action for student misconduct, including illegal drug use and violence. The OIG found that some centers did not hold required behavior review board meetings to evaluate student misconduct and initiate disciplinary action. The lack of appropriate disciplinary action, including termination of enrollment, may place the remaining students at risk.

OIG audits have found that weak controls at centers have resulted in the overstatement and misrepresentation of performance data. The OIG has found problems with the reporting of student outcomes, on-board strength and attendance. This is a particular challenge for Job Corps when centers are operated by contractors through performance-based contracts, which tie cost reimbursement, incentive fees and bonuses directly to contractor performance largely measured by on-board strength, attendance, and outcomes. Under such contracts, there is a risk that contractors will graduate students with incomplete training or inflate their performance reports so they can continue to operate centers. It is essential for Job Corps to have reliable, accurate, and timely data, so that the Department can effectively evaluate contractor performance and participant outcomes.

DEPARTMENT'S PROGRESS: Job Corps continues to take actions such as strengthening policies and procedures, conducting periodic center assessments, and following up on issues identified in center assessments and contractor assessments. Specifically, Job Corps has recently revised its policies regarding the completion of training records, which was intended to mitigate both the risk of contractors graduating students with incomplete training or inflating their performance reporting. However, our audits continue to identify problems. Job Corps's actions may not achieve the desired outcomes unless proactive, consistent, and rigorous oversight of contractors and personnel is provided at all centers.

CHALLENGE: Safeguarding Unemployment Insurance

OVERVIEW: The Department partners with the states to administer unemployment benefit programs. State Unemployment Insurance (UI) provides benefits to workers who are unemployed and meet the eligibility requirements established by their respective states. UI benefits are largely[2] financed through employer taxes imposed by the states and deposited in the Unemployment Trust Fund (UTF), from which the states pay the benefits.

The Department funds State Workforce Agencies (SWAs), which administer the UI program through grant agreements. These grant agreements are intended to ensure that SWAs both administer the UI program efficiently and comply with Federal laws and regulations. In addition, the SWAs are required to have disaster contingency plans in place to enable them to administer benefits in the aftermath of a disaster.

Disaster Unemployment Assistance (DUA) is a Federally-funded program that provides financial assistance to individuals who lose their jobs as a direct result of a major disaster and are ineligible for other UI benefits.

CHALLENGE FOR THE DEPARTMENT: Reducing and preventing UI and DUA overpayments by improving controls over eligibility, timely detecting and recovering overpayments, and combating fraud against these programs remain major challenges for the Department. Another challenge involves ensuring that SWAs have adequate information technology contingency plans that provide for the continuation of services in the aftermath of disasters.

In FY 2008, the Department reported a total overpayment rate of 9.92 percent, which equates to more than $3.8 billion in UI overpayments—an increase from the $3 billion reported in FY 2007. The Department met its target goal of identifying and establishing for recovery 56 percent of UI overpayments in FY 2008; however, this goal had been reduced from the target levels of 59-60 percent established during the previous five years. It is a challenge for the Department and the SWAs to have systems and controls in place to quickly prevent or respond to improper payments. The current economic downturn increases this challenge, as more claims are filed and states shift resources from detecting improper payments to processing claims. The Department needs to promote the states' use of the National Directory of New Hires (NDNH) database to prevent and timely detect overpayments. Our recent audit found that ETA could not demonstrate it exercised sufficient oversight to ensure SWAs utilized information from the NDNH to prevent and detect unemployment compensation overpayments. Without effective reviews of SWAs' use of the NDNH for cross-matching UI claims, ETA cannot ensure the reliability of the data provided by the states, and the dollar value of detected or possible undetected overpayments is unknown or cannot be validated. We also found that California (which accounts for roughly 16% of total UI benefits paid), Indiana, the District of Columbia, and Puerto Rico were not using the NDNH to detect unemployment compensation overpayments.

Reducing fraud committed against the UI program is also a challenge. ETA estimates that about $1 billion of the $3.8 billion total overpayments resulted from willful misrepresentation by the claimant – a fraud overpayment rate of 2.7 percent of UI benefits paid in FY 2008. The OIG investigates fraud committed by individuals who do not report or who underreport earnings and income while receiving UI benefits. In addition to single claimants and fictitious employer-related schemes, OIG investigations continue to uncover schemes in which individuals and/or conspirators commit identity theft to illegally obtain benefits in which UI benefits have been paid to ineligible claimants.

The Department also needs to ensure that SWAs have adequate Information Technology (IT) Contingency Plans that will enable them to continue to pay UI benefits in the event of a disaster such as a hurricane. Our recent audit found that ETA had not ensured that SWA partners had established and maintained required IT contingency plans. Specifically, 50 out of 51 plans lacked critical elements to ensure the continued availability of the UI systems. It is critical that all SWAs have IT contingency plans for UI to ensure that individuals who rely on these benefits receive this vital support in a time of need and uncertainty.

2 *Employees also contribute to Unemployment Insurance in three states.*

DEPARTMENT'S PROGRESS: The Department has taken some measures to reduce and prevent UI and DUA overpayments. The Department stated in the DOL 2008 Performance and Accountability Report that it is continuing to promote the use of NDNH by all states, facilitating a National UI Benefits and Adjudication Conference for states to share best practices and discuss improvement strategies, and issuing guidance to the states to address legislative requirements of the Unemployment Compensation Integrity Act of 2008, which authorizes recovery of some UI fraud overpayments by offsetting Federal income tax refunds. Despite the Department's efforts, the UI overpayment rate over the seven-year period from CY 2002-2008 averaged 9.6 percent, an increase over the previous 12 year period, which averaged 8.3 percent.

The OIG continues to work with UI's state partners to more effectively provide training to detect and prevent UI fraud. In addition, UI was a participant at the OIGs recent investigators training conference where it provided instruction on its efforts to recognize, refer and address fraud relating to its program.

