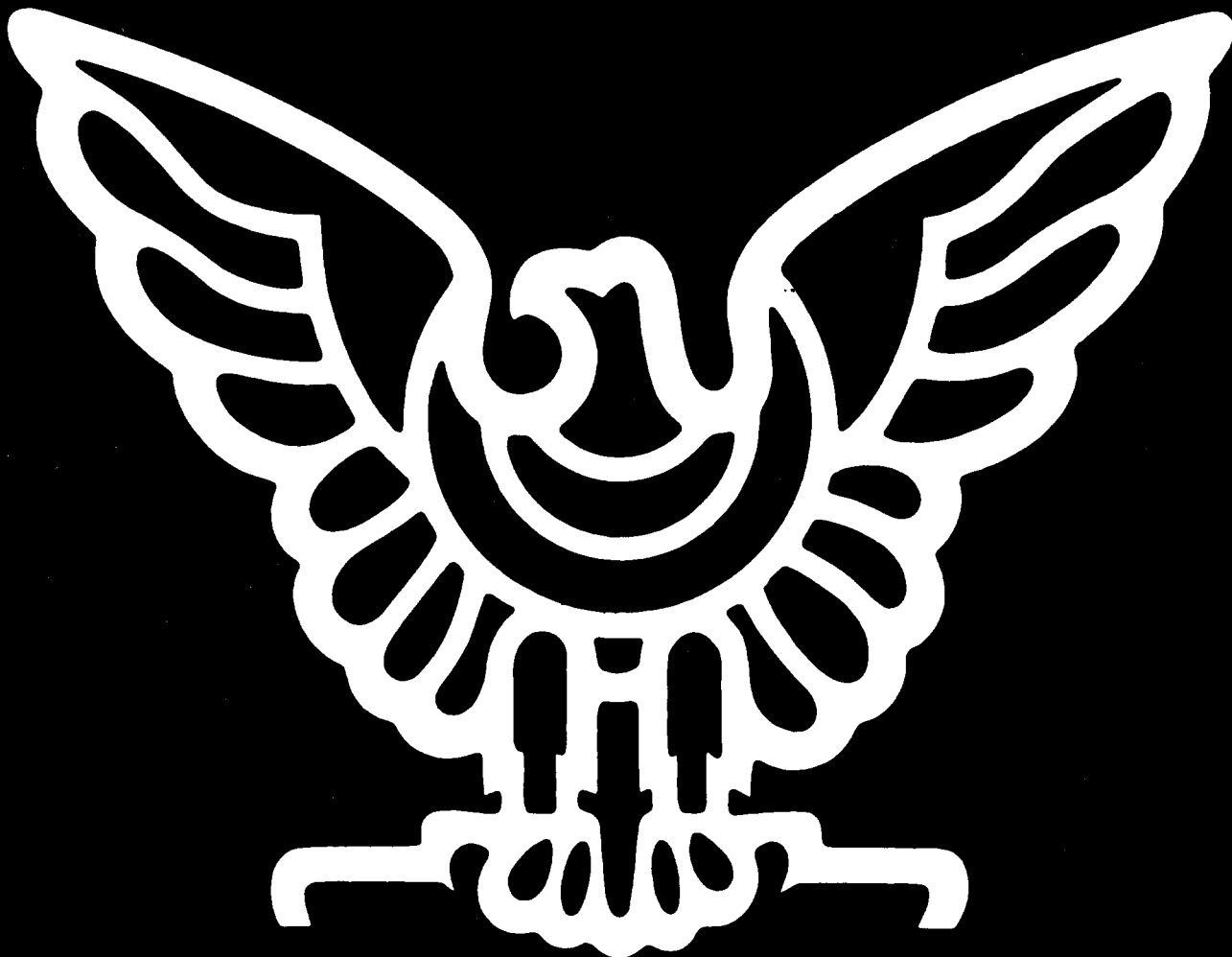


# Semiannual Report of the Inspector General



U.S. Department of Labor  
Office of Inspector General

April 1, 1985-September 30, 1985



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U.S. Department of Labor  
Office of Inspector General  
J. Brian Hyland  
Inspector General

April 1, 1985-September 30, 1985

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## INSPECTOR GENERAL'S MESSAGE

This is the fourteenth semiannual report of the Department of Labor's Office of Inspector General and marks the completion of seven years of operation of this Office since the passage of the Inspector General Act of 1978. I continue to be pleased at the very real progress that this Department has been making in addressing some of the problem areas or issues that we have noted in our prior reports.

I am very gratified with the strong support that I have received from Secretary Brock. In the half year that he has served as Secretary he has demonstrated his concern for good management in the Department and in the operation and delivery of efficient and effective programs. Similarly, I have noted a clear trend by Agency managers and their staffs toward an increased sense of cooperation with my Office.

I am also pleased to see a growing reliance by the Department upon the OIG for not only detecting fraud, but for also providing real technical expertise and skills to the solution of management and operational problems. To further this, we have made a greater effort to focus our audit and investigations work on broad programmatic and management issues, such as some of our initiatives in the Employment and Training and Employment Standards Administrations.

In the management of our own programs, we have placed greater reliance on utilizing ADP tools and techniques to improve our operational efficiency: initiated five-year audit plans; conducted fraud, integrity and labor-racketeering investigations consistent with certain defined priorities; and greatly increased internal coordination of audits and investigations. Clearly cognizant of the resource constraints that government needs to operate within, these efforts are enabling us to increase our impact by better ensuring that each audit and investigation contributes to improvements in the Department's programs.

Despite these improvements in operations, all of us in the Department recognize the need to continue to set new, higher goals and strive to achieve them. I am confident of the continued dedication and fine work of the employees of the Office of Inspector General. That effort has made possible the accomplishments described in this report.

I trust that the information contained in the following pages will continue to be helpful to the Congress, the Secretary, and others who are interested in the efforts of the Department of Labor to detect and control fraud, waste, and mismanagement in its programs and operations.

A handwritten signature in cursive script, reading "J. Brian Hyland". The signature is written in dark ink and is positioned to the left of the typed name.

J. BRIAN HYLAND  
Inspector General

## OVERVIEW

This semiannual report covers the activities of the Department of Labor's Office of Inspector General for the period April 1 through September 30, 1985. Indicative of audit trends are the numerous economy and efficiency findings and recommendations pertaining to the operations of the various Agencies of the Department. Investigations, meanwhile, continued to show strong statistical increases, partially attributable to our success in clustering similar cases for prosecution and in seeking recovery for the cost of investigations from successful prosecutions. Labor Racketeering continues to pursue significant employee pension and health fund embezzlements.

### EMPLOYMENT AND TRAINING ADMINISTRATION

The final audit report on Unemployment Insurance Experience Rating was issued during this semiannual period. Although we discussed the draft report in the previous semiannual report, we believe the subject is worth repeating because of the tremendous external response to the report. Our audit shows that the application of experience rating has declined over time to where 49 percent of the cost of the system in the sampled states has become socialized. Financing UI benefits has shifted from a system based on individual employers' responsibility to a system where all employers share in the costs, regardless of their individual unemployment experience. We recommended that ETA establish an experience rating index, which would reflect the effectiveness of the states' experience rating systems and facilitate monitoring and analysis. (See page 3.)

We continue to strongly support establishment of an Unemployment Insurance quality control system as a means to improve program integrity by accurately identifying and correcting payment errors in the multibillion dollar system. (See page 7.)

In our ongoing review of the Federal share of Unemployment Compensation, we have issued 14 reports to date covering approximately \$1.7 billion of Federal unemployment benefits and have found approximately \$52 million in audit exceptions. (See page 8.)

Followup on potential overpayment cases resulting from a crossmatch of payroll information against unemployment benefit payments shows that \$98,158 out of \$535,011 in overpayments has been collected, to date. (See page 11.)

Findings during a review of the Unemployment Insurance operations in the Kentucky State Employment Security Agency included \$3.1 million in interest earnings, which had not been returned to the UI account. Further, approximately \$932,000 in interest was not earned for the UI account because the State had excessive daily cash balances and a delayed billing cycle. (See page 12.)

As a result of activity by the ETA/OIG Unemployment Insurance Task Force, ETA has agreed to develop a series of alternatives to our original report recommendation that legislative changes are needed to improve cash management. (See page 13.)

Investigation's clustering approach of grouping similar cases for prosecution continued to not only increase the dollar amount of the prosecutions but also demonstrated the more widespread nature of various UI fraud schemes. Because these cases are not isolated, U.S. attorneys increasingly recognize the need for criminal sanctions for the commission of these crimes. (See page 70.)

We also increased our efforts to emphasize civil recoveries and the recovery of investigative costs from individuals who have been successfully prosecuted. (See page 71.)

Within the programs funded by the Job Training Partnership Act, we continued our efforts to provide technical assistance and training in financial management to Indian and Native American and Migrant and Seasonal Farmworker grantees. (See page 15.)

Our investigative work has continued into areas of identified or suspected vulnerability and has been closely coordinated with audit activities. For example, with regard to JTPA verification, our investigators have assisted the audit staff by locating individuals the auditors are unable to find when performing verification. This method has not only provided useful support to Audit, but also provides a source of investigative leads, since fraud is sometimes involved.

In the Job Corps, we found that the organizational structure of the procurement function does not separate contracting authority from program responsibility, which is inconsistent with Federal procurement guidelines and sound internal control practices. (See page 16.)

In the alien certification area, we have discovered fraudulent attempts to obtain alien certification for



employment. As a result of our efforts, alien certification filings have shown a decrease of 60-70 percent, while the withdrawals of applications increased 200 percent. (See page 71.)

#### EMPLOYMENT STANDARDS ADMINISTRATION

A third report on our continuing monitoring of the development of a major new ADP system in the Federal Employees' Compensation (FECA) program was issued during this period. This report focused on omissions and weaknesses in the general functional design specifications for the financial management subsystem. We also found problems with the lack of contractor performance, funding issues, problem resolution issues, and the absence of contingency plans. (See page 19.)

A review of vocational rehabilitation services provided to FECA claimants found the program to be a viable, cost effective method of reducing FECA payments; however, opportunities exist for more effective administration of the program. (See page 24.)

We must again report that regulations are still pending on medical fee schedules and administrative procedures needed to better manage the FECA program and that the Department's proposed legislative package has still not been introduced in Congress. (See page 25.)

In the Black Lung program, we found that 5 of the 127 self-insured coal mine operators were collectively underbonded by \$116 million. (See page 27.) We also report on our support of proposed Black Lung legislation, which would assist in reducing the over \$2.5 billion deficit in the Black Lung Trust Fund. (See page 28.) In addition, we support the departmental plan to eliminate the over 21,000 case backlog of Black Lung benefit claims awaiting hearings. (See page 28.)

In an investigative effort performed in cooperation with program officials to institute a controlled retesting of miners eligible for oxygen related equipment and to verify charges by Black Lung durable medical equipment providers, it was disclosed that 90 per cent of the retested miners were unqualified for benefits and that overpayments to one provider totaled \$2.1 million. (See page 57.)

A survey of the Office of Federal Contract Compliance Program found that the 1978 consolidation of responsibility for Federal contract compliance from 11 Federal agencies

into the Office of Federal Contract Compliance Programs caused structural imbalances which continue to exist today. As a result, there is limited effectiveness in carrying out the mandated mission and functions because of the program's organization and structure, enforcement procedures, and failure to regularly measure results. (See page 29.)

We continued to follow up on corrective action taken to implement our recommendation that undistributed back wages owed to employees for violations of the Fair Labor Standards Act be deposited in the U.S. Treasury as miscellaneous receipts (see page 33) and performed a limited review of the internal controls over back wage payments processed in the Chicago regional office. (See page 34.)

#### DEPARTMENTAL MANAGEMENT

During this reporting period, we completed debt collection audits in the Employment Standards Administration and the Occupational Safety and Health Administration. In both areas we found that collection activities have been slow and significant interest and penalty revenue has been lost on delinquent debts. (See page 36.)

As a result of our previous recommendation that the Department needed to significantly improve its overall management of indirect costs, the Assistant Secretary for Administration and Management formed an indirect cost technical workgroup to address the issues raised in our audit report. (See page 38.)

In reviewing the Department's management of consultant services, we found a weakness in the failure to obtain the required independent review by the Procurement Review Board of certain consultant or related services actions. However, one major reason for this condition is the lack of a clear definition of consultants in OMB guidance. (See page 39.)

An audit of the Department's Working Capital Fund disclosed that the financial statements presented fairly the financial condition of the fund and the results of its operations; however, the evaluation of internal accounting and administrative controls disclosed several areas where improvements were needed. (See page 39.)

#### ADDITIONAL ACTIVITIES

A limited review of the Occupational Safety and Health Administration's New Directions Grant Program found that the

program seems to have excellent results when funding is not prematurely terminated prior to completion of the full grant cycle. (See page 34.)

In the Office of the Solicitor, severe case backlogs created by a lack of sufficient legal staff in the Division of Employee Benefits caused us to inform the Solicitor that this weakness will need to be reported in the annual internal controls certification by the Secretary to the President and Congress. (See page 40.)

As a result of a review of the Department's appellate function, we concluded that improvements are needed in the operations of each organization and that Department-wide changes could further improve the overall effectiveness and efficiency of the function. (See page 41.)

In keeping with past practices to highlight initiatives we believe should receive separate attention in the semiannual report, we discuss a comprehensive OIG approach to planning future audit work in major agency programs. (See page 45.)

In addition, joint endeavors between Audit and Investigations will have a positive impact by employing both disciplines in conducting a review.

We also have improved cooperation with the program agencies -- particularly in the Black Lung and UI areas. As a result, agencies have provided a great deal of assistance in various investigations.

In the area of ADP, we made major strides in meeting the ADP goals set forth in our ADP Master Plan. (See page 79.)

#### LABOR RACKETEERING

Concentration of investigations by the Office of Labor Racketeering (OLR) into employee benefit and pension plans continues to produce significant cases of embezzlement. The cases demonstrate the continuing vulnerability of employee benefit plans. (See page 84.)

Finally, we remain concerned and stress the need for legislative action to grant law enforcement authority for OLR special agents. This authority includes the power to make arrests, administer oaths to witnesses, carry firearms, and execute search warrants. (See page 77.)

## OFFICE OF AUDIT

During this reporting period, 346 audits of program activities, grants, and contracts were issued. Of these:

- 35 were performed by OIG auditors,
- 80 by contract auditors under OIG's direct supervision,
- 64 by state and local government auditors,
- 139 by CPA firms hired by grantees, and
- 28 by other Federal audit agencies.

The 346 audit reports issued during this period consisted of 45 program audits, 93 financial and compliance audits, 6 preaward audits, 13 postaward audits, 8 indirect cost audits, and 181 audits conducted under the provisions of OMB Circular A-102, Attachment P. The Department of Labor was the cognizant agency for 84 of these audits.

The Office of Audit section of this semiannual report is divided into three chapters. Chapter 1 (below) contains information on audit activities in the program areas within the Department. Chapter 2 is a discussion of an initiative we began during this semiannual period that will have a major impact on our audit planning process throughout the Department. Specifically, we are using the audit survey for long-term planning and are reporting on the results of our work in the Office of Workers' Compensation Programs (page 45). Audit resolution during the period is covered in Chapter 3 (page 49). Money owed to the Department is separately reported later in this report followed by the appendix which contains tables on audit activity including audit reports issued and resolved.

### Chapter 1 -- Activities by Program

#### EMPLOYMENT AND TRAINING ADMINISTRATION

The Employment and Training Administration (ETA) administers programs to enhance employment opportunities and provide temporary benefits to the unemployed. This mission is accomplished primarily through employment and training programs authorized by the Job Training Partnership Act (JTPA), the Unemployment Insurance (UI) program authorized

by the original Social Security Act and other Federal laws, and the Employment Service authorized by the Wagner-Peyser Act. For Fiscal Year 1985, ETA's budget authority was \$25.2 billion. Of that amount, \$21.2 billion was for the Unemployment Insurance Trust Fund, and \$3.5 billion was for JTPA programs.

During this reporting period, OIG had significant audit activities in Unemployment Insurance and programs funded by JTPA.

### Unemployment Insurance Program

The Unemployment Insurance (UI) program is a unique Federal-state partnership that was established in 1935 under the Social Security Act (42 USC 501). Under this Federal-state system, each state has developed programs that are adapted to conditions prevailing within its jurisdiction. As a result, no two state laws are alike. The UI program is administered in the 50 states and three other entities (the District of Columbia, Puerto Rico, and the Virgin Islands) by State Employment Security Agencies. Throughout this report, the term "state agency" refers to the 50 states and the three entities.

In Fiscal Year 1985, total unemployment benefits to be paid were estimated at \$15.9 billion.

Activities in the UI program during this period include:

- issuing a final report on UI Experience Rating advocating adoption of an Experience Rating Index,
- continuing to support implementation of a UI quality control effort which we recommended for the UI program,
- issuing additional reports on our review of the Federal share of unemployment compensation in 45 states,
- monitoring the status of a crossmatch on Federal employee/Unemployment Insurance payments,
- reporting on our review of UI and administrative funds in the Kentucky state agency, and
- reporting on the progress of the joint ETA/OIG Task Force established to address UI issues.

## Experience Rating

In our last semiannual report, we reported the completion of our review of experience rating in the Unemployment Insurance system. In August 1985, the final audit report entitled "Financing the Unemployment Insurance Program Has Shifted From A System Based on Individual Employer's Responsibility Towards A Socialized System" was formally issued to the Acting Deputy Assistant Secretary for Employment and Training. Subsequently, the report was issued to the Secretary of Labor.

The review, performed in 12 of the 53 state agencies, was made to determine the degree of experience rating in the states' Unemployment Insurance (UI) tax systems and the effects this relative level of experience rating may have on the UI environment. Unemployment benefits in the states reviewed represented about 35 percent of total benefits paid nationally in 1983. UI programs in the selected states represent a broad range of such factors as experience rating methodology, tax structure, unemployment rate, and geographic distribution.

Background -- The Federal Unemployment Tax Act (FUTA) promotes experience rating. Experience rating is based on the concept that states assign higher or lower tax rates to employers in direct proportion to each employer's experience with layoffs (experience rating). According to the Social Security Board and the Employment and Training Administration, the objectives of experience rating are to promote employment stability and to equitably allocate benefit costs to employers.

Employers in states that have experience rating systems and have received certification by the Secretary of Labor are entitled to tax credits. In the past, all states have been certified regardless of the degree to which their UI program was experience rated.

Types of Experience Rating Formulas -- While there are different methods, all states use formulas to compute experience rates which establish the relative experience of individual employers with unemployment or other factors bearing a direct relation to unemployment risk. Two major methods, reserve ratio and benefit ratio, are used by 44 of the 53 state agencies.

Thirty-two states use the reserve ratio method. This method bases the employer tax rate upon the relationship between total historical benefits paid to former employees, total

historical contributions, and taxable payrolls. Nine of the twelve states audited use the reserve ratio method.

The remaining 12 states use the benefit ratio method. The ratio is computed using benefit payments made to former employees which are chargeable to the employers' account for a specific period of time, usually 3 years, divided by taxable payroll for the same period. This method was used by three of the states audited.

The Finding -- Although Federal law promotes experience rating, evidence collected during our audit shows that the application of experience rating has declined over time to where 49 percent of the cost of the system in the sampled states has become socialized. Financing UI benefits has shifted from a system based on individual employers' responsibility to manage their workforce to a system where all employers share in the costs regardless of their individual unemployment experience.

To illustrate the problem, data reported to ETA from the nine audited states using the reserve ratio method suggest that the amount of effective benefit charges have generally decreased for the 14-year period since 1970. (Effective charges are charges made to employers whose contributions exceed their benefits charged, i.e., positive balance employers.) Effective charges fell by 29 percent from 1970 to 1983. Conversely, ineffective charges increased by 42 percent. These were benefits charged to negative balance (benefits charged greater than tax contributions) or inactive employers or not charged to any employer. In 1983 alone, our calculations show that \$3.1 billion or 49 percent of the \$6.3 billion in total benefit payment costs were socialized costs in the 12 audited states.

Factors Contributing to the Decline -- A major factor contributing to the decline in experience rating was state practices which resulted from an unclear Federal definition of experience rating. Other contributing factors were insufficient data collected by ETA and inaccurate data reported by the states.

Due to the failure to define how experience rating would be measured and the degree of experience rating which would constitute an acceptable level, numerous state practices evolved which eroded the effectiveness of the experience rating concept. These include:

- low maximum tax rates, which account for about 39 percent of socialized costs,

- not charging individual employers' accounts for certain benefit payments, which account for about 17 percent of socialized costs,
- writing-off past benefit charges from the benefit payment history used to set an employer's tax rate,
- using alternate tax schedules (schedules put in place when state UI funds are low), which typically levy the greatest increases in taxes on employers with favorable unemployment experience, and
- using fixed taxable wage bases which did not increase when benefits increased.

Also affecting the decline were data collection practices and procedures. ETA was not collecting data necessary to properly measure experience rating. Reports required by ETA did not include all information necessary to accurately determine the amount of socialized costs. Additionally, information received by ETA from the states was frequently inaccurate and often not reported in accordance with ETA guidelines.

Consequences of the Decline in Experience Rating -- There are indications that the historic decline in the degree of experience rating has had adverse consequences on employer tax equity, control of unemployment costs through employer participation, and employment stability.

- Employers with low unemployment inequitably subsidized employers with high unemployment by \$1.6 billion in the 12 audited states in 1983. Relatively stable industries such as finance, retailing, and services subsidized construction and manufacturing. These latter two industries were responsible for approximately \$3.40 in unemployment benefits paid for each \$1.00 of tax contributions.
- Employers who pay the maximum possible tax rate file fewer appeals than employers whose tax rates can be increased. While experience rating provides an incentive for employers to monitor UI benefit claims and contest improper or fraudulent claims thereby promoting the integrity of the UI system, the maximum tax rate serves as a disincentive for employers to appeal improper payments.
- Low levels of experience rating reduce employer incentives to stabilize employment and contribute to increased overall levels of unemployment.



Recent research literature corroborates the link between experience rating and unemployment.

Although Congress intended to strengthen experience rating in the Tax Equity and Fiscal Responsibility Act of 1982, we estimate the degree of experience rating will be increased only slightly by this change.

**Recommendation --** The primary recommendation of the audit report is to establish an experience rating index based on data provided by the states via a revised experience rating reporting system. This index would reflect the effectiveness of the states' experience rating provisions and facilitate monitoring and analysis.

**External Response to the Report --** The response this report has received from outside the Department of Labor has been tremendous. Since its issuance, we have received dozens of requests for copies, more than for any report in the history of the Office of Inspector General. The response from the business community and public interest groups has been particularly enthusiastic. For example, numerous corporations have expressed an interest in the experience rating issue, many of which are Fortune 500 corporations. In addition, several major business groups, such as the National Association of Manufacturers, the Chamber of Commerce of the United States, the Council of State Chambers of Commerce, and the National Federation of Independent Businesses, are planning "round table" discussions on the issues contained in the report in the near future.

In addition, at their request, we provided briefings to OMB, the Canadian Parliament, the Interstate Conference of Employment Security Agencies (ICESA), and Unemployment Benefit Advisors (UBA), Inc., an organization devoted to research and lobbying unemployment compensation issues for business and industry. In addition, we are currently planning a full briefing for Senate Finance Committee staff.

**Internal Response to the Report --** In response to the draft report issued in May 1985, the Assistant Secretary for Employment and Training indicated that:

Experience rating is a critical element of the UI system, and there is a need for thorough technical and policy review of this subject which has not received sufficient attention in recent years at all levels of government. As a result, the degree

of experience nationwide has declined seriously as has been documented in your report. The time has come for policy officials to focus attention on this issue.

Subsequent to this response, the Acting Assistant Secretary in a June 1985 memorandum stated that "ETA does plan some followup actions, although we do not agree entirely with the findings of the report. We do think additional exploration of the issues it raises is needed."

ETA has commissioned a review of the policy issues regarding experience rating in the UI system. The paper is to be "usable as a background document for an experience rating work group or similar group of policy makers who wish to review the subject and consider policy options."

Conclusion -- The recommendations made in the report are well within the ability of the Department to enact insofar as they relate to revising an existing reporting system and creating an experience rating index from state reports. We believe it is absolutely essential that such an experience rating index be developed at the earliest possible date. We also believe that regular and routine publishing of indices for each state is a necessary prerequisite to effective dialogue between the Federal Government, the state governments, and employers--the three principal parties involved in addressing the experience rating issue.

#### Unemployment Insurance Quality Control Systems

In 1983, this office was instrumental in establishing a joint ETA/OIG Benefit Payment Control Oversight Committee. During the committee's deliberations, OIG strongly supported establishing a quality control (QC) system in UI as a means to improve program integrity by accurately identifying and measuring payment errors so that states could take appropriate corrective action. The UI QC initiative was a primary product of the committee.

