

HIGHLIGHTS

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A Message from the Acting Inspector General

This *Highlights* edition provides a summary of selected noteworthy activities, accomplishments, and concerns that the Department of Labor (DOL) Office of Inspector General (OIG) reported in its Semiannual Report to Congress for the six-month period ending September 30, 2011.

Our audits made significant recommendations regarding vulnerabilities in the Department's programs and operations. We issued 40 audit and other reports which, among other things, recommended that \$677.1 million in funds be put to better use, and questioned \$19.7 million in costs during this reporting period. In addition, our investigations continue to combat labor racketeering in the workplace and fraud against the Department's programs. During the reporting period, our investigative work resulted in 226 indictments, 172 convictions, and \$50.9 million in monetary accomplishments.

We look forward to continuing to work with the Department to ensure that the rights and benefits of American workers and retirees are safeguarded.



Daniel R. Petrole, Acting Inspector General

Selected Statistics

Investigative monetary accomplishments.....	\$50.9 million
Funds recommended for better use.....	\$677.1 million
Outstanding questioned costs resolved during this period.....	\$19.7 million
Audit and other reports issued	40
Indictments.....	226
Convictions.....	172
Debarments.....	35
Investigative cases opened.....	332
Investigative cases closed.....	225
Investigative cases referred for prosecution.....	193
Investigative cases referred for administrative/civil action.....	96

Green Jobs

The slow pace in placing workers into jobs jeopardizes the goals of the Green Jobs Program.

The Recovery Act provided \$500 million for research, labor exchange, and job training projects that prepare workers for careers in energy efficiency and renewable energy - “green jobs.” Our audit of the Green Jobs Program included a review of the status of grant fund expenditures and how they have been used, and the extent to which performance targets for training and placing workers have been achieved. We found that, as of June 30, 2011, grantees’ reported training expenditures were only 29 percent of the amounts awarded, with more than 60 percent of the grant time having elapsed; and non-training expenditures were at 67 percent of the amounts awarded, although 95 percent of the grant periods have elapsed. More telling, the grantees reported meeting only 10 percent of their target goal of participants being placed into employment, and only 2 percent of their target goal of participants retaining employment for at least 6 months. We recommended that the Employment and Training Administration (ETA) evaluate the Green Jobs Program to obtain a current estimate of the funding each grantee requires, to assess the need for the remaining \$327.3 million of unspent grant funds.

Unemployment Insurance (UI)

We conducted investigative oversight of the multi-billion dollar Unemployment Insurance (UI) program, which provides income maintenance to those who are unemployed.

- A former Texas Workforce Commission employee was sentenced to two years in prison and three years’ supervised release, restitution of \$262,909, and 250 hours of community service. While employed as a workforce development specialist, she schemed with several UI applicants by assisting them in filing fraudulent claims, resulting in fraudulent UI overpayments totaling more than \$261,000.
- A former California Employment Development Department (EDD) account technician and a co-conspirator pled guilty for their roles in a scheme to defraud the UI Program. The EDD employee manipulated wage data by fraudulently entering the co-conspirator’s name in a company’s quarterly reports to EDD, which enabled the co-conspirator to file successful claims for UI benefits totaling \$92,826 to which he was not entitled.

Workforce Investment Act (WIA)

Up to \$124 million was spent on training participants who did not obtain training-related employment.

We conducted an audit of training services provided through the WIA Adult and Dislocated Worker programs to determine if ETA had a comprehensive performance accountability system to assess the programs’ effectiveness; the results of training services provided; and if the training services were linked to demand occupations. Our audit found that WIA does not allow ETA to establish any new performance measures apart from the core employment indicators required under the law, thus limiting information on the results of training services included in the WIA performance accountability system that ETA developed. Furthermore, we estimated that up to \$124 million was spent training participants who did not obtain training-related employment in the six states we audited, or information was insufficient to make that determination. Our recommendations to ETA included that it pursue legislative authority to develop performance measures for training outcomes including training-related employment, and to require states to report training costs and funding sources at the participant level.

Foreign Labor Certification

OIG investigations continue to demonstrate that the Foreign Labor Certification process continues to be compromised by attorneys, labor brokers, employers, and others.

- The owners of a software company were sentenced for conspiracy to commit visa fraud, making false statements to the United States, and for engaging in monetary transactions in criminally derived property. Both owners received sentences of three years and four months in prison and three years’ supervised release. The defendants were also ordered to forfeit more than \$2.8 million in proceeds from the fraud.
- The wife of a former DHS official was sentenced to four years in prison and two years’ supervised release for her role in assisting her husband in defrauding the foreign labor certification process. The couple accepted approximately \$425,854 in bribes to falsely petition on behalf of foreign nationals for employment-based visas, charging each applicant up to \$20,000 per petition.

Job Corps

Ineligible students are allowed to enroll in Job Corps.

We conducted an audit to determine whether Job Corps ensured outreach and admissions service providers enrolled only eligible students. We found that more than 8 percent of Job Corps students were ineligible. This occurred because of significant, widespread control weaknesses at both the Job Corps and contractor levels. At this rate, we estimate the amount of potential funds that would be spent on ineligible students over a one-year period could total \$165.1 million. We recommended that Job Corps determine the eligibility of all active students with recorded family incomes over the established income thresholds and take appropriate action; recover program funds spent on ineligible students from outreach and admissions service providers; and develop policies, procedures, training, and oversight to ensure these providers comply with established eligibility criteria and other Job Corps policies for program enrollment.

Job Corps' performance metrics did not always provide an accurate assessment of the program's performance.