The Department generally agreed to implement our recommendations that ETA conduct annual verification of SWAs' IT contingency plans. ETA plans to begin working with a selected group of SWAs each year to verify the existence and reliability of their IT contingency plans, using the risk based approach that was recommended by the OIG. ETA also plans to issue advisories to the SWAs informing each about the availability of FY 2009 funds to develop or update IT contingency plans, including a requirement that the states awarded UI grants obtain independent verification and validation of their contingency plans' acceptability.

CHALLENGE: Improving the Management of Workers' Compensation Programs

OVERVIEW: The Department has responsibility for managing the Energy Employees Occupational Illness Compensation Act Program (Energy workers' program) and the Federal Employees' Compensation Act (FECA) Program, both of which were designed to address the needs of employees who are injured on the job.

The Energy workers' program was created to provide compensation to civilian employees who incurred an occupational illness, such as cancer, as a result of their exposure to radiation while employed in the nuclear weapons production and testing programs of the Department of Energy and its predecessor agencies. In certain circumstances, these employees' survivors may be eligible for compensation. Since the program began in 2001, through September 30, 2009, DOL reports it has received 183,456 claims, and issued decisions on nearly 90 percent of these claims. DOL had approved slightly more than 38 percent of claims filed and paid nearly $4.8 billion in compensation.

The FECA program provides income and pays medical expenses for covered Federal civilian employees injured on the job, those who have work-related occupational diseases, and dependents of employees whose deaths resulted from job-related injuries or occupational diseases. This program is administered by the Department, impacting all Federal agencies' budgets and employees. FECA benefit expenditures totaled $2.7 billion in 2008. Most of these costs were charged back to individual agencies for reimbursement to the Department's Office of Workers' Compensation Programs (OWCP).

CHALLENGE FOR THE DEPARTMENT: The challenge for the Energy workers' program centers on the number of claims that are denied compensation and on the timeliness of its claim decisions. For the FECA program, the determination of continuing eligibility is the primary challenge.

Inquiries by several members of Congress and the public raised concerns as to whether the Department unfairly denied too many Energy claims and whether claims decisions were timely. In response to those concerns, the OIG conducted an evaluation to determine whether claim decisions issued by the Department complied with applicable law and regulations, and whether the Department has a system in place to ensure that claims are adjudicated as promptly as possible and claimants are kept informed. The OIG found that claims decisions complied with applicable laws and regulations, and were based on the evidence provided by or obtained on the behalf of claimants. The OIG also found that the Energy workers' program has made progress in reducing the time it takes to adjudicate claims. However, we found that the claims process remained lengthy and it could take up to two years or more to process and adjudicate a claim. Part of the challenge is that the National Institute for Occupational Safety and Health (NIOSH) must prepare a dose reconstruction of the amount of radiation to which an employee with cancer was exposed. The dose reconstruction process is complicated

and time consuming. The Department has no regulatory authority to control the time it takes to complete the NIOSH process. Nonetheless, more can be done to further reduce the time it takes to process claims, to assist claimants in developing their claims, and to better educate claimants on general program requirements. The timeliness of adjudicating claims from the viewpoint of the claimant, (i.e., how long it takes from the time they apply for benefits to reaching a final decision), needs to be measured and reported to show how well the Energy workers' program is serving claimants, rather than solely measuring how long a claim is at DOL.

For FECA, the structure and operation of the program is both a Departmental and a government-wide challenge. All Federal agencies rely upon OWCP to adjudicate the eligibility of claims, to manage the medical treatment of those claims, to make compensation payments, and to pay medical expenses. Ensuring proper payments while being responsive and timely to eligible claimants is a challenge for OWCP. Among these challenges are moving claimants off the periodic rolls when they can return to work or their eligibility ceases, preventing ineligible recipients from receiving benefits, and preventing fraud by service providers, and by individuals who receive FECA benefits while working. A recent OIG audit found OWCP needs to improve its process for monitoring claimants in the temporary "reemployment status not yet determined" category. FECA claims examiners are responsible for proactively managing these cases until the claimant either returns to work, is found to be entitled to reduced compensation, or it is determined the claimant has no re-employment potential for an indefinite future. OIG noted 2,860 claimants who had been receiving FECA compensation while in the temporary "reemployment status not yet determined" category for 15 years or longer.

The OIG recognizes that it is difficult to identify and address improper payments and/or fraud in the FECA program. Another difficulty is that OWCP does not have the legal authority to match FECA compensation recipients against social security wage records. Currently, OWCP must obtain permission from each individual claimant each time in order for it to check records. Being able to do the match would enable OWCP to identify individuals who are collecting FECA benefits while working and collecting wages.

DEPARTMENT'S PROGRESS: For the Energy workers' program, the Department has implemented new procedures to reduce the time it takes to develop impairment claims and is revamping its procedural guidance. Additionally, the Department is measuring its timeliness performance from the point of application to final decision and payment. The Department now publishes on its Web site graphs that show the processing times for various types of cases, including those sent to NIOSH for completion of a dose reconstruction. These measures are updated quarterly. The Department has also provided its Resource Centers with expanded access to the Energy Case Management System (ECMS), which will provide enhanced customer service to claimants. The Resource Centers are also working to improve the level of education provided to potential claimants regarding the benefits available under the Act.

For FECA, the Department completed the roll-out of its new FECA benefit payment system, the Integrated Federal Employee Compensation System, that is designed to track due dates of medical evaluations, revalidate eligibility for continued benefits, use data mining to prevent improper payments, boost efficiency, and improve customer satisfaction.

The Department needs to continue its efforts to seek legislative reforms to the FECA program to enhance incentives for employees who have recovered to return to work, address retirement equity issues, discourage unsubstantiated or otherwise unnecessary claims, and make other benefit and administrative improvements. Through the enactment of these proposals, the Department estimates savings to the government over 10 years to be $384 million. These legislative reforms would assist the Department to focus on improving case management and to ensure only eligible individuals receive benefits. In addition, to help ensure proper payments in the FECA program, the Department is seeking legislative authority to allow for easy and expeditious access to Social Security Administration (SSA) wage records.