State unemployment benefits in Fiscal Year 1984 were \$15 billion. Because of the enormity of this amount, we believe it is absolutely essential that the Department of Labor have an effective control mechanism to assure the integrity of benefits paid to claimants. A UI QC system can fill this vital need.

We understand concerns have been expressed regarding how QC data will be used and whether sanctions will be taken against states with unacceptable error rates. We believe

neither of these concerns should be a major obstacle. It is our position that sanctions are not necessary or desirable. However, we feel that routine publication of QC measurement results will focus attention on the problems, thereby encouraging corrective action.

We continue to strongly support implementation of a QC system as an effective mechanism to meet the Secretary's statutory responsibility to assure the accurate and timely payment of the billions of dollars in annual UI benefits.

### Federal Share of the Unemployment Compensation Program

We are continuing our review of the Federal share of the Unemployment Compensation (UC) program. The Federal share of the UC program is comprised of benefits paid to ex-Federal and ex-military personnel, the Federal portion of the extended benefits program, and benefits originating from the federally funded Federal Supplemental Compensation and CETA Public Service Employment programs.

As reported in our last semiannual report, our objectives in this review are to determine the validity, timeliness, and accuracy of the charges reported by the states to the Department of Labor. We will also determine the accuracy of the chargebacks from DOL to the Federal employing and military agencies whose former employees collected unemployment benefits. Ultimately, we plan to assess the adequacy of the Department's system of controls to ensure that Federal agencies provide timely, accurate, and complete claimant information to states for use in determining benefit entitlement.

We will review 45 state agencies. To date, we have issued 14 reports (9 final and 5 draft). We have audited approximately \$1.7 billion of Federal unemployment benefits and have recommended for disallowance, or identified as questionable costs, approximately \$45 million. This \$45 million is net of approximately \$7 million of unallowable costs already refunded by state agencies. The following paragraphs describe these overclaimed charges.

**Work Search/Suitable Work Extended Benefit Exceptions --** Federal law provides that there is no Federal sharing of extended benefits if the state's UI law does not require extended benefit recipients to accept any offer of suitable employment, to apply for suitable work to which referred by the state agency, or to actively engage in seeking work. We identified two states which had charged the Federal Government for \$20 million of Federal share of extended benefits

when the states did not enforce the "work search and suitable work" provisions required by Federal law.

**State and Local Extended Benefit Charges** -- Eight states erroneously obtained \$7 million in Federal funds for 50 percent of extended benefits paid to ex-employees of state and local governments. Extended benefits paid to former employees of state and local governments are not subject to the Federal share.

**First Week Extended Benefit Payments** -- Federal law provides that, if the state law allows for a compensable waiting week for regular benefits, no Federal share should be paid for the first week on individual extended benefit claims. Five states overcharged the Federal Government by a net \$4.1 million for 50 percent of first week extended benefit payments because the state law did not take this Federal law into consideration. Three of these five states overcharged the Federal share while two states undercharged the program.

**Combined Wage Claims** -- Eleven states overcharged the Federal share of extended benefits on combined wage claims by a net \$2.4 million. Combined wage claims are claims paid by one state based on an individual's wages earned in two or more states. The state paying the benefits bills the other state(s) for their share of the claim and is reimbursed 100 percent of the other states' share of the benefits, including extended benefit charges. Nine of these eleven states claimed the 50 percent Federal share of extended benefits at the time the extended benefit payments were paid, but they did not credit the Federal accounts when the other states reimbursed them. Two of the eleven states did not seek Federal reimbursement for the extended benefit charges reimbursed to other states on combined wage claims.

**Public Service Employment (PSE) Benefits** -- Nine states overclaimed Federal PSE unemployment benefits by \$2.2 million mainly because regular state unemployment benefits were classified as PSE benefits. Eight of the nine states overclaimed while one state underclaimed these benefits.

**Reporting Errors** -- System and clerical errors resulted in an additional \$4.1 million of overreported Federal benefits for various programs.

**Miscellaneous Exceptions** -- Six states had undercharged the Federal Government for a net \$1.4 million in Federal benefit charges for a variety of reasons. The largest exception was one state's undercharging \$1.9 million of UCFE benefits because of computer programming errors.

**Federal Supplemental Compensation (FSC) Benefits --** We identified approximately \$10.5 million in FSC overpayments. During our audit period, an individual's FSC benefit entitlement was determined by the state's insured unemployment rate (IUR). If the state IUR increased, the claimant's FSC entitlement also increased; if the IUR decreased, the claimant's FSC entitlement decreased. These overpayments were mainly caused by the state's failure to timely implement new FSC entitlement levels when the IUR changed and failure to limit entitlements to levels established by law.

**Participant Eligibility --** Three states reported approximately \$40,000 of extended benefits and Federal Supplemental Compensation (FSC) on behalf of ineligible claimants and one state reported extended benefits and FSC benefits of \$3.4 million on behalf of claimants whose eligibility for Federal benefits had not been fully documented.

**Unemployment Compensation for Federal Employees (UCFE) Benefits --** Since January 1, 1981, Federal employing agencies are required to reimburse the Federal Employee Compensation Account in the Unemployment Trust Fund for all UCFE benefit charges based on Federal wages earned after December 31, 1980. The state agencies are responsible for identifying UCFE charges by Federal agency and reporting these charges quarterly to ETA. ETA, in turn, bills the Federal employing agencies, which then reimburse the Federal Employee Compensation Account. We found that 11 states failed to properly charge the Federal employing agencies with \$8.5 million of UCFE charges. One state was responsible for a net \$6.9 million of these undercharges while two states overcharged the Federal agencies. Since the account operates as a revolving fund, failure to charge benefits to the Federal employing agencies results in additional funds being appropriated to ensure that the account has sufficient funds to cover UCFE benefit disbursements.

**Unemployment Compensation for ex-Service Members (UCX) --** Since October 1, 1983, states are required to identify and report UCX benefits by Federal military agency responsible for such benefits. ETA then bills the Federal military agencies, which are, in turn, responsible for reimbursing the Federal Employee Compensation Account in the Unemployment Trust Fund for their share of UCX benefits. One state overcharged these military agencies by \$1.2 million because of a computer programming error.

We recommended that states reconcile total UCFE/UCX disbursements quarterly to the amount of UCFE/UCX charged to

the Federal employing and military agencies. Any UCFE/UCX benefits not charged should be thoroughly documented.

Corrective Action--Resolution and corrective action is proceeding on the reports issued. ETA has issued two final findings and determinations disallowing all \$6.4 million that was recommended for disallowance in these state reports, and the disallowed amount has already been refunded to the U.S. Treasury. In addition, as a result of our audit, one state collected and returned to the U.S. Treasury \$379,878 in FSC overpayments.

#### Federal Employees/UI Crossmatch

As discussed in our prior semiannual report, we matched payroll information for eight participating Federal agencies against unemployment benefit payments in 14 states for the period October 4, 1980, through October 2, 1982. Participating Federal agencies were the Departments of Agriculture, Commerce, Health and Human Services, Interior, Labor, and Treasury (including IRS); the Tennessee Valley Authority; and the Veterans Administration. Participating states were selected based on the number of total and seasonal employees of participating Federal agencies.

We are continuing to follow up with the states and Federal agencies on the overpayment cases submitted. As a result of our audit report, the states declared a total of 954 overpayments, representing \$535,011 in unemployment benefits. Of this total, 528 cases were determined fraudulent, with benefits totaling \$401,884. To date, 427 of the overpayments have had some repayment activity, with a total of \$98,158 being collected. Of the overpayments identified, 281 cases have been totally repaid.

In the Department of Labor, 123 claimants were overpaid \$59,267. Of this total, 41 cases were fraudulent, representing \$31,580. Forty-eight employees have made repayments totaling \$12,058; 15 of the overpayments have been repaid in full.

We have provided state responses to the Federal agencies to assist the Inspectors General in taking appropriate administrative or prosecutive action at the Federal level. Appropriate actions to recover the benefit overpayments, assess penalties, and seek state prosecutions are also being pursued at the state levels in coordination with the Department of Labor. Several of the states and Federal agencies are actively pursuing these corrective actions. However, complete data on actions taken are not available at this

time due to the lengthy process involved in investigating and prosecuting the cases.

The Treasury Department elected to independently review its potential UI overpayment cases. Treasury has provided periodic statistical data to DOL on the progress of its efforts. Based on the information provided, Treasury has initiated 772 investigations and anticipates initiating 16 more. These cases involve \$331,427 in UI overpayments. Of these cases, 304 have been referred for Federal prosecution, and 132 have been accepted. An additional 45 cases have been referred for state prosecution, and 4 have been accepted. Administrative referrals have been initiated or are anticipated in an additional 2,197 cases involving \$500,827 in UI overpayments.

We plan to issue a final followup report summarizing actions taken on all overpayment cases identified in the crossmatch. We will also report on actions taken at the Federal level to prevent or deter future UI overpayments to Federal employees.

#### Review of Kentucky SESA Operations

We reviewed Unemployment Insurance (UI) operations in the Kentucky State Employment Security Agency (SESA). Our review included UI tax operations and benefit payment controls and limited reviews of employment services and administrative funds. We found weaknesses in cash management, field audits, benefit payment controls, and administrative operations.

The State was earning interest through overnight investments of UI funds which were on deposit in local bank accounts. However, the State failed to return interest earnings totaling \$3.1 million to the UI account. As a result of our review, \$1.5 million was returned, and we are recommending that the remaining outstanding interest be returned to the UI account. Further, we estimate that an additional \$614,539 in interest could have been earned in Fiscal Year 1984 had the Agency not maintained excessive daily cash balances in the benefit payment account.

Combined wage claims were not being charged to the employer reserve account. This created a \$58.9 million deficit in another account as of September 30, 1984.

Documentation did not adequately support designation of "reimbursable status" employers. In Kentucky, reimbursable employers do not have to post surety bonds or pay security

deposits; they are exempt from FUTA and, thus, do not share in the cost of administering the UI program. In addition, the Kentucky system allows these employers to avoid payment to cover UI benefits paid to employees for 90 to 120 days. As a result of this delayed billing cycle, the UI Account lost interest earnings of \$318,194 for the period July 1, 1983, to June 30, 1984.

Kentucky utilizes a computerized model crossmatch system to identify potential overpayments. The effectiveness of this system has been minimized because (1) five large employers were excluded from the crossmatch, (2) claimants with less than 4 consecutive weeks of benefit payments were bypassed, and (3) the system was not used to generate second requests to employers who had not responded to initial correspondence. Further, benefit payment recoveries were not properly managed, and repayment agreements were not effectively enforced, even in cases involving legal action.

Various problems were identified in the administrative area:

- Funds totaling about \$1.1 million were expended and/or obligated in excess of total obligational authority for Fiscal Years 1979 through 1984.
- Resources on order were not being effectively controlled and monitored. As of September 30, 1984, resources on order had been overstated by \$435,250.
- A total of \$25,221 in excessive amortization and interest was charged against DOL grants for two state office buildings that had been fully amortized.

The Kentucky Agency provided a positive response to our monetary findings and has corrective action under way in many areas. The Agency also agreed to work with ETA to resolve all administrative findings.

#### Joint ETA/OIG UI Task Force

As discussed in our previous semiannual report, we agreed to establish a joint ETA/OIG task force to develop options for resolution of findings cited in our 1983 national audit of tax and cash management in the UI program. Outstanding audit issues which have not been fully settled remain in the following areas:



- cash management,
- reimbursable employers,
- status determination,
- field audit, and
- delinquency controls.

In this reporting period, the task force met twice. As a result of these meetings, UI agreed to develop a series of alternatives to our original report recommendation that legislative changes are needed to improve cash management. UI contends that legislative changes are inappropriate or infeasible.

On September 30, 1985, we received a copy of an internal UI memorandum which refers to the fact that ETA has independently reviewed the UI tax and cash management operations in 41 of the state agencies and has encouraged states to conform to many of the OIG recommendations. Additionally, ETA indicated that they have established two internal task forces to address the issues. We have requested more detailed information on the corrective actions referred to in this memorandum.

We still believe that an ETA/OIG task force approach is a viable means of correcting outstanding tax and cash management audit issues. However, until we receive reports and documentation supporting corrective actions taken in response to the original audit findings, we cannot consider these issues closed.

### Job Training Partnership Act

#### Grants to States

The purpose of the Job Training Partnership Act (JTPA) is to provide job training to economically disadvantaged individuals, individuals with special barriers to employment, and dislocated workers to assist them in obtaining productive employment. Under Titles II and III of JTPA, the Secretary of Labor grants funds to 57 states and entities that, in turn, distribute funds to service delivery areas. Grants are used for (1) adult and youth programs, (2) summer youth programs, and (3) dislocated worker assistance. Fiscal Year 1985 budget authority for these programs was \$2.9 billion.

We have concentrated our JTPA review efforts on evaluating major components of the JTPA program. As explained in previous semiannual reports, our reviews go beyond the normal, routine financial and compliance audits, which are the responsibility of the states, to evaluations of the economy, efficiency, and effectiveness of operations from a nationwide perspective. For example, a review of participant eligibility will determine the extent to which the program is serving those individuals whom the Act intended, i.e., those persons economically disadvantaged, with serious barriers to employment, or who have been dislocated from their jobs. While field work on this project has been essentially completed, analysis is still in process.

### Special Targeted Programs

Indian and Native American programs are federally administered programs authorized by JTPA. The purpose of the Indian and Native American program is to provide job training to economically disadvantaged, unemployed, or underemployed Indian and other Native Americans. Migrant and Seasonal Farmworker programs provide the same opportunities to migrant and seasonal farmworkers who are unemployed or underemployed in the agriculture industry. In the past, the services offered in these programs have been provided by grantees funded under the Comprehensive Employment and Training (CETA) program. Most of these same grantees continue to provide many of the services under JTPA. Fiscal Year 1985 budget authority was \$62 million for the Indian and Native American programs and \$60 million for the Migrant and Seasonal Farmworker programs.

We have traditionally performed financial and compliance audits for these grantees. However, with the enactment of the Single Audit Act, we will be emphasizing reviews of program results and economy and efficiency. Additionally, our technical assistance and training efforts continue.

**Technical Assistance and Training in Financial Management --**  
In our last semiannual report, we discussed a joint initiative with ETA to provide technical assistance and training in financial management for the Indian and Native American and Migrant and Seasonal Farmworker (MSFW) grantees. Audits of these grantees' programs have historically disclosed weaknesses in financial management systems.

The training for the grantees was two-phased. The first phase consisted of workshops which addressed grantee problems in budgeting, cost allocation, contracting, accounting

systems, internal controls, and eligibility systems. The results of these workshops were discussed in the previous semiannual report.

The second phase of the training for Indians and Native American grantees consisted of onsite visits to 23 selected grantees primarily for technical assistance in accounting systems, financial reporting, eligibility systems, and contracting.

We revisited 10 of the 23 grantees to determine the impact of this assistance. Results of the visits indicated that our efforts improved their accounting systems, produced more accurate and useful financial reports, improved their eligibility systems, and facilitated revision of contracting procedures.

For phase two of the MSFW training, both the grantees and ETA agreed that an additional workshop would be more beneficial than onsite technical assistance visits. The primary focus of this workshop was to prepare grantees for procuring their own audits as required by new regulations. The information provided should assist the grantees in selecting qualified CPA firms to perform the audits and monitoring the auditors' compliance with GAO standards.

### Job Corps

Title IV of JTPA reauthorized the federally administered Job Corps program. The Job Corps provides programs of education, vocational training, work experience, and counseling to disadvantaged youth aged 16-21. The program is designed to assist young individuals who need and can benefit from an unusually intensive program, operated in a group setting, to become more responsible, employable, and productive citizens. Budget authority for Fiscal Year 1985 was approximately \$616 million.

**Procurement** -- Job Corps has made considerable progress in improving its procurement process. However, the organizational structure of the procurement function does not separate contracting authority from program responsibility.

Executive Order 12352, signed by the President on March 17, 1982, ordered reforms in Government procurement. To make procurement more effective in support of mission accomplishment, the heads of executive agencies engaged in the procurement of products and services from the private sector were to establish clear lines of contracting authority and accountability.

On June 30, 1983, OMB issued implementation guidance on the various provisions of this Executive Order. The guidance points out that the events of the past decade, from the recommendations of the Commission on Government Procurement to the issuance of Executive Order 12352, have reinforced the need to recognize the importance of the procurement function.

The guidance further provides that:

. . . program responsibilities and contracting authority are distinct and separate functions. Therefore, in order to establish clear lines of contracting authority and accountability, contracting authority should flow through a clearly defined path or paths in each agency separate from the program missions of the agency.

The implementation guidance emphasized that the independent character of judgments and decisions of the contracting officer must be preserved. OMB Circular A-123, Internal Control Systems, provides that work should be assigned so that no one individual controls all phases of an activity, thereby preventing a situation that permits errors or irregularities to go undetected.

In the current organizational structure of Job Corps, each of the 10 regional directors has contracting as well as program authority. As a result, the potential exists for procurement actions to be unduly influenced by a regional director's subjective impressions of a current or prior contractor's daily program performance.

Although no abuses resulting from this organizational structure have come to our attention to date, the current vesting of both program and contracting authority in the regional directors is not, in our opinion, consistent with Federal procurement guidelines (Executive Order 12352) and sound internal control practices. To improve internal controls and enhance program and contract integrity, we recommended in a September 1985 memorandum to ETA that the Job Corps procurement function be consolidated into the ETA National Office with procurement negotiations conducted by independent contracting officers.

ETA believes that the internal controls established are operating well, provide adequate lines of authority and responsibility, and ensure effective checks and balances. In the absence of any evidence that existing controls are

inadequate, ETA believes it is inadvisable to dismantle the Job Corps procurement system through centralizing the procurement function.

#### EMPLOYMENT STANDARDS ADMINISTRATION

The Employment Standards Administration (ESA) is composed of three program offices: the Office of Workers' Compensation Programs (OWCP), the Wage and Hour Division, and the Office of Federal Contract Compliance Programs (OFCCP).

- OWCP administers three laws providing compensation and medical benefits, primarily for on-the-job injuries and occupational diseases, to civilian employees of the Federal Government, coal miners, and longshore and harbor workers.
- Wage and Hour enforces minimum wage and overtime standards, establishes wage and other standards for Federal contracts, and enforces aspects of other employment standards laws.
- OFCCP administers an Executive Order and portions of two statutes which prohibit Federal contractors from engaging in employment discrimination and require affirmative action to ensure equal employment opportunity.

During this reporting period, in OWCP's Federal Employees' Compensation Act (FECA) program, we continued to monitor the development and implementation of a new ADP system, completed a survey of OWCP's vocational rehabilitation program, and continued to support regulatory reform and proposed legislation. In OWCP's Black Lung program, we completed a review of the self-insured employers program and support legislation to eliminate the deficit in the Black Lung Trust Fund and a plan submitted to Congress to eliminate the current case backlog pending appellate review. We also completed an extensive survey in OFCCP, continued followup in Wage and Hour on our recommendation to require employers to deposit undistributed back wages in the U.S. Treasury as miscellaneous receipts, and performed a limited review of internal controls over back wage payments.

A discussion of our review of ESA debt collection activities is in the section on Departmental Management beginning on page 36.

## Federal Employees' Compensation Program

The Federal Employees' Compensation Act (FECA) is the sole form of workers' compensation available for Federal employees who suffer on-the-job injury or occupational disease. The Department of Labor is responsible for administering the Act, but all Federal employing agencies including the Office of Personnel Management and the Office of Management and Budget influence how effectively it is implemented.

To administer the program for Fiscal Year 1985, FECA had a nationwide staffing level of 928 and a budget of almost \$52.3 million. The appropriation for Federal employees' compensation benefits totaled \$1.08 billion, of which \$879 million represented reimbursements from other Federal agencies' appropriations or revenues. Approximately 45,800 claimants received long-term benefits, and about 1.4 million payments were made in Fiscal Year 1985.

### Federal Employees' Compensation System (FECS) Development and OIG Monitoring Activities

Since early 1984 we have been monitoring the development of the FECS Level II system. Our overall assessment of the Level II development effort leads us to question whether the system will correct program problems, be cost effective, and be implemented within a reasonable timeframe. Following is a comprehensive discussion of the system development and the results of our monitoring to date.

Background -- In 1974, the Division of Federal Employees' Compensation began to develop a comprehensive claims processing support system. A feature of the system was installation of data processing equipment and application software in all district offices. However, initial attempts at operating the contractor-developed application software system were unsuccessful.

After this attempt, the Division initiated a two-phase effort to develop software for a claims processing support system. The first phase, Level I, focused primarily on automating clerical and manual processing activities and was implemented in four stages. The four stages, which were installed from August 1977 through June 1981, included the claimant/case data base, management reporting, bill and compensation payments, and word processing. This system currently processes approximately \$1.08 billion annually in benefits.

**FECS Level II System Development** -- In 1978, with contractor support, the Division began the initial design for the Level II system, the second phase. The objectives of the system are to:

- provide automated support and improved manual procedures for case processing,
- improve productivity and throughput within district offices,
- provide cost avoidance and savings through improved control of administrative costs, benefit disbursements, and benefit recovery, and
- provide more timely and higher quality service to claimants.

Thus far, ESA has obligated \$24.6 million--\$8.9 million for systems development activities performed by the MITRE Corporation from 1978 through 1984 and \$15.7 million for systems development activities performed by Martin Marietta Data Systems (MMDS) from 1984 to the present. The MMDS contract was awarded in January 1984 and entailed life cycle costs of up to \$102 million, assuming exercise of all available options.

ESA has received approval from Congress and OMB for two reprogramming requests to accommodate high front-end costs and comply with GAO financing requirements. Of the \$11.6 million needed in Fiscal Year 1984 for Level II, \$3.4 million was reprogrammed from other program areas; and in Fiscal Year 1985, of the \$11.7 million needed, \$5.2 million was reprogrammed. Funds reprogrammed from other areas account for over 36 percent of the amount needed for Fiscal Years 1984 and 1985. While costs for the contract were shifted from one year to another, the reprogramming has not caused the overall cost of the contract to be materially changed at this time.

In March 1985, ESA suspended progress payments to MMDS until the delays in the project had been remedied and an acceptable level of progress had been achieved and maintained. In June 1985, ESA and MMDS reached an agreement which:

- required MMDS to deliver new baseline design specifications by September 5, 1985,
- extended the implementation schedule for a baseline acceptance test from May 20, 1985, to May 20, 1986,

- provided an additional \$850,000 to MMDS for changes in the original design specifications,
- provided for an upgrade of some equipment and operating system software, and
- changed the liquidated damages provisions of the original contract.

OIG Monitoring Activities -- Since 1981, OIG has issued several audit reports recommending corrective action on problems with case management, fraud and abuse in FECA program operations by claimants and employees, and financial reporting. For example, a recent audit of the Fiscal Year 1983 chargeback billings to Federal agencies for their employees' compensation benefits resulted in an adverse auditor's opinion on the chargeback listings because they were not found to fairly present FECA disbursements and recoveries. In responding to the draft report, OWCP officials advised us that they plan limited corrective action on the current automated Level I system because they believe that the replacement Level II system will correct most of the deficiencies identified by the audit.

OIG has issued three Systems Development Review Reports outlining contractor performance problems, general design problems, and specific weaknesses in the Level II financial management subsystem. The Level II system is designed as a highly integrated system consisting of seven interdependent subsystems and using data base technology. We have concentrated our review efforts on the financial management subsystem. We believe the financial management subsystem forms the backbone for Level II because all financial transactions will be processed, controlled, and reported within the subsystem.

The first report, issued in September 1984, reviewed the functional requirements specifications and contractor performance through August 1984. This report identified problems with (1) the original design specifications and (2) management turnover among MMDS staff. None of the initially negotiated deliverable deadlines, which included the MMDS system design specifications, had been met at that time. ESA officials stated in their response to the report that they had intensified their level of involvement in overseeing contractor design efforts with special emphasis on monitoring quality assurance and control.



The second report issued in March 1985 continued the review process. We again cited problems with contractor performance: (1) excessive MMDS management turnover, (2) the lack of deliverables, and (3) the number of changes initiated by both ESA and MMDS to the original specifications. This report also stated concerns with the schedule for delivering the system design specifications for the financial management subsystem, which was scheduled to be the last subsystem developed.

The third report, issued to ESA officials on September 3, 1985, focused on the December 1984 MMDS subsystem baseline specifications for the financial management subsystem. This report identified omissions and weaknesses that could prevent the subsystem from meeting stated objectives and from providing an accounting system which would meet GAO Standards and the Federal Managers' Financial Integrity Act requirements. Specifically, we reported that the subsystem specifications did not define the following:

- accounting processes of reconciliation and adjusting entries,
- chargeback process,
- debt collection process,
- interfaces (linkages) between subsystems,
- exception criteria/reporting functions,
- bill edits/audits function, and
- bill examination help screen function.