We conducted an audit to determine the extent to which Job Corps has metrics in place to assess the program's performance. We found Job Corps had 58 performance metrics in place, but these metrics did not always provide a clear and accurate assessment of the program's performance. We found reporting deficiencies with 22 of the 58 metrics, including 10 with multiple deficiencies. As a result, Job Corps and other decision-makers did not always have complete and accurate performance information on which to base effective decision making. For example, we found Job Corps overstated 42.3 percent of job training match placements. These included placements that were poorly related to the students' training, and placements where students were enrolled in post-secondary education or training rather than jobs. We recommended that Job Corps improve the reliability of its performance metrics; improve oversight of its service providers to increase the number of students who find employment that relates to and utilizes the vocational training received; and develop a process to maximize the value, and assess and manage the risks, of costly initiatives and evaluations to ensure such investments result in meaningful improvements.

Mine Safety Health Administration (MSHA)

MSHA overstated the inspection completion rate for metal and nonmetal mines.

For each of the three years since MSHA implemented its "100 Percent Plan" to ensure completion of all mandatory metal/nonmetal mine inspections by the end of each fiscal year, MSHA reported that it had met this requirement. However, our audit found that MSHA could not demonstrate the appropriateness of the "mine status" it assigned and used to determine the number of required regular safety and health inspections at each mine. In addition, MSHA's policies allowed an "attempted inspection" to eliminate the requirement to complete a regular safety and health inspection at mines that operate on an irregular or less-than-full-time schedule. MSHA policy did not require inspectors who were unsuccessful in their "attempted inspection" to return later and conduct inspections. As a result, MSHA reported an inspection completion rate of 100 percent in FY 2010, yet 5.6 percent of mines received only an "attempted inspection." We made five recommendations to MSHA to make improvements in its metal/nonmetal mine inspection program.

Employee Benefits Security Administration (EBSA)

EBSA action could help ensure implementation and compliance with the Patient Protection and Affordable Care Act (PPACA).

In March 2010, enactment of the PPACA imposed new coverage requirements on ERISA-covered, employer-sponsored group health plans. Our audit of EBSA's implementation of PPACA found that the agency has taken significant actions toward this end, using its authority to issue eight interim final regulations. EBSA received more than 1,900 public comments on these regulations, but has not established a timeline to address them. Among our audit findings were that EBSA needs to review PPACA requirements during health plan investigations and draft a proposed rule as to when persons providing insurance through multiple employer welfare arrangements are subject to State law. We made four recommendations to EBSA to take further action that could help ensure implementation and compliance of PPACA.

Federal Employees' Compensation Act Program

Our investigations in the workers' compensation area focused on identifying fraud by service providers and individual claimants.

- The owner and operator of Advantage Medical Health Care, LLC, was sentenced for his role in fraudulently billing the Office of Workers' Compensation Program (OWCP) and others for millions of dollars for physical therapy treatments that were never provided. He was sentenced to a year and one day in prison, and three years' supervised release, ordered to pay restitution of more than \$2.5 million, and fined \$50,000.
- A former USPS letter carrier pled guilty to theft of government funds for defrauding OWCP. He filed falsified medical travel refund requests claiming mileage for physician and rehabilitation appointments that he did not attend, receiving payments of \$230,861 to which he was not entitled.

Veterans' Employment and Training Service (VETS)

An OIG report detailed improper procurement practices by senior officials at VETS.

An OIG investigation found a pattern of misconduct involving the VETS Assistant Secretary and two other senior VETS officials. Their conduct reflected a consistent disregard of Federal procurement rules and regulations, Federal ethics principles, and the proper stewardship of appropriated dollars. In one example, this pattern of conduct resulted in payments of up to \$700,000 to secure the services of one contractor. These services could have been secured at a lower cost and should have been secured through open competition. The OIG recommended that the Department review the specific procurement actions to determine, what, if any, action should be taken pursuant to the report. The Department responded that it has recently taken several measures to improve safeguards in the procurement process within VETS. The Department has also instituted new procurement procedures for all agency contracting officials. The Assistant Secretary and his Chief of Staff resigned following the issuance of the OIG report.

Labor Racketeering

The OIG has a unique programmatic responsibility to investigate labor racketeering and/or organized crime with respect to unions, employee benefit plans, and labor-management relations. Our investigations continue to result in successful prosecutions, for example:

- Six defendants, who had various associations with the District Council of Carpenters that oversees 10 local unions, were sentenced for their respective roles involving prohibited payments by contractors to union officials. These officials then permitted the abrogation of the collective bargaining agreements by allowing underpayments of contributions to the union-sponsored employee benefit plans, resulting in financial harm to union members. Collectively, more than \$20 million was ordered in restitution and forfeiture during the reporting period.
- The former Governor of Illinois was convicted on 10 counts of wire fraud, two counts of attempted extortion, one count of solicitation of a bribe, two counts of extortion conspiracy, and two counts of solicitation conspiracy. The wire fraud conviction included two counts that he attempted to obtain employment for himself or his wife with a not-for-profit group comprising seven unions that organize campaigns to promote unions' interests, in exchange for appointing someone favored by those unions to a vacant U.S. Senate seat.
- A former administrative assistant and office manager to the South Central Laborers Training and Apprenticeship Fund (SCLTAF) pled guilty to embezzlement from an employee benefit plan. SCLTAF is a welfare plan arrangement which is funded by various union contractors throughout several states. The former employee embezzled approximately \$491,000 for, among other things, purchases of personal items.
- A member of the Genovese Organized Crime family was sentenced to two years and nine months in prison, to be followed by three years' supervised release for his role in a conspiracy to harbor a fugitive who was a captain in the Genovese Organized Crime family. Prior to his capture, the captain was charged and convicted at trial in another OIG case for engaging in 33 years of extortionate control over Local 1235 of the International Longshoremen's Union.