The OIG continues to provide training to DOL and to other Federal agencies in the detection and prevention of fraud against the FECA program. This training is designed to upgrade and develop the best investigative practices and techniques throughout the investigative community to keep pace with the new types of fraudulent schemes confronting the program. Additionally, OWCP participated in the OIG's recent investigator training conference where it provided guidance on its various programs and suggestions for working with the OIG to effectively address fraud in those programs.

CHALLENGE: Improving Procurement Integrity

OVERVIEW: The Department contracts for many goods and services to assist in carrying out its mission. In FY 2008, the Department's acquisition authority exceeded $1.8 billion and included over 9,300 acquisition actions.

CHALLENGE FOR THE DEPARTMENT: Ensuring integrity in procurement activities is a continuing challenge for the Department. The OIG's past audit work has identified violations of Federal procurement regulations, preferential treatment in awards, procurement actions that were not in the government's best interest, and conflicts of interest in awards.

The Services Acquisition Reform Act (SARA) of 2003 requires that executive agencies appoint a Chief Acquisition Officer (CAO) whose primary duty is acquisition management. The Department's organization has not been in compliance with this requirement, as the Assistant Secretary for Administration and Management serves as the CAO while retaining other significant non-acquisition responsibilities. Until procurement and programmatic responsibilities are properly separated and effective controls are put in place, the Department will continue to be at risk for wasteful and abusive procurement practices.

DEPARTMENT'S PROGRESS: In January 2007, then-Secretary of Labor Chao issued Order 2-2007, which formally established the position of CAO within DOL. This Order specifically stated that the CAO will have acquisition management as a primary duty. Further, the Order emphasized that the CAO will report to the Secretary with day-to-day guidance from the Deputy Secretary and that the CAO will have responsibility for overseeing other Department acquisition activities. However, the Department is not in compliance with the full intent of SARA, as the delegated CAO continues to perform many other duties unrelated to acquisition management, such as serving as the Department's Chief Information Officer and overseeing the Department's budget operations. The new DOL leadership is considering its options regarding compliance with the requirements of SARA.

CHALLENGE: Maintaining the Integrity of Foreign Labor Certification Programs

OVERVIEW: The Department's Foreign Labor Certification (FLC) programs provide United States (U.S.) employers access to foreign labor to meet worker shortages under terms and conditions that do not adversely affect U.S. workers. The permanent labor certification program allows an employer to hire a foreign worker to work permanently in the United States, if a qualified U.S. worker is unavailable and the employment of the foreign worker will not adversely affect the wages and working conditions of similarly employed U.S. Workers. The H-1B program allows the Department to certify employers' applications to hire temporary foreign workers in specialty occupations such as medicine, biotechnology, and business. The H-2B program permits employers to hire foreign workers to come temporarily to the United States and perform temporary non-agricultural labor on a one-time, seasonal, peak load, or intermittent basis.

CHALLENGE FOR THE DEPARTMENT: Maintaining the integrity of its FLC programs, while also ensuring a timely and effective review of applications to hire foreign workers, is a continuing challenge for the Department.

OIG investigations, initiated on referrals from ETA, other law enforcement and non-law enforcement entities, as well as on pro-active OIG efforts, continue to uncover schemes carried out by immigration attorneys, labor brokers, and transnational organized crime groups, some with possible national security implications. OIG investigations have repeatedly revealed schemes involving fraudulent applications filed with DOL on behalf of fictitious companies, and those wherein fraudulent applications were filed using the names of legitimate companies without their knowledge. Additionally, OIG investigations have uncovered complex schemes involving fraudulent DOL FLC documents filed in conjunction with or in support of similarly falsified identification documents required by other Federal and state organizations.

From an audit standpoint, the OIG has looked at how the Department is challenged to maintain the integrity of the FLC programs. In a prior audit of the Department's FLC programs, we found ETA's statutory role in

the H-1B program to be limited by law to a perfunctory review of applications. ETA is required to approve an H-1B application if the form is complete and free of obvious errors, which amounts to a review function without any meaningful impact. In addition, a recent OIG audit of the ETA's iCert H-1B Labor Condition Applications processing system found that system improvements are needed to better identify incomplete and/or obviously inaccurate labor condition applications.

In March 2005, ETA created the PERM (Permanent Electronic Review Management) system which removed the states from a direct role in reviewing and auditing applications for permanent foreign labor certification, eliminated the 100 percent review of such applications, and established a sampling and targeting approach to auditing applications to ensure compliance with the law and program requirements. An OIG audit of the PERM system found that ETA had discontinued certain types of audits. We also found that ETA had not conducted audits of all the applications selected for audit. As a result, ETA may have certified fraudulent applications or applications that did not meet required criteria. Certifying labor applications for foreign workers who were not eligible for employment could negatively affect the U.S. workforce by reducing the number of jobs available for U.S. workers.

DEPARTMENT'S PROGRESS: The OIG and the Department have been working collaboratively to identify and reduce fraud in the FLC process by providing training and instruction to ETA personnel on better and more creative ways of identifying and referring to the OIG possible labor-related fraud. In March 2008, ETA's Office of Foreign Labor Certification launched its Fraud Detection and Prevention Unit designed to recognize application fraud by reviewing for inconsistencies, errors, and omissions. The OIG continues to work closely with ETA's fraud unit, which, as a presenter at the OIG's recent investigator training conference, provided program insight and ideas for better addressing fraud uncovered in its programs.

In the first quarter of FY 2009, the Department began a review to determine the feasibility of reinstituting the audits it had previously discontinued doing and is conducting audits as resources permit. The Department has also implemented other protocols to protect program integrity, including steps to ensure that all audits of applications identified for audit are actually conducted, and having experienced analysts manually review all applications.

CHALLENGE: Securing Information Technology Systems and Protecting Related Information Assets

OVERVIEW: DOL systems contain vital sensitive information that is central to the Department's mission and to the effective administration of its programs. DOL systems are used to determine and house the Nation's leading economic indicators, such as the unemployment rate and the Consumer Price Index. They also maintain critical data related to worker safety and health, pension and welfare benefits, job training services, and other worker benefits. The Congress and the public have voiced concerns over the ability of government agencies to provide effective information security and to protect critical data.