The subsystem specifications also did not fully define the manual disbursements function.

We also reported or reiterated our concerns regarding (1) lack of contractor performance, (2) funding issues, and (3) the absence of contingency plans (to be implemented if Level II proves unsuccessful).

ESA officials initially responded that they believed the new baseline specifications would correct many of the weaknesses. Many of the problems identified were the result of (1) inadequacies of the original document reviewed, which was not approved by ESA as an acceptable basis for further development, (2) the scope of the OIG review, which was

limited to one part of the integrated system, and (3) the identification of weaknesses outside the scope of the contractor's specifications.

On September 5, 1985, MMDS delivered a revised financial management subsystem baseline specification which, in our opinion, provided improved definitions for the interfaces (linkages) between subsystems and the bill examination help screen function. However, the other identified weaknesses remained.

ESA conditionally accepted the system design specifications as a whole. In that acceptance, ESA identified conceptual problems in the financial management subsystem specifications with fee edits, bill processing, recording of debit voucher information, the definition of disbursement data base records, and other areas. All problems identified in the ESA response must be corrected prior to final acceptance.

**Recommendations** -- We recommended that the Deputy Under Secretary for Employment Standards take the following actions:

- ensure that FECA program operations comply with requirements of the Federal Managers' Financial Integrity Act (FMFIA) either through Level II or other alternatives,
- ensure the financial management subsystem design deficiencies identified in our third report are corrected in the contractor's September 5, 1985, baseline design,
- require that a current and realistic cost estimate be prepared for completing the system's design and implementation, and
- develop a contingency plan outlining options, while recognizing the importance of the Level II system and the problems of the Level I system, that do not limit the Department to the current course of action.

**Corrective Actions** -- ESA requested that the Comptroller's Office perform an assessment of the Level II system for conformance with FMFIA requirements and OMB's objectives for financial management systems.

Also, when conditionally accepting the system design specifications, ESA noted several areas in the financial management subsystem that must be corrected. In their response to OIG, ESA officials stated that many of the deficiencies noted in our third report were to be corrected in the MMDS September 5 design submission. However, our brief review of the areas in question showed that only two out of eight areas were improved; the remaining six areas showed little or no improvement.

ESA also provided OIG with cost estimates for completing the system's design and implementation except for the ESA employee costs. Further, with respect to developing a contingency plan outlining options, ESA officials stated that they are prepared to develop a realistic contingency plan should the need arise.

#### Vocational Rehabilitation Program

During this semiannual period, we completed a review of the administration of the Vocational Rehabilitation program. Our review was limited to vocational rehabilitation services provided to FECA claimants. We found the Vocational Rehabilitation Program to be a viable, cost effective method of reducing Federal employees' compensation payments. However, our review did disclose that opportunities exist for more effective administration of the program by strengthening:

- the controls over program expenditures,
- the screening of potential participants,
- the guidelines for reviewing and approving the reasonableness of proposed services,
- the new system for selecting and evaluating private rehabilitation counselors, and
- the system for accumulating and reporting program statistics.

We believe that the corrective actions, when fully implemented, should correct the system weaknesses identified by our review.

## Regulatory and Legislative Reform

Progress anticipated for FECA regulatory and legislative reform during this period has not occurred. Regulations are still pending on medical fee schedules and administrative procedures, and the Department's proposed legislative package has still not been introduced in Congress. These delays continue to impact on the Department's ability to manage the program and on the employing agencies' abilities to manage their FECA responsibilities.

**Medical Fee Schedules** -- Since 1980, the OIG has stressed regulations which would establish maximum medical fees for specific services within geographic regions. Medical fee schedules could result in substantial savings and more consistent payments for the same services to different medical providers. We have reiterated our recommendation in semi-annual reports since September 1981 and testified to Congress in 1981 and 1982 on this matter. In our last semiannual report, we noted that ". . . ESA has informed us that the fee schedules and accompanying regulations should be published in final form by June 1985."

Despite assurances to implement medical fee schedules and the need for such schedules in the Level II system, the schedules have not been adopted. ESA has advised us that some of the comments made on the proposed regulations raised complex questions that had to be addressed before final regulations could be proposed. At the end of this reporting period, the Deputy Under Secretary for Employment Standards had the proposed final regulations for review. ESA now plans for the final regulations to be published and implemented by early Calendar Year 1986.

**Procedural Regulations** -- We have continued to urge publication of these regulations since our September 1983 semiannual report. The regulations would bring about a wide range of needed changes and specifically clarify: (1) responsibilities of employing agencies, (2) the claims filing process, (3) responsibilities for returning injured employees to work, and (4) claimants' reporting requirements.

In our prior semiannual report, we noted that the draft procedural regulations had not been approved by the Deputy Under Secretary for Employment Standards. During this reporting period, the package was "fine tuned" and has been

submitted to the Deputy Under Secretary for approval. Following that approval, the package must still receive departmental approval and OMB clearance before being published in the Federal Register for public comment.

ESA could not provide us with a proposed date for publication.

DOL FECA Legislative Proposal -- Starting with our September 1981 semiannual report, we have supported and stressed the need for the comprehensive FECA legislative proposal developed by the Department. The proposal, first introduced as the Federal Employees' Reemployment Compensation Amendments of 1981, has since been revised. The proposal, designed to apply benefits under the Act more equitably and significantly enhance management of the FECA program, was submitted but not introduced in the 1983 Congress.

ESA is currently assessing the impact two legislative proposals would have on its FECA legislative proposal:

- the Administration's tax reform proposal (the President's Tax Proposals to the Congress for Fairness, Growth and Simplicity) which would tax FECA compensation, and
- the Civil Service Pension Reform Act of 1985 (S. 1527) which would establish a new retirement and disability plan for Federal employees who enter Government service after December 31, 1983.

#### Black Lung Program

The Department of Labor administers Part C of the Black Lung Benefits Act. The Act provides monthly compensation and medical treatment benefits to coal miners totally disabled from pneumoconiosis arising from their employment in or around coal mines. The Act also provides for monthly payments to eligible surviving dependents. Benefit costs are paid by coal mine operators or by the Black Lung Disability Trust Fund if no coal mine operator is liable for payment.

To administer the program for Fiscal Year 1985, Black Lung had a staffing level of 401 and a budget of over \$23 million. The appropriation for the Black Lung Disability Trust Fund for disabled coal miners' benefits totaled almost \$638 million. Approximately 91,000 claimants were expected to receive monthly compensation benefits and an additional 105,800 miners were eligible to receive medical benefits.

## Review of Self-Insured Employers

During this reporting period, we performed a limited scope review to determine whether ESA's Division of Coal Mine Workers' Compensation (DCMWC) was properly administering the portion of the Black Lung Benefits Act which allows certain coal mine operators to be "self-insured." This self-insurance is to cover liabilities that may be incurred as a result of total disability or death of the miners due to pneumoconiosis.

Such authorization requires that all self-insured companies either (1) meet specified indemnity bonding requirements, (2) deposit negotiable securities with a Federal Reserve Bank, or (3) establish a Trust Fund which will pay future black lung benefits to their employees in the event the mine operator goes bankrupt. The principal attraction of self-insurance coverage is lower costs compared to insurance purchased from an insurance carrier.

Our review disclosed that, for the last 4 years, 5 of the 127 self-insured coal mine operators were collectively underbonded by \$116 million. These operators were allowed to retain self-insured status by DCMWC while operating on bonds significantly lower than the most recently computed amounts prescribed. Our review of DCMWC's files and discussions with DCMWC officials led us to believe that, because several of the larger companies had challenged the necessity of such large bond requirements, DCMWC had accepted the bonding levels obtained by the five companies rather than revoking their self-insured authorizations. This was irrespective of the other 122 self-insured companies that complied with DCMWC's prescribed indemnity bonding requirements.

The Associate Director for Coal Mine Workers' Compensation advised us that enforcement of the self-insurance requirements was initially held in abeyance in Calendar Year 1981 for discussions of alternative bonding formulas. Further, new amendments in 1981 to the Black Lung Benefits Act transferred significant liabilities from individual coal mine operators to the Black Lung Disability Trust Fund. The Associate Director further stated that specific coal mine operators affected by the amendments and the effect of the transfer on individual companies' liabilities have now been largely identified.

To prevent the appearance of favoritism and to ensure the payment of benefits by "self-insured" employers, we recommended in a draft report that DCMWC review the bonding levels established for the five companies and either

(1) devise a new bonding requirement formula for all applicants for self-insurance or (2) enforce established or adjusted indemnity bonding requirements by revoking participation in the optional self-insurance program when companies fail to obtain an indemnity bond in the required amount. The Deputy Under Secretary for Employment Standards agreed to implement our recommendations.

### Proposed Black Lung Legislation

The Black Lung Trust Fund was created in 1978 to ensure that the coal industry met its fiscal responsibilities under the Black Lung Benefits Act. An excise tax on coal production was levied to support the fund, but the excise tax has proved inadequate to cover the outlays over the years. As a result, over \$2.5 billion had been borrowed from the U.S. Treasury as of the end of Fiscal Year 1984.

In July 1985, the Deficit Reduction Amendments of 1985 was introduced in Congress. This legislation would temporarily raise the excise tax on coal production and by placing restrictions on future increases in Black Lung benefits. According to ESA projections, the additional tax revenue would halt further borrowing before the end of Fiscal Year 1989 and repay the accumulated debt by the end of this century. We fully support this proposed legislation.

### Black Lung Case Backlog

GAO has estimated that it will take the Department 35 years to eliminate the backlog of Black Lung benefit cases pending appellate review. Currently, more than 21,000 cases are awaiting hearings by administrative law judges with approximately 5,000 cases being added each year.

Based on the findings of a senior level task force, the Secretary has asked for congressional support to implement a 4-year plan to eliminate the backlog of Black Lung benefit cases. The plan calls for productivity improvements in the Department's operations and increased program resources of \$17.7 million and 141 new positions. Under the plan, it is estimated that administrative law judges will be able to dispose of 8,500 cases a year in contrast to the current 5,400. (See also sections beginning on pages 40 and 41.)

We fully support the Department's request for additional funding and staff to eliminate the backlog.

## Office of Federal Contract Compliance Programs

The Office of Federal Contract Compliance Programs (OFCCP) enforces Executive Order 11246, Section 503 of the Rehabilitation Act of 1973, and 38 U.S.C 2012 of the Vietnam Era Veteran's Readjustment Assistance Act. The Executive Order and statutes prohibit employment discrimination by Federal contractors on the basis of race, color, sex, national origin, handicap, religion, or veteran status. In 1978, responsibility for contract compliance was removed from the 11 major Federal Departments and centralized in OFCCP. The new centralized structure preserved most of the 11 departmental program hierarchies.

The program covers approximately 100,000 contractors, 30,000 of which are primary contractors, at any given time. These contractors operate approximately 225,000 facilities employing approximately 31 million people, 14 million of which are minorities and women. Total contract dollars exceed \$100 billion. To administer the programs for Fiscal Year 1985, OFCCP had a staffing level of 964 and a budget of \$46.8 million.

### Survey of OFCCP

During this reporting period, we completed an extensive survey of OFCCP to determine if (1) OFCCP is managing its resources efficiently, (2) the methods and procedures used to accomplish its mission are effective, and (3) the program is achieving its intended results as established by the Congress and the Executive Branch. A draft report was issued to ESA in July 1985 and a final report in September 1985.

We found that OFCCP has had limited effectiveness in carrying out its mandated mission and functions because:

- the organization and structure limit productivity and prevent the efficient use of resources,
- procedures inhibit complete, timely and economical enforcement, and
- results are not regularly measured to determine their impact, if any.

Many of the defects created or magnified by the 1978 consolidation continue to exist. The consolidation caused structural imbalances which continue today and, along with



other weaknesses, have contributed to inefficient operations. Further, a reduction-in-force in 1982 did not eliminate these major organizational and structural weaknesses.

**Organization and Structure** -- Our survey disclosed that OFCCP's organization and structure is impaired by excessive overhead, high grade levels, inefficient field structure, duplication and overlap, redundant layers of review, and inadequate staff time reporting.

OFCCP's organizational structure is top heavy and inefficient because of an excessively high ratio of overhead staff to compliance officers. More of its Fiscal Year 1985 budget (54 percent) and staff (55 percent) went to support this overhead, i.e., management, supervision, technical or clerical support, than went to support enforcement. The national office contributes significantly to the imbalance between overhead staff and compliance officers.

OFCCP has made some attempts to alleviate this situation without any significant success. Although a reorganization of the national office in October 1984 merged two of the four divisions, it did nothing to correct the top heavy structure. This reorganization eliminated only one vacant position, changed no grades, and did not directly affect imbalances in regional offices.

In addition, we found that a number of national and regional staff, none of whom are compliance officers, are at high grades. Approximately 55 percent of national office staff and 54 percent of regional office staff, totaling one third of total agency staff, are at grade GS-13 or above. These high grades consume scarce resources, thereby reducing the number of GS-12 and below staff available for enforcement casework.

In the four smallest OFCCP regional offices--Boston, Kansas City, Denver and Seattle--we found that costly regional superstructures oversee the work of few employees or offices. Yet these four regional offices necessitate fixed costs quite similar to those in the largest regional offices.

We also found duplication of function and overlap of responsibility both within the national office and between the national and regional offices. OFCCP has superimposed redundant layers of review and the direct involvement of the national and regional offices in the decisions regarding individual cases in place of front line manager and supervisor accountability. For example, conciliation

agreements, show cause notices, and administrative complaints go through up to eight layers of review. This increases the cost of enforcement and the time required to resolve cases.

In addition, we found that OFCCP does not account for how many of its employees spend their time. We found that, although time is being reported on staff in area and field offices, there is no effective mechanism to record and analyze staff time information at the regional or national office levels, areas where staff utilization information is most needed.

We recommended that OFCCP:

- reduce significantly staff engaged in managing, supervising, reviewing, and processing the work of others and in performing technical and clerical support,
- revise superstructures in the four smallest regions and collocate offices or designate suboffices where practical,
- reorganize the national and regional offices to eliminate the duplication of field enforcement functions and to reduce staff and grade levels,
- reduce the review of casework within the organization, eliminate mandatory escalation of cases to the national and regional offices, and develop policies which encourage and permit decision making at the lowest possible level, and
- develop and implement a staff time reporting system.

**Enforcement** -- OFCCP procedures hinder complete, timely and economical enforcement. Our survey disclosed (1) an ineffective preaward review system, (2) weak contractor selection process and documentation of selections, (3) an incomplete construction contractor universe, and (4) inadequate tracking and untimely evaluation of contractor progress reports.

The Contractor Preaward Review System, which was designed to prevent the award of Federal contracts for \$1.0 million or more to contractors who discriminate or fail to take affirmative action, does not do so. Further, the two systems OFCCP currently uses to select contractors (construction and nonconstruction) for compliance reviews do not adequately

guide managers in selecting contractors with low minority and female utilization rates. Current OFCCP regulations and procedures permit identification of only a small portion of the construction contractor universe. This severely limits OFCCP's ability to enforce equal employment opportunity requirements within the construction industry, and the lack of a common employer identifier prevents automated crossmatching of OFCCP's data bases.

Procedures do not assure either the timely evaluation of or followup on corrective action reports from contractors. Further, followup action was not taken on those contractors who did not file or filed late corrective action reports.

We recommended that OFCCP:

- eliminate the preaward review process and redirect resources to enforcement activities,
- strengthen the contractor selection systems,
- take action to enlarge the universe of construction contractors and use a common identifier, and
- establish national guidelines for tracking contractor progress reports and enforce prompt followup action with contractors.

**Assessing and Reporting Program Results** -- Our survey found that OFCCP does not attempt to regularly (at least annually) measure or report on the results obtained with program funds. As a result, no one can regularly evaluate the effectiveness of the Federal Contract Compliance Programs. In the absence of hard data showing program results, OFCCP management has traditionally published a variety of staff productivity statistics in an effort to imply from these that there has been some success in achieving Executive and Congressional goals.

We recommended that OFCCP develop a system which will produce regular reports documenting the reductions in discrimination and increases in affirmative action resulting from OFCCP efforts.

**ESA Response** -- The Deputy Under Secretary for Employment Standards responded to our draft report that ESA is in agreement on many issues and concurred with many, but not all, of our findings. ESA has long been aware of certain deficiencies and had already begun taking corrective actions in a number of critical areas, such as reducing excess overhead and overgrading. The Deputy Under Secretary stated

that changes were also under way in other areas determined to have some organization and structure problems. Also, other findings are being reviewed to determine what further corrective actions may be required.

The Deputy Under Secretary and the new Director of OFCCP have established a task force, including representation from OIG, with an aggressive timetable to analyze the findings of our survey and identify corrective actions. The task force has translated our findings and recommendations into 13 issues organized under personnel, operations, contractor selection, and evaluation. Workgroups have been organized to review our findings and recommendations, determine corrective actions taken to date, and recommend specific additional corrective actions to be implemented by management. ESA anticipates completing this work by mid-November 1985.

### Wage and Hour Division

The Wage and Hour Division is responsible for administering a wide range of labor standard laws, including the Fair Labor Standards Act--the country's principal minimum wage and overtime standards law. To administer the program for Fiscal Year 1985, Wage and Hour had a staffing level of 1,506 and a budget of \$73.7 million.

### Followup on Wage and Hour Recommendation

In April 1980, we issued a report on selected operations of the Wage and Hour Division. We found that, in administratively closed cases, employers were allowed to retain undistributed back wages that were owed to employees for violations of the Fair Labor Standards Act. We recommended that ESA revise its policy to require that the Wage and Hour Division assist employers in locating their former employees and, if unsuccessful, that the undistributed back wages be deposited in the U.S. Treasury as miscellaneous receipts.

In 1984, we followed up and found that ESA had not implemented our recommendation. We estimated that employers were allowed to retain about \$4 million in undistributed back wages in Fiscal Year 1982. Since our original report was issued 5 years ago, the cumulative potential loss of back wages to the employees or the U.S. Treasury is now approaching \$20 million. Moreover, we believe the policy of allowing employers to retain unpayable back wages acts as an economic incentive for employers not to adhere to the Fair

Labor Standards Act, particularly since they face no penalties for violating the Act with respect to the unlocated employees.

In our last semiannual report, we reported that the Deputy Under Secretary for Employment Standards had agreed to develop and implement a policy to eliminate the economic incentive for noncompliance by establishing criteria that would require certain employers to submit unpayable back wages into the U.S. Treasury. We further reported that the criteria would be based on a number of factors, including the number of employees and total back wages involved and the compliance officer's opinion regarding the employer's good faith efforts.

In October 1985, instructions were issued for compliance officers to advise employers of the new policy for depositing back wages due unlocated employees (and employees who refuse to accept payment) into the U.S. Treasury as miscellaneous receipts where specific criteria, such as cost effectiveness and feasibility, are met.

#### Review of Internal Controls Over Back Wage Payments

During this reporting period, we also performed a limited scope review of the internal controls over back wage payments processed by the Wage and Hour Regional Office in Chicago. Our review disclosed a need to strengthen the internal controls over the disbursement/processing of back wages for ex-employees due back wages. By strengthening the internal controls, Wage and Hour can reduce the opportunity for fraudulent back wage disbursements. Wage and Hour agreed with our recommendations.

#### OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

The Occupational Safety and Health Administration (OSHA) is responsible for administering the Occupational Safety and Health Act of 1970. The Act was passed to assure safe and healthful working conditions and to preserve our human resources. To accomplish its mission OSHA promulgates occupational safety and health standards and enforces compliance by inspecting places of employment. To administer the programs for Fiscal Year 1985, OSHA had a nationwide staffing level of 2,323 and a budget of almost \$220 million.

A discussion of our review of debt collection in OSHA is in the section beginning on page 36.

During this reporting period, we evaluated the extent to which OSHA's New Directions Grant Program has progressively increased grantee financial participation in occupational safety and health programs.

New Directions grants are awarded annually with renewal possible for up to 5 years. Annual grants are generally modest, with the grant recipients expected to contribute some of their own funds to projects. Each year the recipient is expected to increase its share of funding as OSHA decreases its grant award with the idea that the grantee will assume total funding for the program by the end of the 5- to 6-year grant cycle.

We reviewed eight grantees that had completed the full grant cycle, i.e., 5 or 6 years. We found that all these grantees had assumed financial responsibility for occupational safety and health programs when Federal funding ceased. In addition, we surveyed 23 grantees that had not completed the full grant cycle for various reasons. Of these, only three grantees continued to use their own funds for occupational safety and health programs.

We concluded that the New Directions Grant Program seems to be having excellent results when funding is not prematurely terminated prior to completion of the full grant cycle. Accordingly, we did not make any recommendations.

OSHA agreed with our conclusion and plans to use our survey results in restructuring the program for a new round of grantees in Fiscal Year 1986.

#### DEPARTMENTAL MANAGEMENT

Departmental management refers to those activities and functions of the Department involving the formulation and implementation of policies, procedures, systems, and standards to ensure the efficient and effective operation of administrative and managerial programs. The Assistant Secretary for Administration and Management is charged with providing this oversight responsibility.

During this reporting period, we continued to review the Department's effectiveness in implementing Reform '88 initiatives in three areas: (1) debt collection, (2) procurement, and (3) financial management.

## Debt Collection

During this reporting period, we completed debt collection audits in the Employment Standards Administration (ESA) and the Occupational Safety and Health Administration (OSHA) and issued three draft reports. The objectives of the reviews were to evaluate ESA's debt collection activities in the Black Lung and Federal Employee Compensation Act (FECA) programs and OSHA's implementation of the Debt Collection Act of 1982, including the assessment of interest, penalties and administrative costs on debts owed to the Department.

Our review of ESA's debt collection activities disclosed the following:

- Debt collection has been excessively slow for both FECA and Black Lung. In 82 percent of the cases examined in FECA and in 40 percent of the cases examined in Black Lung, inordinate delays occurred in identifying and establishing debts, notifying debtors, and issuing demand letters.
- Substantial interest and penalty revenue has been lost on the delinquent debt because of excessive delays in notifying debtors that these charges would be assessed.
- The lack of adequate internal controls and non-compliance with FECA and Black Lung systems of accounting and reporting has resulted in inaccurate and unreliable records and reporting on delinquent debt.
- Black Lung's failure to promptly reduce, suspend, or terminate claimant benefits on a timely basis resulted in about \$3 million of self-generated overpayments.

We recommended that ESA:

- aggressively pursue debt collection through promptly identifying the debt, notifying debtors, and issuing demand letters to avoid loss of interest and penalty revenue,
- ensure adequate internal controls as well as compliance with established accounting and reporting procedures, and
- incorporate FECA and Black Lung procedures in future accountability reviews to check on whether

the deficiencies noted in the reports have been corrected.

In response, ESA has issued instructions for district offices to follow in assessing interest, penalties, and administrative costs on delinquent debts. This includes manually calculating interest for Black Lung debts until the automated accounting system is fully operational. ESA also agreed to verify in future internal accountability reviews that deficiencies identified have been corrected.

In OSHA, we found the following:

- OSHA needs to accelerate its current efforts in implementing the major initiatives of the Debt Collection Act, including ensuring that OSHA's upcoming planned implementation dates are met.
- Aggressive debt collection procedures were not followed and debts were written off without adequate justification in 34 percent of the cases reviewed.
- Significant interest and penalty revenue has been lost on the delinquent debt because of excessive delays in notifying debtors that these charges would begin to be assessed.
- The amount of the debt owed to OSHA was overstated by \$5.3 million in reports to OMB because of poor accounting controls.

We recommended that OSHA aggressively pursue debt collection through timely issuance of demand letters, use of third party collection agencies and credit reporting, and prompt referral of delinquent debts to the Solicitor's Office prior to write-off. To ensure corrective action, we also recommended that OSHA incorporate procedures in their future vulnerability reviews to verify that the deficiencies cited in this report have been corrected.

At the exit conference, OSHA basically agreed with our findings and recommendations and indicated that (1) debtors were notified of interest provisions in August 1985, (2) interest, penalties, and administrative costs will be assessed beginning in October 1985, and (3) delinquent debtors will be referred to collection agencies beginning in November 1985. By March 1987, OSHA plans to have its Integrated Management Information System fully operational in all 72 area offices. This will enable OSHA to manage the debt collection activity more effectively and efficiently.



## Procurement

OIG continued to review the Department's efforts to improve procurement operations. During this period, we reviewed (1) the Department's management of indirect costs, and (2) consultant services.