CHALLENGE FOR THE DEPARTMENT: Management of information technology (IT) systems is a continuing challenge for DOL. Keeping up with new threats, IT developments, providing assurances that IT systems will function reliably, and safeguarding information assets will continue to challenge the Department today and in the future.

The OIG's IT audits have identified access controls, oversight of contractor systems, and the effectiveness of the Chief Information Officer's oversight of the Department's full implementation of mandatory, minimum information security controls as DOL's most significant challenges. The OIG has reported on access control weaknesses over the Department's major information systems since FY 2001. These weaknesses represent a significant deficiency over access to key systems and may permit unauthorized users to obtain or alter sensitive information, including unauthorized access to financial records.

In light of these challenges, the OIG continues to recommend the creation of an independent Chief Information Officer (CIO) to provide exclusive oversight of all issues affecting the IT capabilities of the Department. Accountability can be further enhanced by developing and implementing new reporting lines of communication for the Chief Information Security Officer (CISO) and the Component Program Information Security Officers (CPISOs). These new communication lines will require the CISO to report directly to both the CIO and an

Executive in the Secretary's Office dealing with major security matters, including progress on maintaining an effective Department-wide information security program. The CPISOs would continue to report directly to their respective component program Assistant Secretary while also reporting to DOL's CISO. These steps will help to establish a greater degree of accountability for an overall effective information security program.

DEPARTMENT'S PROGRESS: The Department is continuing to take steps to improve the security of its information systems by focusing on security controls identified as having the greatest risks throughout the Department, such as access controls and configuration management. The Department's CIO issued updated policy to implement minimum security controls developed by the National Institute of Standards and Technology and required by the Federal Information Security Management Act (FISMA) in those areas. The Department's CISO plans to focus testing on the technical and operational controls identified as having the greatest risks throughout the Department.

CHALLENGE: Ensuring the Security of Employee Benefit Plan Assets

OVERVIEW: The Department's mission is to protect the security of retirement, health, and other private-sector employer-provided benefits for America's workers, retirees, and their families. These benefit plans consist of approximately $5.6 trillion in assets covering more than 150 million workers and retirees. EBSA is charged with overseeing the administration and enforcement of the fiduciary, reporting, and disclosure provisions of Title I of the Employee Retirement Income Security Act (ERISA).

CHALLENGE FOR THE DEPARTMENT: Protecting these benefit plan assets against fraud, misconduct, and negligence is a challenge for the Department. OIG labor racketeering investigations demonstrate the continued vulnerability of plan assets to criminal activity. The Department is further challenged by its restricted authority to oversee plan audits, ERISA's limited scope audit exemption, and inadequate assessments of program effectiveness.

Employer benefit plan audits by independent public accountants provide a first-line defense for plan participants against financial loss. Ensuring that audits by independent public accountants meet quality standards adds to the Department's challenge in providing adequate oversight. However, DOL's authority to require plan audits to meet standards remains limited, because the Department does not have the authority to suspend, debar, or levy civil penalties against employee benefit plan auditors who perform substandard audits. The Department must obtain legislative change to address deficient benefit plan audits and ensure that auditors with poor records do not perform additional plan audits.

Further, OIG investigations have shown that benefit plan assets remain vulnerable to labor racketeering and organized crime influence. Those pension plans, health plans, and welfare benefit plans comprise hundreds of billions of dollars in assets. Dishonest benefit plan service providers, including accountants, investment advisors, and plan administrators, continue to be a strong focus of OIG investigations, as well as corrupt union officials and organized crime members.

Another challenge involves EBSA's ability to assess the effectiveness of its civil enforcement programs. Our recent audit found that EBSA could not determine whether its civil enforcement projects, such as the Multiple Employer Welfare Arrangements project, were increasing compliance with the ERISA, or whether the projects were decreasing the risk that workers will lose benefits. We also found that EBSA could not clearly demonstrate it was directing its resources to the enforcement areas with the most impact on its mission to deter and correct ERISA violations. Each EBSA regional office differed in its interpretation of enforcement program impact and desired outcomes because EBSA Headquarters did not provide clear guidance on intended enforcement outcomes. As a result, the allocation of resources differed among the regional offices and agency resources may not have been directed at areas with the most impact.

OIG's audit of EBSA's Rapid ERISA Action Team (REACT) project found similar challenges. In the REACT project, EBSA aims to respond in an expedited manner to protect the rights and benefits of plan participants when the plan sponsor faces severe financial hardship or bankruptcy and the assets of the employee benefit plan are in jeopardy. The audit concluded that EBSA does not have a comprehensive method for measuring the desired activities and outcomes of the REACT project, and does not perform a national assessment to judge

the value of the REACT project in meeting its overall enforcement mission.

DEPARTMENT'S PROGRESS: While the Department has sought the recommended legislative changes, such as expanding the authority of EBSA to address substandard benefit plan audits and ensuring that auditors with poor records do not perform additional plan audits, these changes have not been enacted. In response to OIG's audit report on the effectiveness of its civil enforcement projects, EBSA agreed that objectives for these projects could be more clearer; however, it disagreed with the recommendation to establish performance measures that evaluate each civil enforcement project's outcomes versus the stated objective, and with the recommendation to develop guidance for allocating enforcement resources based on intended outcomes and actual performance results.

Changes from Last Year

Changes to the Top Management Challenges from FY 2008 include a revised management challenge previously entitled, "Improving the Federal Employees' Compensation Act Program," which has been renamed to "Improving the Management of Workers' Compensation Programs." Our revised title incorporates concerns regarding the Federal Employees Compensation Act Programs as well as the Energy Employees Occupational Illness Compensation Program. As discussed below, we removed the challenge entitled, "Preserving Departmental Records. "

Preserving Departmental Records

Preserving Departmental Records was previously discussed in our FY 2008 Top Management Challenges. The Department took prompt action in responding to the multiple concerns we reported. This included providing annual training to all DOL employees; issuing guidance on the preservation of records, proper disposal of records, and management of electronic and hard copy records; and updating its cost-benefit analysis regarding the establishment of an electronic recordkeeping and document management system. As a result of the corrective actions taken by DOL management, we have removed this item from the list of Top Management Challenges.

Audit and Investigative Schedules

Funds Put to a Better Use

Funds Put to a Better Use Agreed to by DOL	Number of Reports	Dollar Value ($ millions)
For which no management decision had been made as of the commencement of the reporting period	0	0
Issued during the reporting period	0	0
Subtotal	0	0
For which management decision was made during the reporting period:		
•Dollar value of recommendations that were agreed to by management		0
•Dollar value of recommendations that were not agreed to by management		0
For which no management decision had been made as of the end of the reporting period		0

Funds Put to a Better Use Implemented by DOL	Number of Reports	Dollar Value ($ millions)
For which final action had not been taken as of the commencement of the reporting period	4	5.6
For which management or appeal decisions were made during the reporting period	0	0
Subtotal	4	5.6
For which final action was taken during the reporting period:		
•Dollar value of recommendations that were agreed to by management		0
•Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		4.2
For which no final action had been taken by the end of the period	3	1.4

Questioned Costs

Resolution Activity: Questioned Costs	Number of Reports	Questioned Costs ($ millions)
For which no management decision had been made as of the commencement of the reporting period (as adjusted)	17	35.2
Issued during the reporting period	20	39.9
Subtotal	37	75.1
For which a management decision was made during the reporting period:		
•Dollar value of disallowed costs*		9.0
•Dollar value of costs not disallowed		10.2
For which no management decision had been made as of the end of the reporting period	28	55.9
For which no management decision had been made within six months of issuance	7	5.0

* DOL Grant Officers also disallowed an additional $300 thousand above auditors' original questioned costs this period.

Closure Activity: Disallowed Costs	Number of Reports	Disallowed Costs ($ millions)
For which final action had not been taken as of the commencement of the reporting period (as adjusted)**	76	35.6
For which management or appeal decisions were made during the reporting period	6	9.3
Subtotal	82	44.9
For which final action was taken during the reporting period:		
•Dollar value of disallowed costs that were recovered		3.0
•Dollar value of disallowed costs that were written off by management		7.3
For which no final action had been taken by the end of the reporting period	72	34.6

*These figures are provided by DOL agencies and are unaudited. Does not include $2.5 million of disallowed costs that are under appeal. Partial recovery/write-offs are reported in the period in which they occur. Therefore, many audit reports will remain open awaiting final recoveries/write-offs to be recorded.

Final Audit Reports Issued

Program Name / Report Name	# of Nonmonetary Recommendations	Questioned Costs ($)
Employment and Training Programs		
Job Corps Program		
Performance Audit of Dynamic Educational Systems, Incorporated Job Corps Center Operator; Report No. 26-09-002-01-370; 06/02/09	4	0
Performance Audit of Adams and Associates, Incorporated Job Corps Centers; Report No. 26-09-003-01-370; 09/30/09	7	0
Workforce Investment Act		
Audit of Workforce Investment Act Data Validation for the Adult and Dislocated Worker Programs; Report No. 03-09-003-03-390; 09/30/09	6	0
Goal Totals (3 Reports)	**17**	**0**
Worker Benefit Programs		
Unemployment Insurance Service		
Recovery Act: States Have Aggressively Implemented the $25 Weekly Supplemental Unemployment Benefit but Some Challenges Remain; Report No. 18-09-004-03-315; 09/30/09	3	0
Federal Employees' Compensation Act		
OWCP's Jacksonville and New York District Offices Need to Improve Monitoring of Re-employment Status of Claimants; Report No. 04-09-004-04-431; 09/29/09	2	0
Service Auditors' Report on Integrated Federal Employees' Compensation System and Service Auditors' Report on the Medical Bill Processing System for the Period October 1, 2008 to March 31, 2009; Report No. 22-09-008-04-431; 09/15/09	0	0
Employee Benefits Security		
EBSA Could Strengthen Policies and Procedures over the REACT Project; Report No. 05-09-005-12-001; 09/30/09	7	0
Recovery Act: EBSA Could Improve Some Aspects of Its Implementation of the COBRA Premium Assistance Provisions; Report No. 18-09-003-12-001; 09/30/09	5	0
Goal Totals (5 Reports)	**17**	**0**
Worker Safety, Health, and Workplace Rights		
Foreign Labor Certification		
OFLC's iCert Processing Controls Need to Be Strengthened to Better Identify Incomplete and/or Obviously Inaccurate Labor Condition Applications; Report No. 06-09-004-03-321; 09/30/09	8	0
Goal Totals (1 Report)	**8**	**0**
Departmental Management		
Office of the Secretary		
Recovery Act: Performance Reporting Creates Challenges for the Department of Labor; Report No. 18-09-002-01-001; 09/29/09	4	0
Office of the Assistant Secretary for Administration and Management		
The Office of the Assistant Secretary for Administration and Management Needs to Strengthen Its Oversight of the Purchase Card Program; Report No. 06-09-003-07-001; 09/03/09	4	0
Office of the Chief Financial Officer		
Procedures for Accounting and Reporting Financial Activity Under the American Recovery and Reinvestment Act of 2009; Report No. 18-09-001-13-001; 08/28/09	0	0
Goal Totals (3 Reports)	**8**	**0**
Final Audit Report Totals (12 Reports)	**50**	**0**