### Management of Indirect Costs

As indicated in our last semiannual report, OIG reviewed the Department's management of its stewardship of indirect cost plans. We noted that the Department had not efficiently or effectively managed an estimated \$250 million of indirect cost payments made to grantees and contractors. We concluded that the Department needed to significantly improve its overall management of indirect costs. For example, the Department made premature, improper, unnecessary, or unsupported payments of at least \$30.5 million during Fiscal Years 1979 through 1983, much of which was due to grantees not preparing cost allocation plans and not documenting indirect costs charged to the Federal grants.

We recommended that the Assistant Secretary for Administration and Management assemble a multidisciplinary task force to develop alternative management approaches to overcome the deficiencies identified in our audit. As a result, an indirect cost rate project workgroup was convened to address the issues raised in our audit report.

The workgroup outlined and fixed responsibilities to improve the management of indirect costs. The following major areas have been identified and are in various phases of implementation:

- establishing the Procurement Executive as the central control point for the management of indirect costs and preaward audits,
- revising indirect cost policies and responsibilities,
- providing feedback to procurement offices on recipients who are delinquent in submitting indirect cost proposals, and
- coordinating requests for and receipt of audits from the Defense Contract Audit Agency, Office of Inspector General, Office of Cost Determination, and contracting/grant offices.

Management's immediate actions indicate a commitment to improving the indirect cost process. We believe the proposed actions, when fully implemented, will greatly strengthen the management of indirect costs.

### Consultant Services

We completed a review of the Department's activity in awarding consultant service contracts and on the accuracy of reporting to the Federal Procurement Data System during Fiscal Year 1984, as required by Public Law 97-258.

We found that management has generally made a good effort to comply with departmental policy in the awarding and reporting of consulting and related services actions. However, management controls are not consistently implemented. The most significant weakness was the failure to obtain the required independent review by the Procurement Review Board of certain consultant or related services actions. We found that 82 of the 96 actions sampled (amounting to \$2.5 million) had not been reviewed by the board.

One major reason for this condition is the lack of a clear definition of consultants in OMB Circular A-120. However, we understand that OMB has drafted an Executive Order clarifying the use of consultants and is revising OMB Circular A-120 to include a detailed definition of consultants as well as other specific guidance.

The Procurement Executive agreed to implement the following recommendations: (1) issue clarifying examples to aid in the correct classification of consulting and related services awards based on revised OMB guidance, and (2) review and update departmental policy on consultant awards.

### Financial Management

We completed a financial audit of the Department's Working Capital Fund for the 2-year period ending September 30, 1983. The Working Capital Fund is a revolving (no-year) fund which operates on the basis of incurring expenses for services and recovering these expenses by billing recipient organizations. Total expenditures for Fiscal Years 1982 and 1983 were \$50.5 million and \$58.8 million, respectively.

The audit disclosed that the financial statements presented fairly the financial condition of the Working Capital Fund and the results of its operation. However, the evaluation

of internal accounting and administrative controls disclosed several areas where improvements were needed.

Major findings were as follow:

- The Working Capital Fund is being operated on an obligational basis rather than a cost reimbursable basis as required by legislation and GAO fiscal procedures.
- The property and accounting records need reconciling.
- The General Ledger Expenditures Account and Budget Activity Reports were out of balance.

The Comptroller implemented all of our recommendations except converting the Working Capital Fund to a cost basis. However, as a result of recent meetings with OMB, permission was granted to begin operating the Working Capital Fund on a cost basis beginning Fiscal Year 1988. The action taken by management should improve the operation of the Working Capital Fund and ensure more accurate financial records.

#### OFFICE OF THE SOLICITOR

The Solicitor's Office (SOL) is responsible for all legal activities of the Department and serves as legal advisor to the Secretary of Labor. In conjunction with the Justice Department, it litigates cases under various enforcement programs in administrative proceedings and the U.S. Court system. The staff defends departmental officials and interests in legal proceedings and various workers' compensation and damage claims. Legal responsibilities include independent reviews of legal decisions ensuring legal sufficiency of departmental orders, regulations, written interpretations, and opinions.

At the beginning of this semiannual reporting period, we issued a report to the Solicitor on the vulnerability in the Division of Employee Benefits. We found that the Solicitor had not assigned sufficient legal staff to the Division to handle its mandated responsibilities in four program areas:

- Longshore and Harbor Workers' Compensation Act,
- Federal Employees' Compensation Act,

- Black Lung Benefits Act, and
- Federal Tort Claims Act.

Severe case backlogs exist. For example, in the Black Lung program 21,000 cases are currently awaiting hearings by administrative law judges, and 6,000 appeal cases are pending review by the Benefits Review Board. In the Federal Tort Claims area, there are 50,000 asbestosis claims and 7,000 third-party FECA subrogation claims awaiting review. Moreover, insufficient legal representation is being provided to client agencies causing some benefit denial determinations to be reversed upon appeal, resulting in additional benefit payments.

We informed the Solicitor that this significant management weakness will need to be disclosed this December in the annual internal controls certification by the Secretary to the President and Congress. This annual certification is required by the Federal Managers' Financial Integrity Act and includes whether the weaknesses have been corrected or require further corrective actions.

The Solicitor has taken steps to increase staff resources in the Division of Employee Benefits. Junior attorneys, legal interns, and paralegals were hired to expedite the processing of claims, and 22 temporary attorney positions were authorized. As noted on page 28, a plan has been submitted to Congress for funding to eliminate the Black Lung backlog. This would include 16 permanent attorney positions in FY 1986 and 12 attorneys in Fiscal Year 1987.

Although we support the action to eliminate the Black Lung backlog, we continue to be concerned about the need for additional legal staff to enable the Division to properly carry out its mandated responsibilities in the other three program areas as well. As noted above, in just the Federal Tort Claims area, there are 50,000 asbestosis claims and 7,000 third-party FECA subrogation claims pending.

#### OFFICE OF THE SECRETARY

##### Appellate Reviews

The Department's appellate function is responsible for conducting formal hearings and rendering decisions on claims

filed under various acts and executive orders. DOL has four organizations with appellate responsibilities:

- Benefits Review Board (BRB), which decides primarily Black Lung and Longshore appeals,
- Employees' Compensation Appeals Board (ECAB), which decides Federal Employees' Compensation Act appeals,
- Office of Administrative Appeals (OAA), which reviews appeals under several programs including the Job Training Partnership Act, Office of Federal Contract Compliance, and Service Contract Act, and
- Wage Appeals Board (WAB), which decides appeals under the Davis-Bacon Act and related statutes.

We reviewed the operations of the four appellate organizations and compared appellate management at the Department of Labor with that at the Department of Interior and the Social Security Administration because of similarities in the programs administered. The reviews were performed to determine whether:

- DOL's appellate responsibilities are being met,
- resources are being used effectively, and
- the appellate responsibilities should be consolidated.

We concluded that improvements are needed in the operations of each organization and that Departmentwide changes could further improve the overall effectiveness and efficiency of the appellate function.

We found that DOL's appellate responsibilities are not always being adequately met. For example, BRB has a backlog of 7,000 cases with long delays in disposition. For Black Lung appeals, the Board took an average of 2.5 years to issue a final disposition. (For additional information on the backlog of Black Lung cases, see pages 28 and 40.) OAA does not have an adequate case tracking system, which is critical for ensuring disposition of appeals within regulatory time limits.

Resources could be used more effectively to raise productivity, eliminate overstaffing and other organizational inefficiencies, and improve management reporting systems. Further, collocation could eliminate the space problems of

the appellate organizations and provide savings through sharing administrative support services such as libraries, computer systems, copying facilities, and conference rooms.

Consolidation of OAA and WAB, which were administratively established, should result in better Secretarial oversight, reducing the potential for conflict of interest, better resource utilization, and improved case management. What appears to be a lack of independence in the adjudicatory process created by OAA's placement as a component of the Solicitor's Office could be eliminated by moving OAA under the Office of the Secretary.

Consolidation of all the appellate functions into a single organization with an administrative head could streamline Secretarial oversight and further improve resource utilization. However, the feasibility of management action hinges on legislative changes and policy decisions on current operations and resource requirements.

In our draft reports, we made specific recommendations to the heads of each appellate organization to improve their organization's efficiency and effectiveness. We also recommended that the Secretary consider (1) collocating all four appellate organizations, (2) establishing an Administrative Appeals Board within the Office of the Secretary by consolidating the OAA and WAB, and (3) consolidating the appellate functions into one departmental appellate organization with an administrative head.

The Chairmen of the Boards and the Director of the Office of Administrative Appeals agreed to take corrective action on recommendations in the following areas: (1) evaluating performance standards, (2) eliminating case backlogs (BRB just expanded its staff by hiring additional attorneys which will increase case dispositions from 2,400 in Fiscal Year 1985 to 4,200 in Fiscal Year 1986), (3) evaluating space requirements, (4) evaluating resource needs and workload, and (5) improving management information systems. Additionally, the Director of OAA agreed to work toward the transfer of OAA to the Office of the Secretary.

All of the appellate organizations have raised a number of concerns about consolidation into a single unit. These concerns will have to be addressed by the Secretary.

## Chapter 2 -- Using the Audit Survey for Long-term Planning

### Background

In the past two semiannual reports we have highlighted in this chapter issues we believe should receive separate attention. In our report a year ago, we discussed what we believe to be conflicting and confusing requirements for administration of Federal grants. Six months ago, we highlighted significant corrective actions that had taken place by DOL management on audit findings during the reporting period. During this reporting period, we began another initiative that we believe will have a major impact on our audit planning process.

We believe that a comprehensive OIG approach is necessary in planning future audit work in major agency programs. Such an approach will assist the Department in bringing about corrective actions by involving program managers in the audit planning process by informing them of operational areas which have been targeted for review and improvement. To accomplish this, we will use the audit survey as the first step in the audit planning process. The survey is intended to gather information on the program or activity being examined and is used to identify areas for further audit work and to assist in planning this work. The survey is an effective way to apply scarce resources where they will have the most impact.

For example, we used the audit survey during this reporting period to develop a long-term workplan in the Office of Workers' Compensation Programs (OWCP) of the Employment Standards Administration. The workplan, which has been issued in draft to ESA, is described below. Surveys are also being conducted in the Employment and Training Administration, Mine Safety and Health Administration, Occupational Safety and Health Administration, and the Pension and Welfare Benefit Programs to develop long-term plans for audit work.

Additional information on OWCP may be found beginning on page 19 of this report.

## OWCP 5-Year Audit Plan

### Objectives

The objectives of our survey project in OWCP were to:

- identify and coordinate OIG resources more effectively,
- determine how the OWCP components interacted,
- identify common administrative support systems, and
- determine what ongoing audit and investigative efforts addressed major problem areas in OWCP.

From the results of the survey, we found five major areas that warrant audit and investigative attention. However, because each area will require the commitment of a large number of audit resources, we formulated a plan to consistently commit these resources over time, in this case, 5 years.

### Plan Organization

Each year the workplan will contain a major initiative. The majority of projects started in that year will be the result of this major initiative. The deliverables for each year will be comprised of completed projects which were started in prior years as well as projects being completed for that year's major initiative. Certain factors, such as our consulting role, automation, and Reform '88 initiatives, will be present throughout the next 5 years.

Our approach will be coordinated throughout OIG and with the program agency. The strategy, goals, and priorities will be clearly stated and incorporated into our annual workplan. Projects will be proposed and approved on a priority basis, using the following factors: OWCP magnitude, audit/program review history, current congressional interest, management interests and concerns, and issues affecting several OWCP programs.

We plan to hold periodic meetings with OWCP management to discuss our plan and actively seek management's input. We recognize that, as a result of both our periodic meetings with OWCP and our own planning process, the plan will change as events warrant. In addition, we will coordinate with congressional staff, OMB, GAO, and other departmental organizations.



Throughout the next 5 years, OIG will continue to monitor and provide technical assistance to OWCP on their ADP efforts and implementation of Reform '88 initiatives. In particular, OIG monitoring of the Federal Employees' Compensation System Level II will remain a priority. (See page 19.)

### Planned Activities

The planned initiatives for each fiscal year follow:

**Timeliness and Quality of OWCP Services (starting in Fiscal Year 1985 through 1986)** -- We will concentrate on improving the timeliness and quality of OWCP services with particular emphasis on the Federal Employees' Compensation Act (FECA) program. The review of FECA operations will be designed so that we can use a single sample of cases and transactions for several different studies, such as comparing the procedures for processing traumatic injuries to the procedures used to process non-traumatic injuries.

**Administration of Private versus Federal Workers' Compensation Programs (starting in Fiscal Year 1986 through 1987)** -- Our major initiative will be to study the policy and procedures used by private workers' compensations programs. We will compare legislative and regulatory requirements placed on Federal programs with the requirements placed on private programs in numerous areas, such as employer involvement, benefit levels, premium costs, debt collection, financial management processes, internal controls, administrative costs, etc.

**OWCP Program Consolidation (starting in Fiscal Year 1987 through 1988)** -- We will gather additional data and evaluate whether similar functions within the three OWCP programs can be merged. In light of OWCP's current emphasis on ADP improvements in claims adjudication and processing, we will analyze how administrative systems and programmatic operations have been affected. While consolidation of administrative and ADP functions appears to be a sound concept, we believe that additional work is needed to document support for such a recommendation.

**Evaluation of OWCP's ADP Efforts (starting in Fiscal Year 1988 through 1989)** -- We will continue ongoing monitoring of the development and implementation of the Level II system (page 19) and plan to expand this review in Fiscal Year 1988 to evaluate how effectively FECA personnel and other ESA programs have utilized the system. ESA projects the system to be operational at the majority of their FECA district

offices by the end of 1986; therefore, our effort in 1988 will allow OWCP time for operating experience with the system. Since this ADP effort is of major significance to the Department, we believe that an extensive evaluation is appropriate.

Trust Fund Management (starting in Fiscal Year 1989 through 1990) -- Our major initiative will be to analyze the manner in which the Black Lung and Longshore divisions, which operate trust funds, perform their fiduciary roles. This time schedule should allow adequate time to implement both the 1984 amendments to the Longshore and Harbor Workers' Compensation Act and proposed amendments to the Black Lung Benefits Act. We will perform projects to examine the nature, composition, and soundness of these funds, which are made up of mostly non-Federal dollars.

#### OWCP Response

In responding to the draft plan, the Director of OWCP agreed with the concept of long-range planning of audits as an effective use of staff resources.

## Chapter 3 -- Audit Resolution

### Audit Resolution Activity (\$ millions)

<u>Period Ending</u>	<u>Audit Reports Resolved</u>	<u>Amount</u>		<u>Total Resolved</u>
		<u>Disallowed</u>	<u>Allowed</u>	
3/31/84	412	\$ 58.2	\$67.0	\$125.2
9/30/84	610	\$100.5	\$62.6	\$162.9
3/31/85	456	\$ 44.2	\$26.5	\$ 70.7
9/30/85	387	\$ 29.0	\$39.9	\$ 68.9

Detailed information on audit resolution activity for the period may be found in the appendix to this report.

#### SIGNIFICANT RESOLUTION ACTIONS

##### Management Commitments to Recover Funds

Following are examples of significant resolution actions taken by program officials, which resulted in the disallowance of costs claimed by the Department's contractors and grantees:

State of California Employment Development Department (Audit Report No. 09-4-058-03-391) -- The Employment and Training Administration disallowed \$3.2 million in cost exceptions which related primarily to the following:

- \$2.5 million resulting from costs charged to the wrong program or grant,
- \$555,466 for unreasonable program severance costs for the Food Stamp work registration program, and
- \$132,391 in audit exceptions for subrecipients.

Idaho Department of Employment (Audit Report No. 09-5-503-03-325) -- The Employment and Training Administration disallowed \$2.7 million in this audit report performed under the provisions of OMB Circular A-128, which included the following:

- \$1.2 million resulting from erroneous adjustments to the accounting records,
- \$1.1 million for improper posting of extended benefit payment receipts from other states, and
- \$400,000 from improper reporting of extended benefits paid to employees of local governments.

City of Oakland, CETA Cash Balance Review (Audit Report No. 09-4-071-03-345) -- The Employment and Training Administration disallowed the total \$1.8 million in identified CETA cash balances remaining after the completion of the program.

Apparel Job Training and Research Corporation (Audit Report No. 11-4-131-03-350) -- The Employment and Training Administration disallowed \$459,000 in this audit report. The disallowances primarily addressed the following:

- \$380,889 of salaries, wages and related fringe benefits because the contractor had not maintained time and attendance records to support payments, and
- \$77,428 of training costs because subcontractors could not support payments for on-the-job training activities.

Environmental Management Consultants, Inc. (Audit Report No. 11-4-023-03-370) -- The Employment and Training Administration disallowed \$1.16 million of the \$1.76 million in exceptions. The disallowances primarily included the following:

- \$595,797 of costs claimed that could not be identified to a contract project,
- \$207,237 of costs claimed based upon a cost-plus-a-percent-of-cost computation, and
- \$183,211 of wages claimed which exceeded the daily wage rate negotiated in the contract.

District of Columbia Department of Employment Services, Unemployment Services Program (Audit Report No. 03-5-003-03-325) -- The Employment and Training Administration disallowed \$202,429 in audit exceptions related to the following:

- \$106,415 in insufficient supporting documentation,
- \$48,734 in vouchers and supporting documentation for WIN in-kind matching contributions that were not retained, and
- \$47,280 in unsupported vendor costs.

Pacific Northwest Labor College (Audit Report No. 09-4-532-10-101) -- The Occupational Safety and Health Administration disallowed \$90,760 in audit exceptions, of a total Federal share of \$115,000, under a New Directions program grant primarily due to a failure to meet non-Federal matching requirements (\$86,742).

#### Management Commitments to Use Funds More Efficiently

During this reporting period, program officials and grantees agreed to implement auditor's recommendations to improve agency systems and operations and thereby avoid unnecessary expenditures of program and administrative funds. These management efficiencies will result in a one-time savings of approximately \$223,000 and annual savings of approximately \$8.5 million. Following are examples of management efficiencies which have been implemented.

Followup Review of Selected Operations of the Employment Standards Administration's Wage and Hour Division (Audit Report No. 01-3-002-04-420) -- In our followup review, we found that employers were allowed to retain undistributed back wages due employees who could not be located. ESA agreed to implement a policy to require employers to deposit unclaimed back wages in the Treasury rather than keeping the funds. We estimate an annual savings of \$4 million. (See also page 33.)

Followup Review on MSHA's Approval and Certification Center (ACC) (Audit Report No. 03-4-906-06-001) -- Our followup review of the ACC resulted in MSHA's proposing a regulation that would update all fees for approval and certification of products, originally recommended by OIG in a report entitled "Time For A Change In Approving Mine Equipment," issued on October 20, 1981. An annual savings of \$3 million will result when a final regulation, expected in July 1986, is published.

Audit of Indirect Cost Proposals and Cost Allocations Plans -- Our audit of seven indirect cost proposals resulted in savings of \$968,060 on an annual basis for six audit reports and \$197,166 on a one-time basis for two audit

reports. These potential cost savings were attributed to (1) unallowable expenses contained in the indirect cost pool, (2) inappropriate allocation bases, (3) duplicate charges to Federal programs, and (4) lack of documentation to support charges. (See also page 41.)

**Operational Audit of the Georgia State Employment Security Agency (Audit Report No. 04-4-034-03-325)** -- The report identified cash management recommendations that should result in annual cost savings of \$209,000. These savings are based on the assumption that the agency transfer money from the clearing account to the trust fund within one day. The agency is implementing operational changes that will result in the savings identified.

**Federal Share of Unemployment Compensation (Louisiana) (Audit Report No. 04-5-086-03-315)** -- The report identified \$180,967 in expected recurring interest savings based on our recommendations that the state:

- maintain only one benefit payment account with an adequate reconciliation being prepared on a monthly basis, and
- request funds from the U.S. Treasury on a daily basis and in an amount equal to the amount of benefit payments projected to clear the bank on the subsequent day.

The grant officer's final determination instructed the agency to establish one benefit payment account and to implement a procedure for requesting funds from the U.S. Treasury on a daily basis and in an amount equal to the amount of benefit payments projected to clear the bank on the subsequent day. (See also page 8.)

**Federal Share of Unemployment Compensation (Mississippi) (Audit Report No. 04-5-021-03-315)** -- The report identified \$83,435 in expected recurring interest savings based on our recommendations that:

- funds be requested from the U.S. Treasury on a daily basis and in an amount equal to the amount of benefit payments projected to clear the bank on that day,
- funds deposited into the state treasurer's bank accounts should be transferred to the benefit payment accounts on the same day the deposit is made, and

- when in an extended benefit (EB) period, the agency should estimate daily EB charges attributable to state and local governments and reduce their EB drawdowns accordingly.

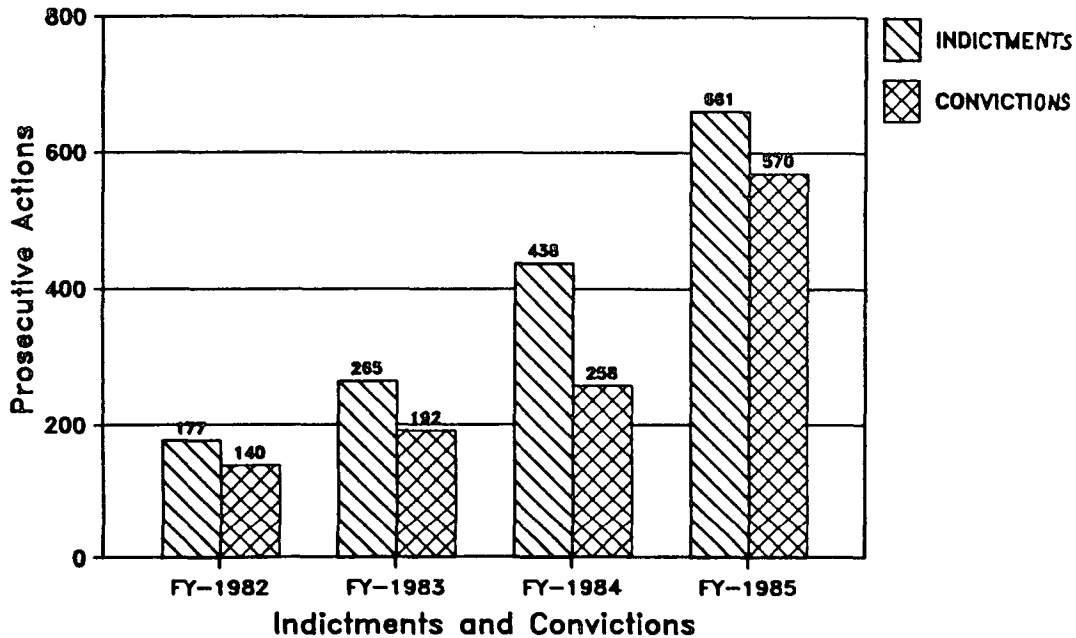
As a result of our recommendations, the agency has delayed drawdowns by 2 days and implemented procedures to reduce EB drawdowns. (See also page 8.)

## OFFICE OF INVESTIGATIONS

The Office of Investigations has achieved outstanding results during this reporting period and for the overall Fiscal Year 1985.

There were 386 indictments and 289 convictions obtained during this 6 months. The overall figures for Fiscal Year 1985 of 661 indictments and 570 convictions represents an increase of 51 percent and 125 percent, respectively, over the prior fiscal year and is an all time high. The following chart sets forth a comparison of these figures for the past four fiscal years.

### OFFICE OF INVESTIGATIONS Fraud & Integrity Investigations



These statistics are enhanced by the fact that our cases are becoming more complex and addressing more significant problems and issues. A new policy has been implemented of putting more emphasis on the "quality" of investigations as opposed to the "quantity." This ties in with our initiatives mentioned in the last report involving the "proactive" or self-initiated approach to our work addressing potential or known high impact problem areas. Our investigative operations are being guided by established priorities and regional investigative plans developed by our



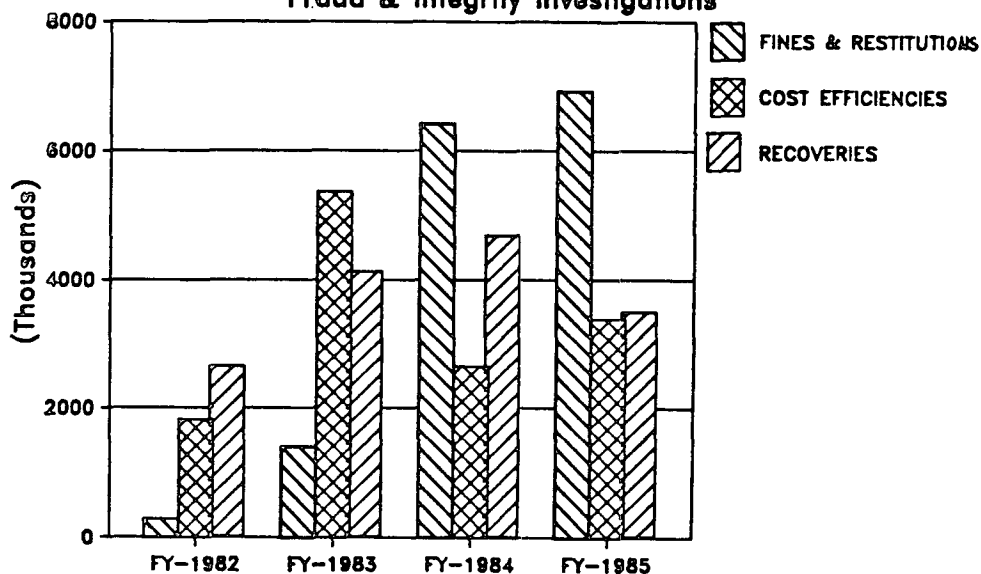
field managers in order to achieve the most from our limited investigative resources.