Single Audit Reports Processed

Program Name Report Name	# of Nonmonetary Recommendations	Questioned Costs ($)
Office of the Secretary		
Office of Disability Employment Policy		
Single Audit: Institute for Educational Leadership; Report No. 24-09-571-01-080; 06/04/09	1	0
Single Audit: University of Massachusetts; Report No. 24-09-584-01-080; 07/01/09	1	0
Employment and Training Programs		
Veterans Employment and Training Service		
Single Audit: Maryland Center for Veterans Education and Training, Inc.; Report No. 24-09-583-02-201; 07/01/09	1	0
Single Audit: United States Veterans Initiative; Report No. 24-09-590-02-201; 07/20/09	2	0
Single Audit: Resource, Inc.; Report No. 24-09-599-02-201; 08/19/09	1	0
Single Audit: State of California; Report No. 24-09-613-02-201; 09/10/09	2	0
Employment and Training - Multiple Programs		
Single Audit: State of New Mexico Office of Workforce Training and Development; Report No. 24-09-547-03-001; 04/14/09	5	0
Single Audit: State of New York; Report No. 24-09-550-03-001; 05/07/09	1	0
Single Audit: State of Louisiana; Report No. 24-09-551-03-001; 05/12/09	6	21,215,172
Single Audit: State of Colorado; Report No. 24-09-552-03-001; 05/12/09	5	0
Single Audit: State of Nebraska; Report No. 24-09-553-03-001; 05/12/09	11	5,591,251
Single Audit: State of Florida; Report No. 24-09-555-03-001; 05/19/09	7	0
Single Audit: Commonwealth of Massachusetts; Report No. 24-09-556-03-001; 06/02/09	1	0
Single Audit: State of Utah; Report No. 24-09-557-03-001; 06/02/0910	2	328,961
Single Audit: State of Minnesota; Report No. 24-09-559-03-001; 06/02/09	4	0
Single Audit: State of New Hampshire; Report No. 24-09-560-03-001; 06/02/09	1	0
Single Audit: State of South Carolina; Report No. 24-09-561-03-001; 06/02/09	3	1,078,580
Single Audit: State of Iowa; Report No. 24-09-564-03-001; 06/02/09	1	0
Single Audit: State of North Carolina; Report No. 24-09-566-03-001; 07/15/09	5	0
Single Audit: Land Lake College Community College District 517; Report No. 24-09-577-03-001; 06/18/09	2	0
Single Audit: Young Adult Development in Action, Inc. DBA YouthBuild Louisville; Report No. 24-09-582-03-001; 06/25/09	1	15,780
Single Audit: State of Georgia; Report No. 24-09-592-03-001; 08/24/09	7	0
Single Audit: South Carolina Employment Security Commission; Report No. 24-09-593-03-001; 07/23/09	3	0
Single Audit: Commonwealth of Pennsylvania; Report No. 24-09-601-03-001; 08/24/09	3	0
Single Audit: Michigan Department of Labor and Economic Growth; Report No. 24-09-606-03-001; 09/18/09	4	5,006,009
Single Audit: State of Illinois; Report No. 24-09-608-03-001; 09/28/09	12	4,945
Single Audit: State of California; Report No. 24-09-611-03-001; 09/10/09	5	0
Single Audit: State of Arizona; Report No. 24-09-614-03-001; 09/02/09	3	0
Single Audit: New Mexico Department of Workforce Solutions; Report No. 24-09-615-03-001; 09/02/09	11	0
Trade Adjustment Assistance Program		
Single Audit: State of Indiana; Report No. 24-09-609-03-330; 09/03/09	1	0
Indian and Native American Program		
Single Audit: Denver Indian Center, Inc. and Subsidiary; Report No. 24-09-544-03-355; 04/08/09	2	0
Single Audit: Cheyenne and Arapaho Tribe; Report No. 24-09-546-03-355; 04/14/09	1	0
Single Audit: San Carlos Apache Tribe Workforce Investment Act Program; Report No. 24-09-585-03-355; 07/1/09	2	0
Single Audit: Southern California Indian Center, Inc.; Report No. 24-09-598-03-355; 08/19/09	7	14,013
Single Audit: Wyandotte Nation; Report No. 24-09-616-03-355; 09/03/09	1	0
Senior Community Service Employment Program		
Single Audit: AARP Foundation; Report No. 24-09-594-03-360; 08/19/09	2	858