Our caseload has reached an all time high with 1,726 cases pending at the close of this reporting period as compared to the 1,401 cases that were pending at the close of the prior period. We anticipate that our caseload will decline as the complexity of matters being handled continues to expand. We continue to receive more prosecutive action for our cases through the innovation reported last period of combining similar type matters into "clusters" that together meet or surpass prosecutive thresholds followed by the U.S. Attorneys.

Financial results achieved by investigations totaled \$7,613,188 during this period and \$13,822,503 for the overall Fiscal Year 1985. These figures include recoveries, restitutions, settlements and cost efficiencies. Investigations involving potentially significant financial results are being afforded priority handling. The following chart displays a breakdown of the results achieved during Fiscal Year 1985.

### OFFICE OF INVESTIGATIONS

#### Fraud & Integrity Investigations



Fines, Settlements, Restitutions, Recoveries, Cost Efficiencies

During this reporting period much emphasis has also been placed on furnishing management with information and recommendations to increase the efficiency of operations and improving the systems of internal control. Some examples of these efforts are set forth in the program narratives. In addition, new joint efforts were initiated with the Office of Audit, and plans have been made to survey and test what

positive results can be achieved by having investigators join certain audit survey teams for the first time. The blending of the investigative and audit expertise should increase the quality of both fields of work.

## EMPLOYMENT STANDARDS ADMINISTRATION

Investigations of Employment Standards Administration (ESA) claimant fraud cases continued to require a significant commitment of investigative resources during this reporting period and resulted in substantial recoveries and savings to the Government. We also expanded our joint investigative efforts concerning wage and hour violations with the cooperation of ESA's Wage and Hour Division (WH) and further developed our major innovative re-testing program within the Black Lung Program area with the full cooperation and assistance of ESA's Division of Coal Mine Workers' Compensation (DCMWC) program officials at both the national and district office levels.

### Black Lung Program

In Fiscal Year 1984 Black Lung medical benefits and treatments totaled over \$116 million of which over \$7.7 million represented rental or purchase payments made by DOL to providers of durable medical equipment for oxygen related equipment used by qualified Black Lung victims. Payments to providers are made based on the receipt and approval of a Certificate of Medical Necessity used to certify that a miner is medically qualified for and in need of supplemental oxygen. If oxygen usage prescribed exceeds 12 or more hours per day, the use of an oxygen concentrator will be authorized. In accordance with program guidelines, oxygen concentrators are, in most instances, rental items with an average rental fee of approximately \$400 per month which the provider may bill directly to the Federal Government.

The Atlanta Regional Office, in close cooperation with the Division of Coal Mine Workers Compensation (DCMWC) program officials, utilized a new approach to correct provider billings within the Black Lung program. The approach involved an extensively controlled retesting of miners previously certified as eligible for oxygen related equipment. The retesting approach has been expanded to include the Philadelphia Region.

The retesting disclosed that approximately 90 percent of those tested did not qualify for benefits. Program officials have taken immediate steps to remove those found

not qualified from the program. This has resulted in over \$1.6 million in cost effectiveness realized. In addition, the amount of overpayment in one provider case alone has been determined to be at least \$2.1 million and efforts to effect recovery are currently underway.

Based on findings to date, several recommendations have been made to DCMWC program officials concerning (1) accepting arterial blood gas tests only from DOL authorized providers, (2) enacting "kick-back" or "referral fee" statutes for goods or services paid for by Black Lung funds, (3) studying cost of purchase vs. rental of oxygen related equipment, (4) amending the Certificate of Medical Necessity to include a "false statement" provision for the physician, and (5) applying regulatory requirements for arterial blood gas test results to those used in the approval of the Certificate of Medical Necessity. DCMWC program officials have taken action on some of these recommendations and are studying the others in an effort to reduce the fraud vulnerability within the program. One Black Lung office has applied the standards in recommendation (5) and has realized a 95 percent declination rate on approval of oxygen concentrators.

With an estimated Fiscal Year 1986 budget of approximately \$984 million, the Black Lung Program is clearly an area of continued concern to OI. Plans are underway to expand our investigative efforts in these provider cases as well as to review other related areas of potential fraud involving providers.

Examples of other investigative case results in the Black Lung program area during this reporting period include the following:

- On August 2, 1985, an attorney, who was a one-time candidate for prosecuting attorney in Marion County, West Virginia, was indicted by a Federal grand jury on six counts of mail fraud. The indictment stemmed from our investigation of his alleged scheme to defraud DOL during the period 1979 to 1983 when he allegedly collected more than \$16,000 in Black Lung benefits while acting as the executor for a deceased miner's estate. The indictment charged that the attorney withheld from DOL the fact that the miner had died and withheld from the miner's children the existence of the Black Lung benefits, thereby converting the money to his own use. The attorney has entered a plea of not guilty and trial is pending. U.S. v. Esposito (N.D. West Virginia)

- A man who worked one day for a coal company in 1969 was convicted on July 2, 1985, after a 3-day jury trial, on three counts of making false statements to receive Black Lung benefits. He had received \$38,000 in benefits after he submitted claims for having worked as an underground miner from 1969 through 1973. On August 8th, he was sentenced to serve 13 months in prison followed by 18 months' probation. A declared overpayment of \$33,899.70 has been made against the individual, and the \$1,581.50 in Government-paid attorney fees must be repaid by him. U.S. v. Yates (E.D. Kentucky)
  
- After pleading guilty, an individual, who had been a fugitive since his indictment in February 1983, was sentenced on August 12th to 10 years in prison for his involvement in receiving and negotiating checks issued to a Black Lung widow whom he knew to be deceased. He will begin serving this sentence upon completion of a 4-year sentence he is now serving in Illinois for rape. The Southern District of Alabama in Mobile is awaiting his release from the Illinois prison to prosecute him for approximately 12 additional crimes, including assault, receiving stolen property, burglary and robbery. U.S. v. Murphy (N.D. Alabama)
  
- A widow who had been receiving Black Lung benefits based on the alleged mining experience of her late husband during the 1930's signed a Consent Judgment on August 30, 1985, and agreed to repay the Government \$29,540. This action resulted after it was determined that during four of the years her husband was allegedly working in the coal mining industry, he was in fact in prison. U.S. v. Franklin (W.D. Virginia)

#### Federal Employees' Compensation Act

Our efforts to eliminate claimant and provider fraud within the ESA compensation benefit programs, especially in the Federal Employees' Compensation Act (FECA) area, continued during this reporting period with several significant investigations being reported. During the last 6 months, we opened 77 FECA cases and closed 46 cases. The concealment of earned income from employment or self-employment or the false billing for services reportedly rendered continues to be the most prevalent findings in these type of cases.

#### FECA Project

Eight criminal investigations have been opened based on the results of the Office of Investigations' continued proactive approach to identify and eliminate fraud within the FECA program through its special case file review project at the FECA District Office, Jacksonville, Florida. The primary thrust of the project, in addition to identifying unreported wages, was to review the office's claim folder for file administration, maintenance, and accuracy. Monetary savings can reasonably be projected to be at a minimum of \$100,000 to \$150,000 in overpayments and \$50,000 to \$75,000 in wage earning capacity adjustments.

As previously reported, we matched approximately 2,700 FECA recipients residing in Florida against wage data maintained by the state. In addition, a statistical sample of 300 of these were identified for a detailed file review. Each of the 300 recipients identified in the sample was advised in advance of the review and was asked to report any wages or earnings not previously reported. No undeclared wages were reported by those responding.

The match showed that 196 recipients had wages reported by employers during the prior five calendar quarters, but only 25 represented potential unreported wages. Further review of the sample disclosed that over half required no administrative corrective action. A review of the actions taken by the program on those in the sample where recommendations were made illustrated that management was making a serious attempt to correct or expedite all recommendations.

Examples of other significant FECA fraud cases reported during this period and the array of schemes investigated are next highlighted.

- While most FECA investigations involve a recipient working while receiving compensation benefits, in a less common occurrence, on July 25, 1985, a FECA recipient was indicted on 62 counts of false claims, false statements, and/or mail fraud after he falsely reported a non-existent continuing disability. The recipient claimed he was unable to speak as a result of a reported traumatic injury in 1973 while working for the Defense Supply Agency. While maintaining his ruse, he received in excess of \$300,000 in compensation benefits. Utilizing sophisticated investigative techniques and the execution of an arrest and search warrants, in cooperation with the U.S. Marshal's Office in Tampa, Florida, evidence was obtained that firmly

established the recipient's ability to speak normally. On September 19th, the defendant entered a guilty plea to three of the 62 counts. Sentencing has been scheduled for November 22, 1985. U.S. v. Drappo (E.D. Virginia)

- An Incident Report forwarded to OIG by the ESA Regional Administrator in Seattle, resulted in the declaration of a \$62,405.16 forfeiture after investigation determined that a FECA recipient, on compensation since 1966, had income from several jobs reported on social security records which had not been reported to the Office of Workers' Compensation Programs (OWCP). Prosecution was not sought as the unreported work was sporadic over a 10-year period and two of the three jobs were beyond the 5-year statute of limitations.
  
- Information provided by a U.S. Postal Service injury compensation specialist resulted in the April 19, 1985, indictment of a former letter carrier on 16 counts of mail fraud and 4 counts of providing false statements. He had been collecting FECA benefits since 1980 and had been self-employed since 1981 in a pumping and/or lease service with up to 13 oil companies identified as having contracts with his firms. He received approximately \$49,165 in FECA benefits, while failing to report in excess of \$82,000 in earnings to DOL. On August 6th, after previously pleading guilty to three counts of the indictment, he was sentenced to 2 years in prison, suspended; placed on probation for 5 years; and ordered to make restitution of \$35,000. U.S. v. Operstey (S.D. Texas)

As followup to a pending FECA investigation reported in our last report, the final action taken in that matter is next described.

- On June 28, 1985, after being found guilty of making false statements, a former air traffic controller, who managed several apartment complexes and earned in excess of \$94,000 while also receiving FECA benefits, was sentenced to 2 years in prison with 6 months to serve and the remainder suspended on the condition that he pay a \$10,000 fine within 90 days, serve 3 years' probation, and pay restitution in an amount yet to be determined. U.S. v. Olsen (W.D. Washington)

## Internal Controls

Our efforts to reduce fraud within the ESA benefit programs were further strengthened by program personnel demonstrating their concern about early detection of fraud by giving closer attention to routine procedures. One example of how the implementation of efficient internal controls aided in the detection of fraud follows.

- The alertness of an OWCP supervisory claims examiner who questioned billing amounts submitted by a physical therapy clinic predicated an investigation which resulted in the indictment of the owner of the clinic on 21 counts of false claims and mail fraud. The investigation disclosed that the clinic staff would have had to work 50 hours per day over a continuous 30-day period to earn the money the owner had billed to OWCP. During our investigation, we discovered that the owner had been convicted of a similar scheme in the late 1970's involving private insurance companies. He was sentenced to 18 months in prison, which he appealed. He remained free pending his appeal and, after losing his appeal, the Justice Department failed to have him rearrested. Our agent brought this matter to their attention and the subject was imprisoned after more than a 2-year delay. Even while in prison on his original conviction, the owner continued his fraudulent billings to OWCP by use of the telephone. He pled guilty to one count of false claims and on August 30th was sentenced to 2 years in prison. U.S. v. Gottheiner (N.D. California).

Another example of how tighter controls help prevent fraud and abuse was demonstrated when the ESA's Division of Internal Management Control, working with recommendations from OI, incorporated a "Warning Message" into ESA's Division of Automated Systems Development, effective June 20, 1985. The warning is a direct result of the amendments to Chapter XXI of the Comprehensive Crime Control Act of 1984, which added a new Section 1030 to Title 18, United States Code, making it a crime to knowingly access a computer without authorization and thereby, to use, modify, destroy or disclose the information therein, or prevent the authorized use of the computer. Since one of the essential elements of proof of this crime is to knowingly access a Government computer, ESA has adopted a "Warning Message" on its computer systems and will ensure that such warning is included on systems currently in the development stages.

Because of the importance of this new amendment, the Inspector General has since issued a memorandum to all agency heads detailing the provisions of Section 1030 and recommended that they direct their respective EDP staffs to insert a similar "Warning Message" in all EDP systems used by their agencies.

### Wage and Hour Violations

OI continues its proactive or self-initiated approach with various U.S. Attorneys, other law enforcement agencies, and the Wage and Hour Division (WH) of ESA to investigate potential instances of conspiracy to defraud the Government in the area of construction contracts.

The results of our continued development of understanding and expertise in handling these type of investigations is reflected in the fact that during Fiscal Year 1985, 22 contractors were indicted or had informations filed against them. Of those previously indicted, 23 have been convicted. Additionally, the firm(s) and/or its principal officer(s) were fined a total of \$1,101,825 and ordered to make restitutions totaling \$912,225 to employees.

In all of these investigations, the contractors involved were found to be submitting false certifications to the Government for wages paid their employees. By so reporting, they could consistently underbid other contractors to obtain Government contracts.

In addition to the criminal prosecution of these contractors, the U.S. Attorneys' offices have requested restitution for the employees under the Victims and Witness Protection Act of 1982. In one judicial district, the court has debarred the contractors from bidding on Federal contracts as a condition of probation at sentencing. OI is referring the results of these investigations to the program agency and recommending that the contractors be administratively debarred and placed on the Consolidated List of Debarred, Suspended, and Ineligible Contractors, thereby preventing them from bidding on future Government contracts for specific periods of time.

Some of the more significant WH investigations conducted during the reporting period are outlined below.

- On August 20, 1985, the president of Avella Lumber and Supply Company, who had been indicted on 25 counts of making false statements and aiding and abetting, was sentenced to 4 years' probation and



fined \$5,000, after pleading guilty to one count of making a false statement in connection with the provisions of the Davis-Bacon Act. As president, he also pled guilty to one count of making a false statement on behalf of his company. The company was fined \$10,000, plus cost of prosecution. He must also make restitution of \$90,523 in wages due his employees. This was a joint investigation with the FBI. U.S. v. Wasik (W.D. Pennsylvania)

-- As a result of a joint OIG and WH investigation, Meredith Worley, Inc., and three of its officers each pled guilty to a one-count felony information charging them with submitting false statements to DOL regarding a Federal painting contract. On May 6, 1985, the judge placed each officer on probation for 5 years, debarred them and the firm from doing business with the Federal Government for 5 years, and ordered payment of approximately \$253,949 in restitution to former employees for underpaid wages. The corporation was also fined \$2,000. U.S. v. Meredith Worley Inc., et al (S.D. California)

As followup to an investigation mentioned in our last semiannual report, the U.S. District Court in Honolulu, Hawaii, has ordered the Atlantic Construction Company (ACC) and its president, to forfeit all ACC property, valued at approximately \$1 million, to the Federal Government. The president was also personally fined \$63,000 and sentenced to serve 4 years in prison. The company's secretary-treasurer, was placed on 5 years' formal probation. They had been found guilty of a scheme to defraud the government on military construction projects in Hawaii. This was a 18-month joint investigation by OI, WH, FBI, IRS, and Naval Investigative Service. U.S. v. Atlantic Construction, Busher, Miller (D. of Hawaii)

#### Longshore and Harbor Workers' Compensation Act

With the new amendments to the legislation increasing the penalties for violations of this Act, OI has begun to review its efforts in this particular area. Using experienced personnel from our Seattle and Boston field offices, we are presently targeting our efforts and reviewing the "second injury" claim procedures and developing a plan which will assist us in identifying potential fraud in such claims. The plan will be tested in the New England Region.

As followup to a case mentioned in our last semiannual report, the following final action is reported.

- While employed as a teamster, a member of Local 19 of the Longshoremen and Warehousemen's Union also received over 81 weeks of total disability compensation based on a claim for a back injury he allegedly sustained. On June 7, 1985, he was sentenced to 6 months in prison, 5 years' probation, and ordered to make restitution in the amount of \$32,500. U.S. v. McClintock (W.D. Washington)

#### ETHICS AND INTEGRITY MATTERS

Employee ethics and integrity awareness has always been a priority item to the Inspector General, and also the subject of several special training sessions, during which the supervisor's role in handling ethics and integrity issues is discussed. We continue to investigate employees and/or former employees, or others associated with DOL programs for integrity type issues when allegations are received. The following are some examples of the investigations culminated during this reporting period.

- A former Office of Labor-Management Services' Administration supervisory computer systems analyst signed a plea agreement and pled guilty on May 16, 1985, to charges that he illegally supplemented his GM-14 salary by advising departmental officials to purchase over \$24,878 in computer equipment and subsystems from a firm that he owned. The individual was sentenced to probation, fined, and ordered to perform community service. U.S. v. Goldberg (District of Columbia)
- An investigation referred to OI by a regional administrator for the Occupational Safety and Health Administration (OSHA) disclosed that two employees of the State of Hawaii, AFL-CIO, Occupational Safety and Health Program embezzled over \$7,600, by writing checks to themselves or altering the amounts of the checks. On August 29, 1985, both were indicted by a Federal grand jury for embezzlement. One, the secretary, was charged with 16 counts, while the bookkeeper was charged with three counts. U.S. v. Liu and Suzuki (D. of Hawaii)
- A former OWCP employee in New York City, pled guilty on July 3rd to a one-count criminal information charging her with conspiracy to possess

and circulate counterfeit securities. She was a member of a ring that printed and negotiated counterfeit Chase Manhattan Bank money orders. Four other members of the ring have already pled guilty to similar charges filed against them. The DOL employee was terminated in January. OIG participated in this joint investigation with the Secret Service and bank investigators because a DOL identification card was used to cash some of the counterfeit money orders. The investigation is continuing. U.S. v. Miller (E.D. New York)

- An ESA timekeeper/secretary in Washington, D.C., was sentenced to 5 years' probation and ordered to make restitution of \$12,990 she received from fraudulent overtime claims. She had accepted a one-count felony plea offer of making false claims. ESA took action to remove her from Federal service. U.S. v. Williams (District of Columbia)
- Based on information discovered by an audit of the New York regional FECA bill payment system, on September 18th, a former OWCP employee pled guilty after being indicted on charges relating to his participation as a principal in an embezzlement scheme wherein he aided in issuing fraudulent OWCP payments to confederates who then cashed the checks and shared the proceeds with him. He is the second person to be indicted in this case. The first individual, a non-DOL employee, had previously pled guilty on June 12th to one count of embezzlement and one count of aiding and abetting. Sentencing is pending. U.S. v. Gaston, Dixon (S.D. New York)

#### EMPLOYMENT TRAINING ADMINISTRATION

The ETA program work continues to receive a significant commitment of investigative resources and priority status. Our investigations of unemployment insurance claimant fraud has once again achieved noteworthy results through the innovative "clustering" of cases for prosecution while we continue our proactive effort to identify and investigate the larger dollar frauds such as the fictitious employer/employee schemes. We have been successful in recovering for the government the costs of investigating some claimant fraud cases successfully prosecuted. In JTPA as well as CETA much effort is being spent on embezzlement investigations while we are also exploring such systemic problems as the inconsistent contract language used to define "placements" and its potential to cause substantial

dollar loses to the Government. The alien labor certification program investigations have uncovered pockets of immigration attorneys and or agents who are suspected of having subverted the programs. Some have been indicted and prosecuted during this period. The following cases highlight our ETA investigative efforts.

### Job Training Programs

Although cases involving the Comprehensive Employment Training Act (CETA) have declined and conversely the Job Training Partnership Act (JTPA) cases have begun to increase, we continue to devote considerable time in both areas.

The following illustrates the variety of cases and problems being investigated within JTPA and CETA:

- In a case we highlighted in the last report, the administrative assistant for an American Indian Nation CETA/JTPA program had been charged in a three-count indictment for the embezzlement of \$251,956 in DOL funds. The defendant siphoned the funds through her personal bank accounts from March 1982 through September 1984. The defendant, on May 6, 1985, was sentenced to serve a 6-month jail term, placed on 5 years' probation and ordered to make full restitution. U.S. v. Espinoza (E.D. Washington)
- On April 24, 1985, a 17-count indictment was returned charging the embezzlement of \$61,000 by the owners of a company and one of its employees. They submitted invoices for training expenses which were not incurred, materials never purchased, and for salaries of instructors for training never provided. U.S. v. Perez, et al. (D. Puerto Rico)
- Also, we reported previously a joint investigation with the City of Los Angeles Special Investigation Unit and the FBI which resulted in the indictments of a former fiscal officer and a former job developer who were charged with defrauding the CETA program of approximately \$50,000. They were indicted on March 5, 1985, for embezzlement, having issued checks to each other to bring their scheme to fruition. On June 12, 1985, both defendants pled guilty. U.S. v. Hammond, et. al. (C.D. California)

- A former director of the Shoshone, Bannock JTPA program was indicted in Boise, Idaho, on June 11, 1985, on charges of embezzling \$34,321 from the CETA/JTPA programs from December 1982 through October 1984. Her scheme entailed the forgery of participants' names to 113 stipend or emergency service checks which were either cashed or deposited into her personal bank account. U.S. v. Teton (D. Idaho)
- On May 1, 1985, five individuals were charged in a 69 count indictment with making false statements to the Government and embezzlement of CETA funds. The president of a farm corporation contracted with a CETA subgrantee at Turtle Lake, Wisconsin, for training of chronic unemployable and chemically dependant individuals. The president, with the aid and assistance of others, submitted fraudulent time sheets for CETA participants, fraudulent training schedules and cost invoices. This resulted in a loss to the Government in excess of \$53,000. Prior to the trial on July 29, 1985, three of the defendants pled guilty. The president was convicted by a jury on 50 counts of making false statements and theft or embezzlement of CETA funds. A hung jury resulted in the case of the fifth defendant and a decision has not been made whether to retry the case. U.S. v. Rogers (W.D. Wisconsin)
- In an ongoing investigation of the Southern Nevada Employment and Training Program, three defendants pled guilty on July 10, 1985, at Las Vegas. The owner of a plumbing company pled guilty to one count each of conspiracy and false statements and agreed to make full restitution of \$28,000. The other two defendants also pled guilty. The investigation to date has resulted in the conviction of eight conspirators. U.S. v. Germain, et. al. (D. Nevada)
- Also, as a result of the above investigation, the former executive director of the program was indicted on September 25, 1985, and charged with 39 counts of fraud related offenses. To date, a total of 19 staff members, contractors, and participants have been indicted, resulting in 15 convictions. U. S. v. Williams, et. al. (D. Nevada)
- A 13-count indictment was returned on April 24, 1985, at Des Moines, Iowa, stemming from an OIG

investigation of a scheme to defraud the Department of Labor of \$79,595. From May 5, 1982, to March 8, 1983, the defendant submitted false claims to the Iowa Office of Planning and Programming for non-existent salary and office rental expenses. Such funds came from a \$151,000 contract to provide the state with technical assistance in training during its transition from CETA to JTPA. The investigation also precluded the defendant from expanding her planned operation to other DOL regions. U.S. v. Link (S.D. Iowa)

- A former CETA job developer at the Avalon-Carver Community Center pled guilty to three counts of embezzlement and conspiracy to defraud the Government on July 17, 1985, at Los Angeles, CA. He was involved in a conspiracy to appropriate funds through the use of fictitious participants, phony job sites, and by cashing participants' checks through friends and associates. He converted approximately \$100,000 of CETA funds to his personal use or the use of others from 1981 through 1983. This was a joint investigation with the FBI. U.S. v. Smith (C.D. California)

On a continuing basis, the Office of Investigations endeavors to identify systematic problems which lead to fraud, waste, and government inefficiency.

We believe a significant problem was noted during an investigation in a southern state concerning the inconsistent contract language used to define a "placement" in JTPA programs. In this regard, contractors and subcontractors are to assist students of the program in finding employment following completion of their training. A fee is paid by DOL to the contractor for each successful "placement." Since the length of employment and the types of employment have not been clearly defined in the contracts, contractors are being paid for placement of JTPA students in jobs which are unrelated to the training. For example, one contractor trained students as tractor trailer operators and then hired them as janitors for a 3-day period for which he received \$750 per placement. Our staff is researching this problem and expects to provide more details during the next reporting period.

#### Fictitious Employer/Employee Schemes

In the last semiannual report we stated it was our belief that fictitious employer/employee Unemployment Insurance (UI) schemes represented potentially one of the greatest

threats to the integrity of the UI program. Our investigative efforts in this area continue to pursue this assessment. For example:

- In an ongoing investigation, on August 27, and September 24, 1985, indictments were returned charging 21 individuals with 64 counts of mail fraud and use of false/fictitious social security numbers. The indictments alleged that the defendants caused approximately 190 fraudulent unemployment insurance benefits claims to be filed with the Ohio Bureau of Employment Services. It is estimated that the scheme netted the defendants approximately \$1.2 million. Additional indictments are expected in the near future. U.S. v. Leslie, et al. (A.D. Ohio)
  
- In our previous report, we highlighted two investigations involving an individual who carried out a fictitious employer/employee UI scheme in Ohio and Georgia, i.e. Ohio v. Hampton (Cuyahoga County, Ohio) and U.S. v. Hamilton (N.D. Georgia). This individual was responsible for schemes which netted him at least \$72,000. The defendant, having been sentenced to 6-years' imprisonment for similar charges in Ohio, entered a Rule 20 guilty plea on July 23, 1985, to four of the 102 counts on which he was indicted in Georgia. He was sentenced to 5-years' imprisonment on each of the four counts. U.S. v. Hamilton (N.D. Georgia)

#### UI Claimant Fraud

Our Office of Audit conducted a Federal employee UI crossmatch, to which reference was made earlier in this report. As a partial result of that crossmatch, we conducted a joint investigation with the OIG, Department of Interior, which resulted in the indictment of 21 National Park Service employees for UI fraud. The indictments charged each employee with numerous violations of making false statements and mail fraud. In addition, similar charges were lodged against 14 employees of the Tennessee Valley Authority. Also, on September 30, 1985, charges were filed in the Northern District of California against an additional 34 individuals, 31 of whom were former employees from nine other Government agencies. The loss to the UI system identified in these cases is estimated to be in excess of \$94,000.

#### Clustered Prosecutions

In past semiannual reports we have provided several examples of "clustered" UI claimant fraud prosecutions. This method of obtaining prosecutions for otherwise unattractive singular cases, has generally been accepted nationwide by U.S. Attorneys. Furthermore, we have initiated a joint effort between a state Attorney General and a U.S. Attorney, which has resulted in numerous "clustered" indictments during this period. Highlighted below are the details of this joint effort that we believe adds a new dimension to our efforts of fraud prevention.

Our OIG agents met with officials of the Nevada Employment Services Division, the Nevada Attorney General, and the U.S. Attorney, District of Nevada to coordinate and unify efforts in fighting fraud, waste and abuse in the UI program. As a result of this joint cooperation, an initial wave of indictments was returned during July 1985 charging 38 individuals with various frauds. To date, 11 of the 38 individuals have agreed to plea negotiations drafted by the U.S. Attorney and five have been sentenced, requiring full restitution ranging from \$1,500 to \$5,400, 3-years' supervised probation, fines from \$1,000 to \$2,500, and court ordered reimbursement to the Department of Labor for our investigative costs.

Through the initiative of our OIG special agents, we have been successful in obtaining court ordered remuneration for our investigations. Defendants in two of our regions have been ordered to reimburse the DOL for the costs incurred during our investigation of their fraudulent acts. These costs were determined by our special agents and made available to the U.S. Attorneys who included them as a condition of the plea agreements. We are encouraging our agents to seek such remuneration in all future plea agreements in particular and as appropriate in other matters. To insure uniformity in the calculation of the costs, policy and instructions have been issued detailing a methodology and formula for these computations.

#### Alien Labor Certification

The Office of the Inspector General is very sensitive to the impact that illegal aliens have upon the American work force through the abuse of the alien certification process. During the last reporting period we advised of the continuing attention being afforded the alien certification program to ensure the viability and integrity of the labor certification process. Our efforts have resulted in the initiation of approximately 50 investigations of suspected violators of the process. Many of these individuals have



been identified as immigration attorneys. Below are a few of these types of investigations:

- In a case highlighted in the last report, we detailed a 31-count indictment charging criminal violations by a former congressional aide, a former assistant U.S. Attorney, a former Immigration and Naturalization Service (INS) employee, and a current INS employee. On August 19, 1985, the former INS employee pled guilty and was sentenced to a 3-year period of probation and 200 hours of community service. As part of his plea negotiations, the defendant agreed to testify against his co-defendants. Subsequently, such co-defendants entered guilty pleas and were sentenced to 18-months' incarceration to be followed by 1-year probation, and 100 hours community service and were ordered to immediately surrender their licenses to practice law to the Texas Bar Association. U.S. v. Duke et al. (S.D. Texas)
  
- On August 28, 1985, an individual practicing law without a license was indicted and charged with six counts of making false representations and statements on applications material to alien employment certification. On September 4, 1985, a co-conspirator pled guilty to an information charging similar violations. The latter, who will be a witness against the former, was fined \$250 and sentenced to perform 250 hours of community service. The violations occurred from December 1981 through August 1982 and entailed the mailing of employment certifications to the California Employment Development Department which were subsequently transmitted to DOL and INS. U.S. v. Yang et al. (C.D. California)
  
- On September 23, 1985, at Asheville, NC, an eight-count indictment was returned charging an immigration attorney with violations of mail fraud, fraud and misuse of visas, permits and other entry documents. It was alleged that the attorney falsely informed INS that his client, a British citizen, had been hired to work as a consultant in this country for 1 year when allegedly his client had been hired as president of the company. According to the indictment, from about February 1980 through about May 1982, the defendant filed several documents with INS claiming the client intended to return with his family to Great Britain

after 1 year's residence when, allegedly, company officials had informed the client that they wanted him to serve as president for 3 years. U.S. v. Schwartz (N.D. N. Carolina)

- On April 29, 1985, executives of a Los Angeles marine products corporation entered a guilty plea, following the filing of a two-count information. It charged the corporation with having made false statements and with visa fraud. The investigation revealed the corporate officers fired all American workers and replaced them with Korean aliens certified by DOL. Furthermore, the corporation had represented to DOL that qualified American workers could not be found for the jobs. The corporation is awaiting sentencing. U.S. v. All Marine Products, Inc. (D. Oregon)

Another area of concern has been allegations received by the Inspector General and Employment Training Administration officials regarding job advertisements by certain institutions. It is alleged that these institutions are discouraging applications from American workers by advertising technical positions at salaries much less than the prevailing wage. As a result, aliens allegedly are being employed in positions which conceivably could be filled by qualified American workers. We have added this problem to work currently ongoing in this area. We will continue to examine allegations of this type as part of the priority that will be afforded the alien certification program as a whole.

## OFFICE OF RESOURCE MANAGEMENT AND LEGISLATIVE ASSESSMENT

The Office of Resource Management and Legislative Assessment (ORMLA) provides the OIG with direction and support by carrying out various policy and program functions and activities. In discharging its responsibilities, ORMLA fulfills certain statutory requirements prescribed in the Inspector General Act; develops and implements policy statements affecting part or all of OIG; reviews and assesses existing and proposed legislation and regulations; conducts OIG-wide initiatives; arranges, coordinates, and directs evaluations within OIG such as the Self-Inspection Program; serves as a representative of the Inspector General in dealing with officials and employees outside the OIG and when participating in activities where OIG presence has been requested; coordinates and directs internal control activities for all of OIG; performs all administrative, budget, and personnel management functions pertaining to the OIG; and provides the OIG with management information services and requested data through its ADP staff and equipment.

### LEGISLATIVE AND REGULATORY ASSESSMENT

Section 4(a) of the Inspector General Act of 1978 requires the Inspector General to review existing and proposed legislation and regulations and to make recommendations in the semiannual report concerning their impact on the economy and efficiency in the administration of the Department's programs and on the prevention and detection of fraud and abuse in departmental programs.

The prevention implications of this responsibility recognize that the Federal programs may adversely be affected by certain provisions of the acts that govern DOL programs. Because of the particular concern by the OIG regarding actual or potential situations of fraud or abuse, review of existing and proposed legislation and regulations can identify current or potential problems and may result in substantial savings of Federal resources.

In discharging our legislative and regulatory review responsibilities as a means of possibly reducing fraud, waste, and abuse in DOL programs and operations, we reviewed 602 items, which consisted of proposed bills, reports, regulations and testimony.

In the first session of the 99th Congress, two legislative items -- amendments to the Inspector General Act and the

Program Integrity Act of 1985 -- were of particularly significant interest to the OIG. We also continued to voice our support to the Congress for legislation to provide full law enforcement authority to Special Agents of the Office of Labor Racketeering.

#### Inspector General Act Amendments of 1985 (H.R. 3077)

We strongly support this bill, which would amend the Inspector General Act of 1978 by establishing Inspectors General at three additional Federal agencies. H.R. 3077 would also extend most of the Inspector General Act protections and requirements to similar audit and investigative activities conducted in Federal agencies not covered by the Inspector General Act.

Of particular interest were the provisions in Section 4 relating to additional semiannual reporting requirements. These requirements should serve to strengthen the role of the Inspector General by increasing the accountability of Federal managers to take timely corrective actions. However, we are concerned that the proposed bill may serve to overemphasize audit statistics while de-emphasizing more potentially significant contributions of the Inspector General, such as management improvements, that may not be readily quantifiable. Rather, we would suggest that any legislation place a greater emphasis on reporting the Inspector General's involvement with agency managers in furthering the aims of the Department as well as on the identification, discussion, and reporting to the Congress and the public of programmatic problems and their solutions.

We specifically suggested that the definition of "audit resolution" in this bill be made consistent with its use in OMB Circular A-50. In our opinion, "audit resolution" begins when an official makes a determination to take corrective action on the auditors' recommendations. We believe that "audit closure," which occurs at the completion of corrective actions, is a distinct function that should begin as soon after resolution as possible. In our viewpoint, it would be clearer if the proposed bill recognized these two separate stages rather than attempting to combine them, which serves to confuse the process. As a further point of simplification, we also suggested that the timeframe for the resolution of Federally and non-Federally prepared audit reports both be 6 months after OIG's issuance of the report to the agency manager.

Finally, we recommended that the requirements of reporting audit resolution information be simplified and that greater

reporting emphasis be placed on the prevention of fraud, waste, and abuse as well as reporting savings and management efficiencies.

#### Program Integrity Act of 1985 (S. 1134)

We continue to strongly support legislative efforts to reduce fraud and false claims by strengthening mechanisms for the recovery of civil penalties and assessments for false claims and statements involving Federal contracts, grants, or programs. This bill would significantly assist the Federal Government in making such recoveries. While we support the intent of this proposed bill, we recommended several specific changes or clarifications in the language.

We believe that the \$100,000 statutory limit contained in this bill is unduly rigid. While we agree that cases involving substantial money should be pursued through the judicial process, we recognize that there may be situations where the Justice Department's resources may not be available to pursue a case over \$100,000. In these situations, the statutory limit would preclude the use of this Act to attempt a recovery.

We also raised concerns that this bill did not include offset authority, which is an important collection tool. Although some offsets are possible under the provisions of the Debt Collection Act, that Act does not apply to state and local governments. Finally, we also made suggestions relating to the substitution of "reasonable cause" rather than "probable cause" of liability before referral, elimination of the burdensome notification requirement before subpoenaing witnesses, and clarification of the language relating to the assessment of fines in lieu of damages sustained.

#### Law Enforcement Authority

The need for law enforcement authority for Special Agents employed by the Office of Labor Racketeering (OLR) continues to be of concern. This authority includes the power to make arrests, administer oaths to witnesses, carry firearms, and execute search warrants. Such permanent authority can only be granted through legislative action.

Despite some very notable successes, the Department's ability to investigate and combat labor racketeering has been significantly hampered by the lack of law enforcement authority for its Special Agents. At hearings before the Senate Committee on Labor and Human Resources in February 1983, we documented a number of instances where labor

racketeering cases had to be abandoned or could not be initiated due to the lack of law enforcement authority.

During the 98th Congress, S. 2090, a bill which would have provided limited law enforcement authorities to designated OLR Special Agents did not reach the floor. Consistent with the Department of Justice's "Guidelines for Legislation Involving Federal Criminal Law Enforcement Authority," a request for this authority has also been forwarded to the Department for consideration.

#### ETHICS AND INTEGRITY AWARENESS

During the reporting period, our ethics and integrity training course "Knowing Where The Buck Stops: Ethics and Integrity in the Workplace", that was described in our prior report was expended to 6 hours and presented functions to more than 90 supervisors and managers. Most participants were grades 12-15, although some were in lower grades or in the Senior Executive Service.

The training, which relies heavily on case studies and group discussions, emphasizes the supervisory or managerial role in dealing with questions or problems of ethics and integrity in the workplace. Among the topics emphasized are conflicts of interest; acceptance of gifts and gratuities; outside employment; improper use of Government resources or facilities; and reporting of fraud, waste, and abuse.

Preliminary discussions are already underway with the Department's training office to design a self-contained regional training package to complement the National Office effort.

Discussions also took place during the reporting period to plan a training program specifically designed to meet the specialized needs of the Mine Safety and Health Administration (MSHA). Because of regulatory requirements, the training needs for MSHA go beyond the range of topics included in "Knowing Where The Buck Stops." This need has also been highlighted by the Office of Government Ethics. It is anticipated that the specialized training effort will go a long way toward fulfilling the longstanding informational needs of MSHA employees.

In addition to the training efforts described above, plans were made for a special October seminar exclusively for SES personnel to deal with ethics issues relevant to that group. Co-sponsored by the OIG and the Department's Office

of Executive Personnel Management, this session will feature experts in the field of public sector ethics.

In addition to our training efforts, we initiated a fact sheet series designed to provide general information and guidance to DOL employees and members of the general public. Among the subjects being covered in the forthcoming new series are the Inspector General Act; Reporting Fraud, Waste, and Abuse; and Ethics and Integrity in the Workplace. New advertisements for the Department's Hotline were also developed and placed in the recently issued departmental telephone directory. Other written materials are also being contemplated for future use.

#### ADP INITIATIVES

During the second half of Fiscal Year 1985, major strides continued to be made in the effort to meet the ADP goals set forth in our ADP Master Plan. The Plan identified these requirements which, when implemented, would improve the productivity of all mission-related functions. Computer tools are now in use throughout the OIG for the auditing and investigative work processes.

#### Minicomputers

During this reporting period, minicomputers were installed in New York, Philadelphia, and Chicago, thus meeting our initial objective of installing one large minicomputer in the National Office and one medium minicomputer in each of the six regions.

We have also completed conversion of the OIG Information System from contractor mainframes to our in-house data base management system (ORACLE), which utilizes the minicomputers. Conversion helped reduce our costs and also upgraded the information system to modern technological levels.

Prudent ADP management which includes active oversight by the ADP Executive Steering Committee, coupled with rigorous review of budget requirements, continues to guide the OIG's conservative and economical approach in configuring the minicomputers. Hardware upgrades are phased-in according to the OIG ADP Master Plan, but only to match verifiable needs at the various computer sites.

Finally, we have added a powerful electronic spreadsheet and modeling software package to our software inventory, which

are widely used in audit, investigative, and administrative functions.

### Microcomputers

Portable microcomputers have continued to aid in improving productivity by broadening our analytical methodologies in field and remote operations for our labor racketeering and fraud and integrity investigations as well as our audit functions.

During this past summer, fifteen investigators received training in two OI and two OLR offices. This training began with the basics of portable microcomputer usage and advanced into more sophisticated subjects such as in-depth training on data base design and data verification. A "live" case, used as a training tool, provided the trainees with the experience of confronting real problems of application design.

Some examples of successful microcomputer applications include the following:

- In a case involving the construction of a union hall, which was to be financed by a \$750,000 bank loan and \$1,000,000 from the union's own funds, it was suspected that the general contractor hired to oversee this project was sending duplicate billings to the bank and the union for the same items. The double billings were discovered through entering all payments made by both sources into the computer along with the purpose of the payments.
- In a case in which it was suspected that Labor Standards Office (LSO) interviews had not taken place and that the information was being fabricated, information from those interviews was extracted and entered into the microcomputer by OLR agents. The computer listing from this file was introduced at the trial to point out inconsistencies in the defendant's testimony. During this trial, the prosecutor was able to quickly refer to the printout and prove that the defendant had conducted improper interviews and to pinpoint inconsistencies rapidly and accurately.
- In a case in which a real estate developer allegedly was not making required contributions to the various union health and welfare funds, information extracted from cancelled checks was entered into the microcomputer. After sorting the



information obtained by the different trade funds, a determination was made as to whether correct payments actually had been paid.

- In a case involving falsification of certification documents for aliens, investigators entered information into the computer, and it was analyzed in several different ways, that revealed that a number of "employers" had the same address and the same phone number, giving our investigators numerous leads to pursue.
- In another case, extensive automobile tag information was collected and entered into the micro. This information was used to establish those cars that were present at certain locations at a particular time.
- In a case in which a contractor was suspected of overbilling the Government for services and also short-changing contributions to the unions' benefit funds and bribing union officials to cover for him, contractor invoices were used to develop a database on the microcomputer. The U.S. Attorney was thereby provided much useful information.

#### PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY (PCIE)

The Inspector General continued to provide leadership to the PCIE as co-chairman of the Long-Term Computer Matching Project. ORMLA has furnished continuing support to the Inspector General who has served as a member of the PCIE Committee on Productivity/Performance and the Single Audit Coordinating Committee.

In 1984, the first comprehensive "Inventory of Federal Computer Applications to Detect/Prevent Fraud, Waste, and Mismanagement" was issued. This publication contained synopses of 200 program agency computer applications performed by various Inspectors General. The Long-Term Computer Matching Project subsequently issued a supplement to the Inventory, in July 1984, which contained additional computer applications.

The Long-Term Computer Matching Project has assigned the DOL-OIG with the responsibility for overseeing publication of the Computer Matching Newsletter for Fiscal Year 1986.

## OFFICE OF LABOR RACKETEERING

Protection of the law provides the labor movement with a vital service that readily promotes the welfare of wage earners, improves their working conditions, and advances their opportunities for profitable employment. The Office of Labor Racketeering (OLR) provides such protection by investigating significant racketeering activity within the areas of employee benefit plans, labor-management relations, and internal union affairs.

OLR has taken several actions to enhance the ability of its staff to produce the most effective detection and investigation of depredations by organized criminals and racketeers in the labor-management field. To begin, it has consolidated its limited resources in geographical areas where its work will have the most impact. This has resulted in the closing of units in Orlando and Tampa, San Juan, Syracuse, and Las Vegas, while increasing OLR presence in Boston, metropolitan New York, New Jersey, and the Kansas City-St. Louis area. OLR will continuously monitor and evaluate organized crime involvement nationwide to determine additional relocation of resources.

Using computer technology, OLR is developing a model statistical diagnostic tool that will identify benefit plans and unions vulnerable to criminal abuse.

To maximize the Federal Government's commitment to combatting organized crime in the labor-management area, OLR is developing formal working agreements concerning jurisdiction and working relations with other agencies both in and out of the Department of Labor. The anticipated working agreements should improve the effectiveness of enforcement in areas where investigative jurisdiction is shared among agencies.

OLR recently obtained excepted civil service hiring authority. Obtaining this authority allows OLR to recruit and retain special agents possessing the work experience and academic background necessary to investigate sophisticated labor racketeering schemes.

During this reporting period, OLR's accomplishments included 28 convictions and 28 indictments. Employee benefit plans were found to have been defrauded of over \$6.5 million through various schemes.

Significant activities resulting from OLR investigations follow under the three major areas of investigative concern.

## BENEFIT PLANS

### Teamsters Local 701 Newark, New Jersey

Three former New Jersey State officials were indicted on September 19 in Newark in a multi-million dollar fraud against the Teamsters Local 701 Pension Fund. David Friedland, a former State Senator, Joseph J. Higgins, a former State Assemblyman, and Kenneth Zauber, a former Assistant U.S. Attorney and former Bureau Chief in the State Attorney General's Office, were charged with mail fraud, wire fraud, and submitting false statements required by the Employee Retirement Income Security Act.

The investigation centered around approximately \$23 million from the local's pension fund that was placed with the Omni Funding Group, Inc., of Ft. Lauderdale, Florida, and subsequently granted by Omni in 21 loans and mortgages. Friedland is allegedly an undisclosed partner in Omni, which is headed by Higgins who is the president and sole shareholder. Zauber was counsel to the fund during the period covered by the indictment.

The indictment charges that between approximately June 1982 and September 1985, the three defendants engaged in a series of schemes to defraud local 701's pension fund. Some of the alleged schemes included granting loans to Higgins and Omni and concealing them from the pension fund trustees, granting loans that were barred by the agreements with the fund, and using reserve money to make loans in default appear current. As a result of these alleged frauds, the Teamsters Local 701 Pension Fund has to date lost approximately \$5 million. This is the largest fraud detected against a New Jersey benefit plan.

Higgins was also named on September 19 in a related 9-count indictment of perjury in Miami. He allegedly provided perjurious testimony during the bankruptcy proceedings in U.S. District Court in Miami in November and December 1984. The testimony primarily concerned the financial operations of Omni. One count relates to an alleged robbery at Higgins' residence in October 1984 when approximately \$1 million in U.S. currency and gold was reported taken. He was arrested by OLR and FBI agents. Bail was set at \$1 million.

The 15-month fraud investigation, which continues, was initiated by the Newark OLR and later joined by the FBI.

The investigation of perjury was conducted jointly by the Miami OLR and the FBI.

Friedland was convicted in 1980 of having received a kickback relating to the same Local 701 Pension Fund while he served as its counsel. He was sentenced to 7 years imprisonment, but based on an agreement with the government to cooperate in Hudson County corruption investigations, he had not begun serving his sentence. On September 2, while scuba diving off Grand Bahama Island, he was reported missing. OLR and the FBI are investigating his disappearance. U.S. v. Friedland et al. (N.J.); U.S. v. Higgins (S.D.Fla.)

Teamsters Local 436  
Cleveland, Ohio

Five additional persons have been indicted in the continuing investigation by the Cleveland OLR into bribery and illegal payments to union and benefit fund employees and officials of Teamsters Local 436 and its related pension and welfare funds. Two of the five entered guilty pleas during this reporting period. To date, 12 defendants have been charged in this investigation.

The eighth to be charged in this investigation was Donald Henry Haueter, owner of Russell Haueter Excavating, Inc., in Chardon, Ohio. A May 30 indictment charges that, from March 1981 through June 17, 1981, Haueter allegedly paid approximately \$3,500 to Angelo T. Regalo to allow him to underpay contributions due to the local's welfare and pension funds. A former business agent of local 436 and trustee of the local's benefit plans, Regalo is named as an unindicted co-conspirator in this indictment. He had previously pled guilty in a September 1983 indictment that charged him with soliciting and receiving \$7,000 to influence his conduct concerning the funds. Haueter is also charged with knowingly making false statements to the benefit funds, also a violation of federal law.

On August 1, two former Teamsters Local 436 officials and their wives were charged in two separate indictments. Charges of conspiracy, false statements, and embezzlement from an employee benefit plan were included in a 10-count sealed indictment filed in U.S. District Court against Paul A. Morabith and Frances M. Morabith, and in a 3-count indictment against James M. Bartkus and Mary Lou Bartkus. The Morabiths, who were also charged with mail fraud, pled guilty to four counts of their indictment on September 26.

Morabith was a trustee and recording secretary of the union's Executive Board; Bartkus, an office manager.

Both couples allegedly submitted medical claims to local 436's welfare and benefit fund for medical costs that had been paid previously by a medical insurance carrier. The indictments allege that the Morabiths embezzled \$26,460 from the welfare fund through the false medical claims they submitted in 1984, and the Bartkus' embezzled \$3,463 through a false medical claim in 1980. The indictment further charges that in each couple the spouses conspired with each other in the submission of these false claims, and that the submission of false claims caused the welfare fund to report to the U.S. Department of Labor an inaccurate account of the fund's financial standing.