Single Audit Reports Processed. continued

Program Name Report Name	# of Nonmonetary Recommendations	Questioned Costs ($)
Single Audit: Commonwealth of Puerto Rico Department of the Family; Report No. 24-09-602-03-360; 08/24/09	2	154,618
Seasonal Farmworker Programs		
Single Audit: Commonwealth of Puerto Rico Right to Employment Administration; Report No. 24-09-545-03-365; 04/08/09	2	0
Single Audit: Oregon Human Development Corporation; Report No. 24-09-567-03-365; 08/19/09	2	0
Single Audit: NAF Multicultural Human Development Corporation; Report No. 24-09-569-03-365; 06/10/09	2	0
Single Audit: Kentucky Farmworker Programs, Inc.; Report No. 24-09-579-03-365; 06/22/09	3	0
Workforce Investment Act		
Single Audit: San Diego Workforce Partnership, Inc.; Report No. 24-09-543-03-390; 04/07/09	5	0
Single Audit: Workforce Partnership of Greater Rhode Island, Inc.; Report No. 24-09-549-03-390; 04/24/09	2	0
Single Audit: State of Delaware; Report No. 24-09-562-03-390; 06/02/09	3	3,500
Single Audit: State of West Virginia; Report No. 24-09-563-03-390; 06/02/09	3	0
Single Audit: Workforce Investment Board of Herkimer, Madison, and Oneida Counties, Inc.; Report No. 24-09-572-03-390; 06/11/09	1	0
Single Audit: Goodwill Industries of Central Arizona, Inc.; Report No. 24-09-573-03-390; 06/04/09	1	0
Single Audit: Span, Inc.; Report No. 24-09-574-03-390; 06/18/09	2	0
Single Audit: Workforce Development, Inc.; Report No. 24-09-575-03-390; 06/18/09	2	0
Single Audit: College of Dupage; Report No. 24-09-576-03-390; 06/08/09	1	0
Single Audit: North Central Kansas Technical College; Report No. 24-09-578-03-390; 06/18/09	3	0
Single Audit: Dekalb County, Georgia; Report No. 24-09-580-03-390; 06/18/09	3	0
Single Audit: Crater Regional Workforce Investment Board; Report No. 24-09-581-03-390; 07/14/09	5	0
Single Audit: Chicago Women In Trade; Report No. 24-09-586-03-390; 07/01/09	1	0
Single Audit: Chicago Technology Park Corporation; Report No. 24-09-589-03-390; 07/20/09	2	0
Single Audit: Cincinnati State Technical and Community College; Report No. 24-09-591-03-390; 07/14/09	1	0
Single Audit: Metro United Methodist Urban Ministry; No. 24-09-595-03-390; 08/19/09	2	0
Single Audit: State of Maryland; Report No. 24-09-596-03-390; 07/24/09	1	0
Single Audit: Isles, Inc. and Subsidiaries; Report No. 24-09-597-03-390; 07/24/09	1	0
Single Audit: State of Rhode Island and Providence Plantations; Report No. 24-09-600-03-390; 08/19/09	3	159,333
Single Audit: Commonwealth of Puerto Rico Human Resources and Occupational Development Council; Report No. 24-09-603-03-390; 08/25/09	11	44,340
Single Audit: San Diego - Imperial Counties Labor Council; Report No. 24-09-604-03-390; 08/25/09	2	0
Single Audit: Cobb Housing, Inc.; Report No. 24-09-605-03-390; 08/27/09	1	25,301
Single Audit: The Navajo Nation; Report No. 24-09-610-03-390; 09/02/09	3	113,393
Goal Totals (64 Reports)	**197**	**33,756,054**
Worker Benefit Programs		
Unemployment Insurance Service		
Single Audit: State of Nebraska; Report No. 24-09-548-03-315; 04/15/09	4	0
Single Audit: State of Oklahoma; Report No. 24-09-554-03-315; 06/11/09	1	0
Single Audit: State of Connecticut; Report No. 24-09-565-03-315; 06/02/09	1	0
Single Audit: Government of the United States Virgin Islands; Report No. 24-09-568-03-315; 06/02/09	4	3,095
Single Audit: State of Wisconsin; Report No. 24-09-570-03-315; 06/11/09	2	26,483
Single Audit: Job Service North Dakota; Report No. 24-09-587-03-315; 07/01/09	4	0
Single Audit: State of Nevada; Report No. 24-09-588-03-315; 07/14/09	1	0

Single Audit Reports Processe. continued

Program Name Report Name	# of Nonmonetary Recommendations	Questioned Costs ($)
Goal Totals (7 Reports)	**17**	**29,578**
Worker Safety, Health and Workplace Rights		
Occupational Safety and Health		
Single Audit: State of Minnesota; Report No. 24-09-558-10-001; 06/02/09	1	29,070
Single Audit: Michigan Department of Labor and Economic Growth; Report No. 24-09-607-10-001; 09/18/09	2	6,105,381
Single Audit: State of California; Report No. 24-09-612-10-001; 09/10/09	4	4,053
Goal Totals (3 Reports)	**7**	**6,138,504**
Single Audit Report Totals (74 Reports)	**221**	**39,924,136**

Other Reports

Program Name Report Name	# of Nonmonetary Recommendations	Questioned Costs ($)
Employment and Training Programs		
Job Corps Program		
Notifications of Findings and Recommendations Related to the Federal Information Security Management Act Audit of: Job Corps' General Support System; Report No. 23-09-006-01-370; 09/15/09	9	0
YouthBuild		
Alert Memorandum: Recovery Act: YouthBuild Grantees Have Not Been Informed of the Expanded Population Eligible to Be Served with Recovery Act Funds; Report No. 18-09-005-03-001; 09/29/09	1	0
Senior Community Service Employment Program		
Quality Control Review: Single Audit of the AARP Foundation; Report No. 24-09-006-03-360; 07/01/09	0	0
Bureau of Labor Statistics		
Notifications of Findings and Recommendations Related to the Federal Information Security Management Act Audit of: BLS' National Longitudinal Surveys System; Report No, 23-09-003-11-001, 09/01/09	18	0
Goal Totals (4 Reports)	**28**	**0**
Worker Safety, Health, and Workplace Rights		
Labor Management Standards		
Notifications of Findings and Recommendations Related to the Federal Information Security Management Act Audit of: Employment Standards Administration's Electronic Labor Organization Reporting System; Report No. 23-09-005-04-421; 09/10/09	19	0
Mine Safety and Health		
Notifications of Findings and Recommendations Related to the Federal Information Security Management Act Audit of: MSHA's Mine Accident, Injury, and Employment System; Report No. 23-09-007-06-001; 09/10/09	7	0
Goal Totals (2 Report)	**26**	**0**
Departmental Management		
Office of the Assistant Secretary for Administration and Management		
Notifications of Findings and Recommendations Related to the Federal Information Security Management Act Audit of: Civil Rights Center Title VI/VII Information System; Report No. 23-09-004-07-001; 09/02/09	16	0
Office of the Chief Financial Officer		
Alert Memorandum: Department of Labor New Core Financial Management System Training; Report No. 22-09-014-13-001; 08/21/09	2	0
Alert Memorandum: New Core Financial Management System Cut-over Procedures; Report No. 22-09-015-13-001; 09/03/09	3	0
Notifications of Findings and Recommendations Related to the Federal Information Security Management Act Audit of: OCFO's SunGard Mainframe; Report No. 23-09-008-13-001; 09/10/09	5	0
Goal Totals (4 Reports)	**26**	**0**
Other Report Totals (10 Reports)	**80**	**0**