The U.S. Postal Inspection Service and financial investigators from Blue Cross/Blue Shield of Northern Ohio joined with OLR in the investigation that resulted in the latter indictments. U.S. v. Hauter, U.S. v. Morabith and Morabith, U.S. v. Bartkus and Bartkus (N.D. Ohio)

Sheetmetal Workers Local 13  
Newark, New Jersey

Ralph Torracco, sentenced in 1983 to 1 year in prison and 1 year's probation, has been found by the U.S. District Court in Newark to have violated debarment provisions of ERISA, and was sentenced on July 23 to a 1-year suspended sentence. He was automatically barred for 5 years following his conviction from serving as a fiduciary consultant or counsel to any employee benefit plan covered by ERISA. The Newark OLR found that following his conviction, and while on probation, Torracco served as the accountant to the Sheetmetal Workers Local 13 benefit funds. He had been the accountant for the benefit funds of Teamsters Local 560 controlled by Salvatore Provenzano, brother of Anthony "Tony Pro" Provenzano and Nunzio Provenzano, when he pled in 1982 to a 1-count information charging him with willful violation of the reporting requirements of ERISA and to one count of income tax evasion. U.S. v. Torracco, (N.J.)

Bakery Local 348  
Boston, Massachusetts

Four defendants in the case involving the Bakery, Confectionery, and Tobacco Workers Union (BCTWU) Local 348 in Boston pled guilty on September 9. Thomas Hantakas, president of the local, and Anthony Stancato, a former local

officer, pled to two of five counts charging them with making false statements to an employee benefit plan and violating the Taft-Hartley Act by receiving illegal payments from an employer. Matthew O'Toole and John Orr, both members of the local's Executive Board, pled guilty to all counts of their indictment: O'Toole to six counts and Orr to four of mail fraud, aiding and abetting, conspiracy, and making false statements to an employee benefit plan.

The defendants were indicted in January following a 3-year investigation by the Boston OLR that found that the defendants had embezzled health plan funds by filing fraudulent and forged claims and had embezzled pension funds by conspiring with the Stop and Shop Companies, Inc., and its bakery general manager, William Tully, to have an illegal pension awarded to Stancato. Stop and Shop and Tully pled guilty in February. U.S. v. Hantakas, O'Toole, Orr, Stancato, (Mass.)

Office Professional Employees International Local 227  
Miami, Florida

Norman Warren Hochdorf was indicted on September 3 in Miami on three counts of embezzling from an employee benefit plan. Hochdorf is president of Executive Insurance Advisors, Inc., (EIA), the plan administrator of the Consolidated Labor Union Trust, which is a health benefit fund affiliated with the Office Professional Employees International Union Local 227 in Miami. Hochdorf allegedly embezzled about \$28,000 by transferring trust funds to the EIA administrative account and subsequently issuing checks to himself. The Miami OLR conducted this investigation with assistance from the FBI. U.S. v. Hochdorf, (S.D. Fla.)

Teamsters Local 401  
Wilkes-Barre, Pennsylvania

On September 10, Elias L. Namey, chairman of the board of the Teamsters Local 401 Health and Welfare Fund in Wilkes-Barre was found guilty on one count of racketeering and two counts of soliciting and receiving kickbacks. Namey, who retired from his position as vice president and business representative of local 401 in 1982, unlawfully solicited and received \$50,000 from the administrator of local 401's health and welfare fund. This was a joint investigation by the Philadelphia OLR and the FBI. U.S. v. Namey (M.D. Pa.)

## LABOR-MANAGEMENT RELATIONS

### Painters Union Local 1269 Bethlehem, Pennsylvania

A 35-year prison sentence was ordered on April 29 for Robert P. Delker, convicted on March 7 of racketeering to control Local 1269 of the International Brotherhood of Painters and Allied Trades in Bethlehem, Pennsylvania, and to control the union painting work in the Lehigh Valley. He must also make restitution of \$26,497 to the various injured parties. As a condition of probation, he must cooperate with the IRS to settle his taxes.

In the last semiannual report, we reported that Delker, the local's business representative, and five co-defendants were charged with committing 52 specific racketeering acts, using force, violence, threats, vandalism, and physical and economic intimidation.

Richard Malgadey, who was the local's president until his conviction in March, was sentenced to 10 years in prison and ordered to make restitution of \$400 to one of the injured parties. Donald J. Parker was sentenced to 3 years in prison, 5 years' probation and ordered to cooperate with the IRS to settle his taxes.

On April 8, Franklin Delker, who had pled guilty to one count of RICO conspiracy and testified against his brother Robert, was sentenced to 3 years in prison. Russell J. and John R. Antalosky had each pled guilty in March to one count of conspiracy to violate the Hobbs Act. They were each sentenced to a 5-year suspended sentence and placed on 5 years' probation and ordered to make restitution of \$1,495 to various local 1269 benefit funds. This was a joint Philadelphia OLR-FBI-IRS investigation. U.S. v. Delker et al. (E.D. Pa.)

### Deran Marketing Corporation Newark, New Jersey

Salvatore Profaci, Joseph F. Derrico, and Gus Spatafora were convicted on July 19 by a petit jury in Camden of three counts of mail fraud. James T. Gow was convicted of one count of mail fraud. All were acquitted of racketeering charges. The defendants had been indicted in August 1984 on 13 counts of mail fraud and racketeering regarding the A&P supermarket chain's disposal of waste corrugated cardboard. Following a joint investigation by the Newark OLR, the FBI, and IRS, the indictment charged that during his employment

as a senior vice president of A&P between 1977 and 1983, Gow caused A&P to enter into an exclusive contract with a brokerage company, Deran Marketing Corporation in Newark, New Jersey, controlled by Profaci through Derrico and Spatafora. In return, Gow allegedly received approximately \$100,000 in bribe payments disguised as consulting fees. Gow was responsible for the chain's cardboard waste disposal program in the U.S. and Canada. Through this exclusive contract, the defendants then caused A&P to enter into contracts with five other corporations controlled by them. They were alleged to have thus defrauded A&P through a variety of schemes, including receiving inflated commissions and kickbacks on equipment purchases. Over a period of years, A&P paid the various companies approximately \$3.5 million. U.S. v. Profaci et al. (D. N. J.)

International Brotherhood of Security Services  
Baton Rouge, Louisiana

On September 13, Robert H. Blanton, III, former president of the International Brotherhood of Security Services (IBOSS) in Baton Rouge, Louisiana; Jerome Banks, director of IBOSS Internal Secret Service; and Clyde Daigle, investigator and bodyguard, IBOSS Internal Secret Service, were sentenced following their July 26 conviction of one count each of conspiracy and extortion. A March indictment had charged that they had solicited payment from officials of a security guard company working at the Atlanta Airport in return for favorable testimony before a National Labor Relations Board hearing, documentary evidence against the union, and the guarantee of labor peace. They were acquitted on a count of extorting and receiving a payoff to a labor official.

Blanton was sentenced to 10 years in prison to be followed by 5 years' probation. Banks and Daigle each received a 2-year prison sentence. The Atlanta OLR was joined in this investigation by the FBI and officers from state and local law enforcement agencies. U.S. v. Blanton et al. (N.D. Ga.)

International Longshoremen's Association Local 1315  
Kenosha, Wisconsin

On August 13, Ralph Thomas, ILA Local 1315 president and pension fund trustee, pled guilty to a May 22 indictment charging that he accepted the use of the employer's payroll deduction system to collect personal loans from union members employed by Morelli Overseas Export. He was sentenced on September 18 to 2 years' probation, fined



\$1,500, and barred from union office for 13 years. He was also instructed that any intimidation or harassment of witnesses would be dealt with severely by the court.

The owner of the company, Mario Morelli, had been charged with allowing Thomas the use of his company's payroll deductions system to collect the loans. In a non-jury trial, he was acquitted by the judge.

The 2-count indictment follows a year-long investigation by OLR agents in Milwaukee and is part of a national investigation of waterfront corruption. U.S. v. Thomas, (E.D. Wis.)

#### INTERNAL UNION AFFAIRS

##### Roofers Local 33 Boston, Massachusetts

Harold "Happy" Lynch was sentenced in Boston on July 16 to serve 6 months of a 1 year prison sentence and 2 years' probation. He was convicted on June 4 on two counts of violating the provision of the Labor-Management Reporting and Disclosure Act that makes it unlawful to use force to interfere with a union member's right of speech and assembly. He had physically assaulted and broken the nose of a union member and threatened to assault another during a local 33 executive board meeting.

In January 1983, the local's business manager, Paul Gibson, was convicted and sentenced to a 1-year prison term for extorting payoffs from contractors. Lynch maintained control of the local in Gibson's absence. A dissident element had been trying to gain control of the local. The two leaders of the group lost their jobs and were ignored by Lynch when work was available. They were forced to find non-union work. Lynch and the two victims filed charges and countercharges, which were heard at the September Executive Board meeting where the threats and physical assault occurred. The Boston OLR participated in this investigation with the FBI. U.S. v. Lynch (D. Mass.)

##### Teamsters Local 507 and Bakery Local 19 Cleveland, Ohio

In prior semiannual reports, OLR has discussed the convictions of Allen Friedman and Jack Nardi, Jr., following an investigation by the Cleveland OLR. Both had been indicted by grand juries and convicted of embezzling union

funds by accepting money for work they had not performed. Friedman was sentenced to a jail term and Nardi was awaiting sentence. Various grand juries continued their investigation of other individuals associated with locals 507 and 19. No further indictments have been rendered to date. However, as a result of new evidence that came to the attention of the Department of Justice and was raised in hearings in U.S. District Court in the Northern District of Ohio, Friedman was granted a new trial. A subsequent motion by the government to dismiss the case with prejudice was granted by the court. Nardi recently requested he be allowed to change his prior guilty plea. The court has now granted a motion to dismiss his case. No future prosecutions of either of these individuals will be undertaken based on their ghost employment. U.S. v. Friedman, (N.D. Ohio), U.S. v. Nardi, (N.D. Ohio)

#### MISCELLANEOUS SIGNIFICANT CASES

##### City Labor Standards Office Philadelphia, Pennsylvania

In the last semiannual report, we mentioned the December indictments of three current and former inspectors in the Philadelphia Labor Standards Office following an investigation by the Philadelphia OLR. On April 16, Joseph Crosley, supervisor of the Labor Standards Office, was found not guilty on 14 counts of an indictment charging him with falsely reporting time spent on federally-funded projects. The jury was deadlocked on nine other counts. He is expected to be retried on those counts.

The other defendants, both former inspectors with the office, have been sentenced. Thomas Barnum was sentenced on July 31 to 5 years' probation as a result of his guilty plea on June 17 to one count of false claims against the Federal Government. Charles Conwell was sentenced August 1 to 1 year and 1 day in prison as a result of being found guilty on May 31 of one count of false claims against the Federal Government. U.S. v. Crosley, U.S. v. Barnum and Conwell (E.D. Pa.)

##### Seafarers International Union Philadelphia, Pennsylvania

John Goodwin, a member of Roofers Local 30 indicted in November 1984 in Philadelphia for his role in a drug conspiracy, was sentenced June 28 to 18 months in jail, 2 years' special parole, and 5 years' probation. In the last

semiannual report, we mentioned his guilty plea to four counts of distribution of methamphetamine and conspiracy. This case was part of a continuing joint investigation by the Philadelphia OLR, the Customs Service, the Drug Enforcement Administration, and the FBI that centered on the Seafarers International Union Hall in Philadelphia. Two others, including Joseph Walsh, an organizer for the Seafarers Union, and Lorraine Weierbach, part owner of the Easy Street Pub, had also previously pled guilty to conspiracy charges and were sentenced in March. U.S. v. Goodwin (E.D. Pa.)

## COMPLAINT HANDLING ACTIVITIES

The Office of Inspector General is the focal point for receiving and tracking reports of alleged fraud, waste, or irregularities in Department of Labor programs. During this reporting period the OIG received 1379 complaints nationwide from the general public, departmental employees, Congress and other agencies. These complaints were made directly to the OIG National Office, OIG Regional Offices, and the OIG Complaint Analysis Office. Following is a breakdown of the various sources of complaints we received:

TOTAL ALLEGATIONS REPORTED: 1379

### ALLEGATIONS BY SOURCE:

Walk - in	29
DOL/IG Hotline	119
Telephone calls	102
Letters from Congressmen	6
Letters from Individuals or Organizations	489
Letters from non-DOL agencies	183
Letters DOL Agencies	75
Incident Reports from DOL Agencies	233
Reported by agents/auditors	121
Referrals from GAO	22

### BREAKDOWN OF ALLEGATIONS REPORTS:

Referred to Audit/Investigations	679
Referred to program management	108
Referred to other agencies	43
No further action	196
Pending Disposition at end of period	353

The OIG Complaint Analysis Office serves as a resource for employees and the general public to report suspected incidents of fraud, waste, and abuse in Department of Labor programs and operations. The Inspector General Act of 1978 provides that employees and others may report such incidents with the assurance of anonymity and protection from reprisal. The OIG Complaint Analysis Office staff received, analyzed, and processed over 205 complaint(s) from all sources during the period. Over 458 calls were received on the "DOL/IG Hotline" phone; however, of that number, only 119 were actual allegations, and the remainder informational type calls.

The following are examples of allegations handled by the OIG Complaint Analysis Office that led to improvement of government management during this reporting period:

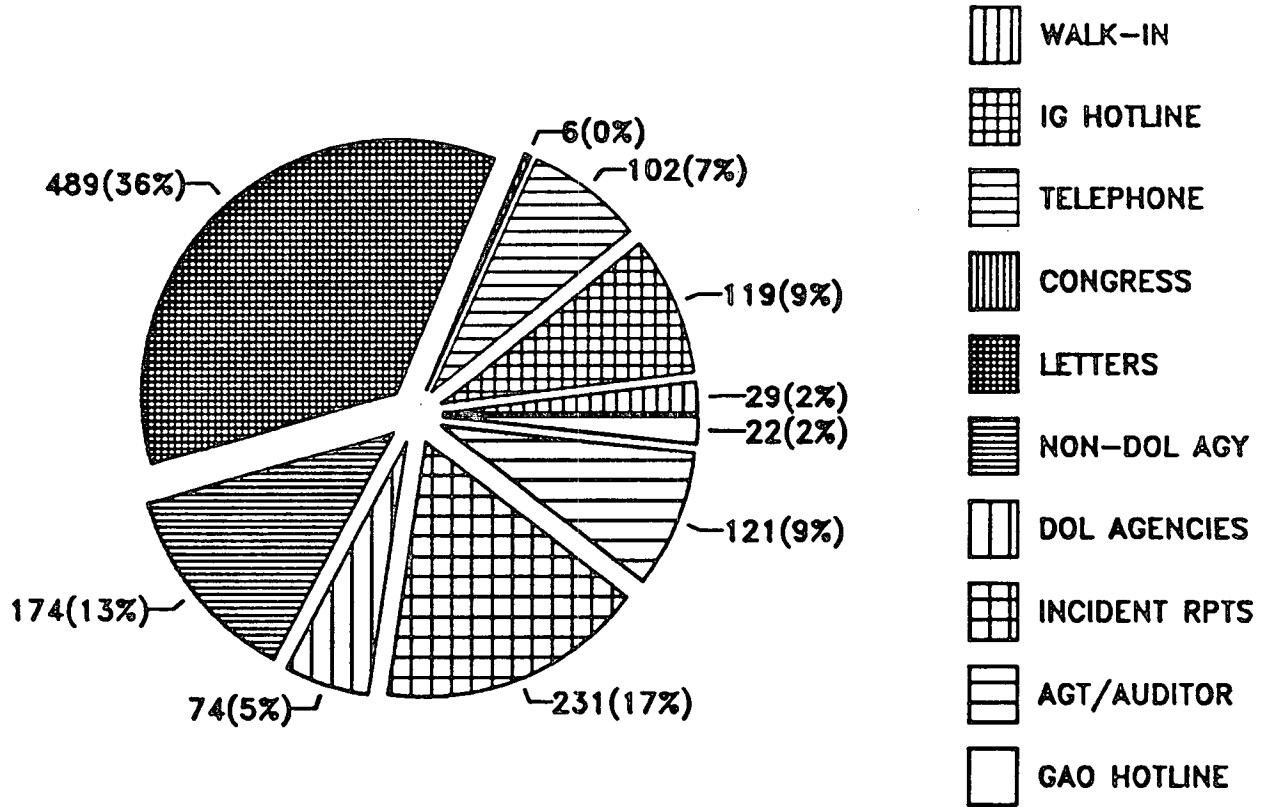
- The OIG Special Investigations office responded to allegations received by the "IG Hotline" that a former Defense Department employee was receiving Federal employment compensation benefits as a result of a staged and faked accident. As a result of the contrived accident and resulting claimed disability, the former DOD employee received benefits in excess of \$295,800 and caused the Office of Workers' Compensation to make medical payments in excess of \$1,700. A thorough investigation resulted in an indictment being returned charging the employee with 62 counts of false claims, false statements and mail fraud.
- A Hotline caller alleged that an Labor Management Services Administration employee was operating a full-time business without disclosing his financial interest in that business. The caller indicated that the individual was doing personal business on government time and, in his official capacity, was advising other DOL officials concerning the purchase and upgrade of computer equipment from his firm -- a conflict of interest. The information was referred to OIG Special Investigations Office. After extensive investigation, the individual entered a guilty plea to violations of 18 USC 209 (dual compensation).
- The Complaint Analysis Office received allegations that an individual was receiving unemployment compensation while gainfully employed. An investigation by the OIG Special Investigations Office revealed that the individual had fraudulently received over \$800 in unemployment

compensations while employed. Subsequently, the matter was referred to the State of Maryland who disqualified the individual from receiving unemployment benefits for 1 year based on this fraudulent overpayment.

-- A Hotline caller reported that an individual was working two jobs and, after being laid off from one, collected unemployment compensation. As a result of an investigation conducted by the OIG Special Investigations Office, the individual was charged for fraudulently receiving over \$5,000 in unemployment compensation.

# Complaint Handling Activities

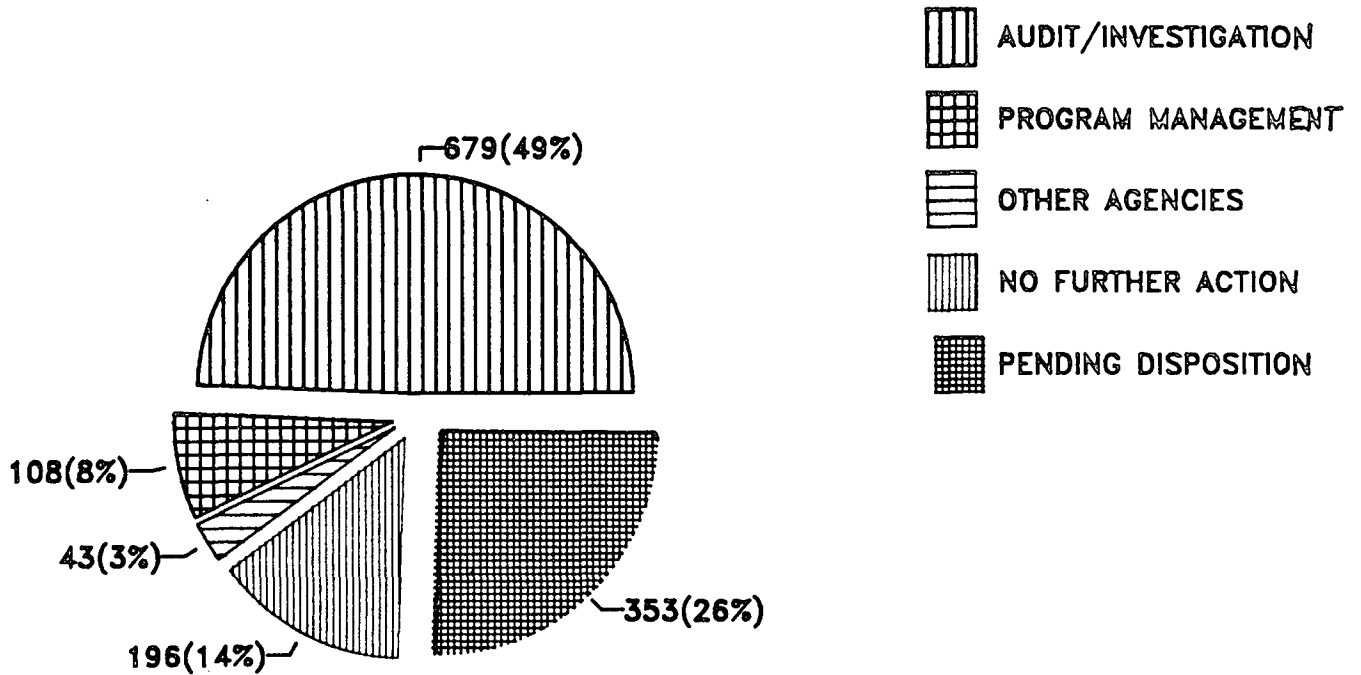
## NATIONWIDE



Allegations Reviewed From All Sources

# Complaint Handling Activities

April 1, 1985 – September 30, 1985



Disposition – Referral Action



MONEY OWED TO THE  
DEPARTMENT OF LABOR

In accordance with a request in the Senate Committee on Appropriations' report on the Supplemental Appropriation and Rescission Bill of 1980, the chart on the following page shows unaudited estimates provided by departmental Agencies on the amounts of money owed, overdue, and written off, or under appeal as uncollectible during the 6-month reporting period.

SUMMARY OF ESTIMATED DEPARTMENT OF  
LABOR RECEIVABLES  
(Dollars in thousands)

Program Name	Outstanding Receivables 9/30/85 1/	Delin- quencies 9/30/85 2/	Adjustments & Write-offs 9/30/85 3/	Under Appeal 9/30/85 4/
Employment Standards Administration Federal Employees' Compensation Act - beneficiary/provider overpayments	\$ 23,996	\$ 8,616	\$ 3,000	\$ 9,622
Black Lung Program - responsible mine operator reimbursement; beneficiary/provider overpayments	176,788	52,989	(851)	123,799
Employment & Training Administration - disallowed costs; outstanding cash balances; grantee overpayments	290,771	289,986	12,100	231,989
Mine Safety & Health Administration - mine operator civil penalties	8,984	8,984	1,300	-0-
Pension Benefit Guaranty Corporation - plan assets subject to transfer; employer liability; accrued premium income	55,421	10,581	83,061	-0-
All Other Agencies	6,811	6,806	1,509	3,837
<b>Totals 5/</b>	<u>\$562,771</u>	<u>\$377,962</u>	<u>\$100,119</u>	<u>\$369,247</u>

See following page for footnotes.

- 1/ Includes amounts identified as contingent receivables that are subject to an appeals process that can eliminate or reduce the amounts identified.
- 2/ Any amount more than 30 days overdue is delinquent. Includes items under appeal and not in collection mode.
- 3/ Includes write-offs of uncollectible receivables and adjustments of contingent receivables as a result of the appeals process and reclassification of disallowed costs based on documentation submitted after audit resolution.
- 4/ Currently under appeal to an Administrative Law Judge.
- 5/ Agencies of the Department estimate that actual recoveries of accounts receivable for the period are \$99 million.