Unresolved Reports: Over Six Months Old

Agency	Date Issued	Name of Audit	# of Recommendations	Questioned Costs ($)
Nonmonetary Recommendations and Questioned Costs				
OIG Conducting Follow up Work During FY 2010 Financial Statement Audit				
OCFO	3/20/2008	FY 2007 Consolidated Financial Statements Management Advisory Comments: Report No. 22-08-006-13-001	1	0
OCFO	3/18/2009	FY 2008 Consolidated Financial Statements Management Advisory Comments: Report No. 22-09-006-13-001	11	0
Final Management Decision Issued by Agency Did Not Resolve; OIG Negotiating with Program Agency				
MSHA	9/29/2006	Coal Mine Hazardous Condition Complaint Process Should Be Strengthened: Report No. 05-06-006-06-001	1	0
MSHA	3/31/2008	MSHA Roof Control Plan at Crandall Canyon Mine: Report No. 05-08-003-06-001	1	0
ETA	4/29/2008	Selected High Growth Job Training Initiative Grants: Value Not Demonstrated: Report No. 02-08-204-03-390	3	2, 557,887
MSHA	1/9/2009	Complaint Received from the American Coal Company: Report No. 05-09-002-06-001	2	0
EBSA	3/31/2009	EBSA Could More Effectively Evaluate Enforcement Project Results: Report No. 05-09-003-12-001	3	0
Final Management Decision Not Issued by Agency by Close of Period				
OSHA	3/31/2009	Employees with Reported Fatalities Were Not Always Properly Identified and Inspected Under OSHA's Enhanced Enforcement Program: Report No. 02-09-203-10-105	6	0
Final Determination Not Issued by Grant/Contracting Officer by Close of Period				
Job Corps	9/30/2008	Performance Audit of Applied Technology System, Inc. Job Corps Centers: Report No. 26-08-005-01-370	2	678,643
Job Corps	4/1/2009	Performance Audit of Management and Training Corporation Job Corps Centers: Report No. 26-09-001-01-370	6	63,943
OSHA	1/9/2009	Procurement Violations and Irregularities Occurred in OSHA's Oversight of a Blanket Purchase Agreement: Report No. 03-09-002-10-001	3	681,379
Agency Waiting for Guidance from OMB				
Job Corps	3/23/2009	Job Corps' Reported Performance Measures Did Not Comply with All Legislative Reporting Requirements: Report No. 04-09-003-01-370	1	0
Agency Has Requested Additional Time to Resolve				
ETA	9/30/2008	National Asian Pacific Center on Aging: Report No. 09-08-001-03-360	3	182,178
ETA	3/31/2009	Audit of the DOL Earmarked Grants Awarded to the West Virginia High Technology Consortium Foundation: Report No.03-09-001-03-390	6	829,890
ETA	2/27/2009	Single Audit: City of Detroit: Report No. 24-09-541-03-390	3	41,222

Investigative Statistics

	Division Totals	Total
Cases Opened:		174
Program Fraud	132	
Labor Racketeering	42	
Cases Closed:		235
Program Fraud	175	
Labor Racketeering	60	
Cases Referred for Prosecution:		131
Program Fraud	96	
Labor Racketeering	35	
Cases Referred for Administrative/Civil Action:		65
Program Fraud	48	
Labor Racketeering	17	
Indictments:		214
Program Fraud	155	
Labor Racketeering	59	
Convictions:		221
Program Fraud	152	
Labor Racketeering	69	
Debarments:		18
Program Fraud	3	
Labor Racketeering	15	
Recoveries, Cost Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:		$123,116,096
Program Fraud	$95,545,159	
Labor Racketeering	$27,570,937	

Recoveries: The dollar amount/value of an agency's action to recover or to reprogram funds or to make other adjustments in response to OIG investigations	$3,020,430
Cost-Efficiencies: The one-time or per annum dollar amount/value of management's commitment, in response to OIG investigations, to utilize the government's resources more efficiently	$6,032,407
Restitutions/Forfeitures: The dollar amount/value of restitutions and forfeitures resulting from OIG criminal investigations	$112,023,560
Fines/Penalties: The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations	$1,549,465
Civil Monetary Actions: The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, or other penalties resulting from OIG civil investigations	$490,234
Total	**$123,116,096**

OIG Hotline

The OIG Hotline provides a communication link between the OIG and persons who want to report alleged violations of laws, rules, and regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. During the reporting period (April 1, 2009, through September 30, 2009), the OIG Hotline received a total of 1,744 contacts. Of these, 1,256 were referred for further review and/or action.

Complaints Received (by method reported):	**Totals**
Telephone	1,377
E-mail/Internet	168
Mail	139
Fax	55
Walk-In	5
Total	**1,744**

Contacts Received (by source):	**Totals**
Complaints from Individuals or Nongovernmental Organizations	1,668
Complaints/Inquiries from Congress	18
Referrals from GAO	18
Complaints from Other DOL Agencies	16
Incident Reports from DOL Agencies and Grantees	8
Referrals from OIG Components	5
Complaints from Other (non-DOL) Government Agencies	11
Total	**1,744**

Disposition of Complaints:	**Totals**
Referred to OIG Components for Further Review and/or Action	111
Referred to DOL Program Management for Further Review and/or Action	531
Referred to Non-DOL Agencies/Organizations	630
No Referral Required/Informational Contact	488
Total	**1,760***

**During this reporting period, the Hotline office referred several individual complaints simultaneously to multiple offices or entities for review, (e.g. two OIG components, or to an OIG component and DOL program management and/or non-DOL agency).*

Office of Inspector General
United States Department of Labor

Report Fraud, Waste, and Abuse

Call the Hotline

202.693.6999 800.347.3756

Email: hotline@oig.dol.gov
Fax: 202.693.7020

The OIG Hotline is open to the public and to Federal employees 24 hours a day, 7 days a week to receive allegations of fraud, waste, and abuse concerning Department of Labor programs and operations.

OIG Hotline
U.S. Department of Labor
Office of Inspector General
200 Constitution Avenue, NW
Room S-5506
Washington, DC 20210

Office of Inspector General, U.S. Department of Labor
200 Constitution Avenue, NW
Room S-5506
Washington, DC 20210

Report Fraud, Waste, and Abuse by calling or e-mailing
the OIG Hotline
800.347.3756 or hotline@oig.dol.gov