APPENDIX

SELECTED STATISTICS

Audit Activities

--	Reports issued on DOL activities . . . . .	346
--	Audit exceptions . . . . .	\$75.8 million
--	Reports issued for other Federal agencies . . . . .	8
--	Dollars resolved . . . . .	\$68.9 million
	Allowed . . . . .	\$ 39.9 million
	Disallowed . . . . .	\$ 29.0 million

Fraud and Integrity Activities

--	Allegations reported . . . . .	1,379
--	Cases opened . . . . .	781
--	Cases closed . . . . .	431
--	Cases referred for prosecution . . . . .	280
--	Individuals or entities indicted . . . . .	386
--	Individuals or entities convicted . . . . .	289
--	Cases referred for administrative action . . . . .	69
--	Fines, penalties, restitutions and settlements . . . . .	\$3,644,280
--	Recoveries . . . . .	\$1,007,506
--	Cost efficiencies . . . . .	\$ 14,924

Labor Racketeering Investigation Activities

--	Cases opened . . . . .	38
--	Cases closed . . . . .	31
--	Cases referred for prosecution . . . . .	19
--	Individuals indicted . . . . .	28
--	Individuals convicted . . . . .	28
--	Fines . . . . .	\$ 11,500
--	Restitutions . . . . .	\$1,200,000
--	Investigative monetary findings . . . . .	\$6,560,265
	Benefit plan related frauds . . . . .	\$6,481,765
	Benefit plan related kickbacks . . . . .	\$ 50,500
	Union embezzlements . . . . .	\$ 28,000

SUMMARY OF AUDIT ACTIVITY OF DOL PROGRAMS  
April 1, 1985 to September 30, 1985

Agency	Reports Issued	Grant/Contract Amount Audited	Amount of Questioned Costs	Amount Recommended for Disallowance
Employment and Training Administration	257	\$5,027,351,433	\$42,981,984	\$24,880,818
Bureau of Labor Statistics	11	1,971,282	-	-
Employment Standards Administration	6	853,776,653	-	-
Mine Safety and Health Administration	12	4,047,233	244,423	8,655
Occupational Safety and Health Administration	24	23,789,896	205,425	191,389
Office of the Assistant Secretary for Administration and Management	33	76,668,511	6,601,081	666,636
Solicitor's Office	1	-	-	-
Veteran's Employment and Training Services	2	528,420	-	-
<b>Totals</b>	<b>346</b>	<b>\$5,988,133,428</b>	<b>\$50,032,913</b>	<b>\$25,747,498</b>

**SUMMARY OF AUDIT ACTIVITY OF ETA PROGRAMS**  
 April 1, 1985 to September 30, 1985

Program	Reports Issued	Grant/Contract Amount Audited	Amount of Questioned Costs	Amount Recommended for Disallowance
Agency Administration	3	\$ 28,557,872	\$ -	\$ -
CETA Grantees	128	1,789,823,517	30,697,539	3,704,334
Job Training Partnership Act:				
JTPA Grantees	4	97,857,222	11,458	-
Native Americans	31	39,281,536	427,160	308,919
Migrants	17	17,083,809	508,545	143,801
Job Corps	11	59,793,841	1,170,173	2,400,558
Older Workers	18	95,064,961	245	-
Strategic Planning and Policy Development	25	84,282,928	1,573,093	936,736
State Employment Security Agencies	20	2,815,605,747	8,593,771	17,386,470
Totals	257	\$5,027,351,433	\$42,981,984	\$24,880,818

SUMMARY OF AUDITS PERFORMED UNDER THE SINGLE AUDIT ACT  
April 1, 1985 to September 30, 1985

Agency	Reports Issued	Grant/Contract Amount Audited	Amount of Questioned Costs	Amount Recommended for Disallowance
Employment and Training Administration	72	\$1,409,099,962	\$2,565,685	\$1,740,455
Bureau of Labor Statistics	5	1,157,688	-	-
Employment Standards Administration	-	-	-	-
Mine Safety and Health Administration	1	367,933	-	-
Occupational Safety and Health Administration	5	10,708,384	-	-
Office of the Assistant Secretary for Administration and Management	-	-	-	-
Solicitor's Office	-	-	-	-
Veteran's Employment and Training Services	1	428,623	-	-
<b>Total</b>	<b>84</b>	<b>\$1,421,726,590</b>	<b>\$2,565,685</b>	<b>\$1,740,455</b>



SUMMARY OF AUDIT RESOLUTION ACTIVITY  
April 1, 1985 to September 30, 1985

Agency/Program	April 1, 1985 Balance Unresolved Reports Dollars 1/	Issued (Increases) Reports Dollars	Resolved 2/ (Decreases) Allowed Dollars	Disallowed Reports Dollars	September 30, 1985 Balance Unresolved Reports Dollars
Employment and Training Administration	1 \$ 33,535	3 \$ -	-	-	1 \$ 33,535
Agency Administration	51 37,890,459	128 34,401,873	29,832,372	13,893,335	33 29,911,048
CETA Grantees	-	-	-	-	-
Job Training Partnership Act:					
JTPA Grantees	-	4 11,458	-	-	1 11,458
Native Americans	11 316,024	31 736,079	211,818	116,407	12 735,162
Migrants	5 667,010	17 652,346	386,778	777,636	9 154,962
Job Corps	6 4,770,156	11 3,570,731	5,057,668	2,315,762	4 967,457
Older Workers	-	18 245	-	245	1 -
Strategic Planning & Policy Development	13 1,732,771	25 2,509,829	1,451,036	1,026,677	6 1,765,137
State Employment Security Agencies	23 11,192,891	20 25,980,241	762,885	10,429,442	16 25,520,334
Bureau of Labor Statistics	1 -	11 -	-	-	-
Employment Standards Administration	5 -	6 -	-	-	4 -
Mine Safety and Health Administration	5 1,346,735	12 253,078	1,296,122	51,640	5 252,051
Occupational Safety and Health Administration	2 -	24 396,814	154,309	153,944	4 88,561
Office of the Asst Secy for Admin and Mgmt	23 13,688,371	33 7,267,717	709,857	332,078	15 19,914,153
Solicitor's Office	-	1 -	-	-	-
Veterans' Employment and Training Services	-	2 -	-	-	-
Other Agency	-	8 -	-	-	2 -
<b>Total 3/</b>	<b>146 \$ 71,637,952</b>	<b>354 \$ 75,780,411</b>	<b>\$ 39,862,845</b>	<b>\$ 29,097,166</b>	<b>113 \$ 79,353,858</b>

1/ "Dollars" signifies both questioned costs (costs that are inadequately documented or that require the grant officer's interpretation regarding allowability) and costs recommended for disallowance (costs that are in violation of law or regulatory requirements).

2/ Audit resolution occurs when the program agency and the audit organization agree on action to be taken on reported findings and recommendations. Thus, this table does not include activity subsequent to the final determination such as the appeals process, the results of the program agency debt collection efforts, or revision of prior determinations which may result in the reduction of the amount reported as disallowed costs.

3/ The differences between the beginning balances in this schedule and the ending balances in the schedule of the previous semiannual report result from adjustments required during the reporting period.

STATUS OF AUDIT RESOLUTION ACTIONS ON BEGINNING  
BALANCE OF UNRESOLVED AUDITS

Agency/Program	April 1, 1985		Resolved (Decreases)		September 30, 1985	
	Balance Unresolved Reports	Dollars	Reports	Dollars	Balance Unresolved Over 6 Months 1/ Reports	Dollars
<b>Employment and Training Administration</b>						
Agency Administration	1	\$ 33,535	-	\$ -	1	\$ 33,535
CETA Grantees	51	37,890,459	40	35,913,887	10	1,976,572
<b>Job Training Partnership Act:</b>						
JTPA Grantees	-	-	-	-	-	-
Native Americans	11	316,024	11	316,024	-	-
Migrants	5	667,010	5	667,010	-	-
Job Corps	6	4,770,156	5	4,195,733	1	574,423
Older Workers	-	-	-	-	-	-
Strategic Planning & Policy Development	13	1,732,771	11	1,616,093	2	116,678
State Employment Security Agencies	23	11,192,891	22	11,192,327	1	564
Bureau of Labor Statistics	1	-	1	-	-	-
Employment Standards Administration	5	-	5	-	-	-
Mine Safety & Health Administration	5	1,346,735	5	1,346,735	-	-
Occupational Safety & Health Administration	2	-	2	-	-	-
Office of the Asst Secy for Admin and Mgmt	23	13,688,371	19	13,258,019	5	430,352
Veterans' Employment and Training Services	-	-	-	-	-	-
<b>Total</b>	<b>146</b>	<b>\$ 71,637,952</b>	<b>126</b>	<b>\$ 68,505,828</b>	<b>20</b>	<b>\$ 3,132,124</b>

1/ The 20 unresolved audit reports were precluded from resolution. Details are on the following page.

UNRESOLVED AUDITS OVER 6 MONTHS  
PRECLUDED FROM RESOLUTION

Agency	Program	Report	Audit Number	Name of Audit/Auditee	No of Rec.	Cost Exceptions
<b>Under Investigation:1/</b>						
ETA	SESA	09-2-503-03-325		GOVERNMENT OF GUAM	1	\$ 564
ETA	CETA	02-4-010-03-345		PROVIDENCE, CITY OF	1	-
ETA	CETA	03-4-063-03-345		SOUTHERN ALLEGHENIES CONSORTIUM	1	27,373
ETA	CETA	04-4-029-03-345		BIRMINGHAM CSRT	1	20,970
ETA	CETA	04-4-153-03-345		TENNESSEE BOS	1	441,342
ETA	CETA	05-1-152-03-345		MONTGOMERY PREBLE CSRT	2	172,818
ETA	CETA	05-1-156-03-345		ILLINOIS BOS	2	598,852
ETA	CETA	05-4-067-03-345		DETROIT, CITY OF	3	583,793
ETA	CETA	09-2-705-03-345		SAN DIEGO, CITY OF	1	40,990
ETA	CETA	09-3-068-03-345		LOS ANGELES, CITY OF	1	88,624
ETA	CETA	09-4-001-03-345		SANTA CRUZ CO	1	1,810
ETA	OSPPD	05-1-301-03-350		CSRT VENTURE CORP	5	75,013
ETA	OSPPD	11-2-084-03-350		MORGAN MGMT SYSTEMS INC	3	41,665
ETA	QJC	11-3-114-03-370		BRUNSWICK JOB CORPS CNTR	7	574,423
OASAM	OP	11-4-014-03-741		INTERSTATE COURT REPORTERS INC	7	430,352
<b>Pending Indirect Cost Negotiation:2/</b>						
OASAM	OCD	05-3-065-07-742		DETROIT, CITY OF	11	-
OASAM	OCD	05-4-092-07-742		SINGER CO	8	-
OASAM	OCD	05-4-227-07-742		FLORIDA ES	7	-
OASAM	OCD	05-4-189-07-742		MANAGEMENT TRNG CENTER	5	-
<b>Pending Contract Negotiations:3/</b>						
ETA	ADMIN	11-5-126-03-001		CONTRACT SETTLEMENT OF ABT ASSOC	7	33,535
<b>TOTAL</b>					<b>75</b>	<b>\$ 3,132,124</b>

- 1/ Fifteen audit reports are precluded from resolution pending the outcome of investigation or litigation.
- 2/ Four audit reports are unresolved pending the conclusion of indirect cost rate negotiations and, in accordance with OMB Circular A-50, are not subject to the 180-day time limit for resolution.
- 3/ One audit report is unresolved pending contract negotiation and, in accordance with OMB Circular A-50, is not subject to the 180-day time limit for resolution.

SUMMARY OF AUDIT REPORTS ISSUED  
DURING THE CURRENT REPORTING PERIOD  
APRIL 1, 1985 TO SEPTEMBER 30, 1985

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DEPARTMENT OF LABOR

Employment and Training Administration

Agency Administration	3
CETA Grantees	128
Job Training Partnership Act:	106
JTPA Grantees	4
Native Americans	31
Migrants	17
Job Corps	11
Older Workers	18
Strategic Planning and Policy Development	25
State Employment Security Agencies	20
Bureau of Labor Statistics	11
Employment Standards Administration	6
Mine Safety and Health Administration	12
Occupational Safety and Health Administration	24
Office of Assistant Secretary for Administration and Management	33
Solicitor's Office	1
Office of Veterans Employment & Training	<u>2</u>
Subtotal	346
OTHER FEDERAL AGENCIES	<u>8</u>
Total	<u>354</u>

LIST OF FINAL AUDIT REPORTS ISSUED  
APRIL 1985 TO SEPTEMBER 1985

REGION AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
02	EPA	02-5-054-03-315	06/10/85	NEW JERSEY GENERAL FUND
02	EPA	02-5-009-03-325	06/14/85	NEW JERSEY DOL
02	EPA	02-3-001-03-345	04/01/85	AMERICAN LEGION-DEPT OF MAINE
02	EPA	02-4-067-03-345	05/21/85	NASSAU CO
02	EPA	02-4-112-03-345	05/05/85	CAMBRIDGE, CITY OF
02	EPA	02-4-139-03-345	07/25/85	NEW YORK, CITY OF
02	EPA	02-4-145-03-345	04/18/85	NEWARK, CITY OF
02	EPA	02-4-157-03-345	08/05/85	ALBANY, CITY OF
02	EPA	02-5-001-03-345	04/15/85	MERCER CO
02	EPA	02-5-019-03-345	08/08/85	OCEAN CO
02	EPA	02-5-023-03-345	06/10/85	NEW YORK BOS
02	EPA	02-5-028-03-345	09/19/85	SOMERSET CO
02	EPA	02-5-033-03-345	04/15/85	WATERBURY, CITY OF
02	EPA	02-5-035-03-345	06/11/85	SUFFOLK CO
02	EPA	02-5-037-03-345	04/15/85	HARTFORD, CITY OF
02	EPA	02-5-038-03-345	04/01/85	TRNG AND DEV CORP
02	EPA	02-5-039-03-345	08/20/85	NEWARK, CITY OF
02	EPA	02-5-058-03-345	04/15/85	VIRGIN ISLANDS
02	EPA	02-5-060-03-345	04/29/85	NEW HAMPSHIRE STATEWIDE
02	EPA	02-5-063-03-345	05/22/85	BRIDGEFORD, CITY OF

An explanation of abbreviations follows this list on page 128.

REGION AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
02	ETA	02-5-064-03-345	07/31/85	BURLINGTON CO
02	ETA	02-5-067-03-345	05/30/85	DUTCHESS CO
02	ETA	02-5-070-03-345	07/31/85	ROCHESTER, CITY OF
02	ETA	02-5-071-03-345	05/30/85	MORRIS CO
02	ETA	02-5-075-03-345	06/14/85	BROOME CO
02	ETA	02-5-076-03-345	06/14/85	BUFFALO, CITY OF
02	ETA	02-5-090-03-345	08/22/85	SCHENECTADY CO
02	ETA	02-5-094-03-345	08/21/85	LIVINGSTON CO
02	ETA	02-5-103-03-345	08/01/85	YONKERS, CITY OF
02	MSHA	02-5-088-06-601	09/16/85	MASS DEPT OF LABOR AND INDUSTRIES
02	OSHA	02-5-051-10-101	04/29/85	MASS DEPT OF LABOR AND INDUSTRIES
02	OT AGY	02-5-087-98-599	09/26/85	PORTLAND, CITY OF
03	ETA	03-3-203-03-315	08/16/85	UNEMPLOYMENT INSURANCE EXPERIENCE RATING
03	ETA	03-4-081-03-345	04/08/85	BUCKS CO OFFICE OF EMEL AND TRNG
03	ETA	03-5-010-03-345	04/19/85	WORCESTER CO
03	ETA	03-5-018-03-345	04/08/85	BALTIMORE METROPOLITAN MANPOWER CSRT
03	ETA	03-5-032-03-345	06/21/85	PRINCE WILLIAM CO
03	ETA	03-5-033-03-345	04/12/85	ARLINGTON CO
03	ETA	03-5-034-03-345	09/26/85	MARYLAND DEPT OF HUMAN RESOURCES
03	ETA	03-5-036-03-345	06/14/85	FORTSMOUTH CO
03	ETA	03-5-037-03-345	06/18/85	PRINCE GEORGE CO
03	ETA	03-5-041-03-345	06/14/85	WILLMINGTON, CITY OF
03	ETA	03-5-051-03-345	08/26/85	PRINCE GEORGE CO

REGION	AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
03	ESA	OFCCP	03-3-204-04-410	09/30/85	OFF OF FEDERAL CONTRACT COMPLIANCE PROG
03	MSHA	GRTEES	03-4-084-06-601	06/05/85	OKLAHOMA, MSHA GRANT
03	MSHA	GRTEES	03-4-085-06-601	05/09/85	OHIO, MSHA GRANT
03	MSHA	GRTEES	03-5-006-06-601	07/28/85	ALABAMA, MSHA GRANT
03	MSHA	GRTEES	03-5-008-06-601	09/06/85	WEST VIRGINIA DIV OF REHABILITATION
03	MSHA	GRTEES	03-5-026-06-601	06/03/85	DYNAMIC DATA
03	MSHA	GRTEES	03-5-049-06-601	09/23/85	WESTINGHOUSE ELECTRIC CORP
03	MSHA	GRTEES	03-5-053-06-601	09/23/85	WESTINGHOUSE ELECTRIC CORP
03	OASAM	OSPM	03-4-021-07-734	05/31/85	REVIEW OF DOL PROPERTY MANAGEMENT SYSTEM
03	SCL	ADMIN	03-4-900-08-001	07/31/85	REVIEW OF THE SOLICITOR'S OFFICE
03	OT AGY	OT AGY	03-5-050-98-599	08/01/85	WEST VIRGINIA, OFF OF ECON & COMMUNITY DEV
03	OT AGY	OT AGY	03-5-054-98-599	09/12/85	HENRICO CO
04	ETA	ADMIN	04-5-053-03-001	04/17/85	TENNESSEE DEPT OF EMPLOYMENT
04	ETA	UIS	04-4-195-03-315	09/12/85	FEDERAL SHARE OF UI, TENNESSEE
04	ETA	UIS	04-5-075-03-315	09/20/85	FEDERAL SHARE OF UI, WISCONSIN
04	ETA	UIS	04-5-081-03-315	09/18/85	FEDERAL SHARE OF UI, ARKANSAS
04	ETA	UIS	04-5-082-03-315	09/10/85	FEDERAL SHARE OF UI, NEW MEXICO
04	ETA	UIS	04-5-083-03-315	05/01/85	FEDERAL SHARE OF UI, WYOMING
04	ETA	UIS	04-5-091-03-315	05/16/85	FEDERAL SHARE OF UI, NEVADA
04	ETA	UIS	04-5-093-03-315	09/16/85	FEDERAL SHARE OF UI, OREGON
04	ETA	CETA	04-5-045-03-345	04/04/85	KNOXVILLE, CITY OF

REGION	AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
04	ETA	CETA	04-5-046-03-345	04/01/85	SEMINOLE CO
04	ETA	CETA	04-5-047-03-345	04/05/85	BUNCOMBE CO
04	ETA	CETA	04-5-048-03-345	04/08/85	DAVIDSON CO
04	ETA	CETA	04-5-049-03-345	04/08/85	GREENVILLE CO
04	ETA	CETA	04-5-051-03-345	04/18/85	SARASOTA CO
04	ETA	CETA	04-5-052-03-345	04/17/85	ALABAMA DEPT OF ECON & COMMUNITY AFFAIRS
04	ETA	CETA	04-5-054-03-345	04/19/85	HAMILTON CO
04	ETA	CETA	04-5-055-03-345	04/24/85	ALACHUA CO
04	ETA	CETA	04-5-056-03-345	08/13/85	BREVARD CO
04	ETA	CETA	04-5-057-03-345	04/30/85	LEE CO
04	ETA	CETA	04-5-058-03-345	05/02/85	LEON CO
04	ETA	CETA	04-5-059-03-345	05/02/85	VCLUSTIA CO
04	ETA	CETA	04-5-061-03-345	05/03/85	ONSLAW CO
04	ETA	CETA	04-5-063-03-345	09/27/85	FLORIDA DEPT OF LABOR AND EMPL
04	ETA	CETA	04-5-066-03-345	05/22/85	LOUISVILLE, CITY OF
04	ETA	CETA	04-5-067-03-345	05/24/85	PINELLAS CO
04	ETA	CETA	04-5-100-03-345	08/05/85	MARION CO
04	ETA	CETA	04-5-101-03-345	08/09/85	HUNTSVILLE, CITY OF
04	ETA	CETA	04-5-104-03-345	09/27/85	JACKSON, CITY OF
04	ETA	CETA	04-5-105-03-345	08/07/85	PASCO CO
04	ETA	CETA	04-5-110-03-345	08/14/85	ORANGE CO
04	ETA	CETA	04-5-111-03-345	08/20/85	DEKALB CO
04	ETA	CETA	04-5-112-03-345	08/19/85	ESCAMBIA CO
04	ETA	CETA	04-5-114-03-345	08/21/85	MANATEE CO
04	ETA	QJC	04-5-044-03-370	05/01/85	PREWARD AUDIT OF JOLIET JOB CORP CENTER RFP
04	OSHA	OSHAG	04-5-065-10-101	09/27/85	FLORIDA DEPT OF LABOR AND EMPL



REGION AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
04	BLS	04-5-064-11-111	09/27/85	FLORIDA DEPT OF LABOR AND EMPL
05	ETA	05-3-175-03-340	09/20/85	ILL DEPT OF COMMERCE & COMMUNITY AFFAIRS
05	ETA	05-3-094-03-345	09/17/85	CUYAHOGA CO
05	ETA	05-4-019-03-345	05/09/85	CLEVELAND, CITY OF
05	ETA	05-4-048-03-345	07/12/85	CHAMPAIGN CSRT
05	ETA	05-4-149-03-345	09/03/85	RAMSEY CO JOB TRNG CENTER
05	ETA	05-4-170-03-345	09/17/85	COOK CO PRESIDENT'S OFF OF EMPL TRNG
05	ETA	05-4-173-03-345	05/31/85	SOUTHWEST INDIANA CSRT
05	ETA	05-4-177-03-345	04/15/85	LASALLE CO
05	ETA	05-4-178-03-345	04/08/85	MADISON CO CSRT
05	ETA	05-4-179-03-345	07/16/85	ROCK ISLAND CO
05	ETA	05-4-197-03-345	07/03/85	MICHIANA AREA ETA CSRT
05	ETA	05-4-213-03-345	04/15/85	ANN ARBOR, CITY OF
05	ETA	05-4-224-03-345	07/12/85	INDIANA OFF OF OCCUPATIONAL DEV
05	ETA	05-5-002-03-345	05/13/85	DULUTH, CITY OF
05	ETA	05-5-046-03-345	04/01/85	UNIVERSITY OF AKRON
05	ETA	05-5-052-03-345	09/12/85	COLUMBUS, CITY OF
05	OASAM	05-5-001-07-001	09/18/85	CONSULTANT SERVICES
05	OASAM	05-4-080-07-742	09/30/85	OFF OF COST DETERMINATION-INTERNAL REVIEW
05	OASAM	05-4-100-07-742	09/05/85	SER WICHITA INDIRECT COST
05	OASAM	05-4-113-07-742	04/01/85	RES CARE INDIRECT COST
05	OASAM	05-5-069-07-742	09/05/85	WEST VIRGINIA INDIRECT COST
05	OSHA	05-5-088-10-001	09/25/85	INDIANA UNIVERSITY

REGION	AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
05	OSHA	ADMIN	05-5-034-10-001	08/16/85	NEW DIRECTIONS GRANTS SURVEY
05	OSHA	OSHAG	05-3-057-10-101	07/23/85	WISCONSIN DEPT OF HEALTH AND SOCIAL SERVICES
06	ETA	SESA	06-5-544-03-325	05/09/85	MONTANA DEPT OF LABOR AND INDUSTRY
06	ETA	SESA	06-5-549-03-325	05/13/85	TEXAS EMPL COMMISSION
06	ETA	SESA	06-5-551-03-325	05/14/85	KANSAS DEPT OF HUMAN RESOURCES
06	ETA	SESA	06-5-553-03-325	05/24/85	IOWA DEPT OF JOB SERVICE
06	ETA	SESA	06-5-554-03-325	05/21/85	COLORADO DEPT OF LABOR AND EMPL - SESA
06	ETA	SESA	06-5-571-03-325	09/03/85	LOUISIANA, STATE OF
06	ETA	CETA	06-5-525-03-345	04/25/85	WELD CO
06	ETA	CETA	06-5-528-03-345	04/02/85	CORPUS CHRISTI, CITY OF
06	ETA	CETA	06-5-530-03-345	05/13/85	WOODBURY CO
06	ETA	CETA	06-5-533-03-345	04/15/85	CENTRAL, EMPL AND TRNG CSRT
06	ETA	CETA	06-5-536-03-345	04/11/85	EL PASO, CITY OF
06	ETA	CETA	06-5-541-03-345	04/24/85	MOUNTAINLAND ASSOCIATION OF GOVERNMENT
06	ETA	CETA	06-5-542-03-345	04/29/85	ADAMS CO
06	ETA	CETA	06-5-545-03-345	05/09/85	SOUTH PLAINS ASSOCIATION OF GOVERNMENTS
06	ETA	CETA	06-5-547-03-345	05/09/85	KANSAS CITY, CITY OF
06	ETA	CETA	06-5-548-03-345	05/09/85	LINCOLN, CITY OF
06	ETA	CETA	06-5-550-03-345	05/15/85	SOUTHEAST TEXAS REGIONAL PLANNING COMMISSION
06	ETA	CETA	06-5-552-03-345	05/10/85	AM ED COMPLEX COLLEGE DIST
06	ETA	CETA	06-5-555-03-345	05/17/85	HOUSTON-GALVESTON AREA COUNCIL
06	ETA	CETA	06-5-556-03-345	05/07/85	WACO, CITY OF
06	ETA	CETA	06-5-557-03-345	07/10/85	TEXAS DEPT OF COMMUNITY AFFAIRS
06	ETA	CETA	06-5-558-03-345	05/28/85	LINN CO CSRT
06	ETA	CETA	06-5-563-03-345	05/13/85	PANHANDLE REGIONAL PLANNING COMMISSION

REGION AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
06	ETA	06-5-566-03-345	05/17/85	PERMIAN BASIN REGIONAL PLANNING COMMISSION
06	ETA	06-5-568-03-345	04/26/85	WEBER CO
06	ETA	06-5-570-03-345	05/21/85	PANHANDLE REGIONAL PLANNING COMMISSION
06	ETA	06-5-573-03-345	07/10/85	ALBUQUERQUE, CITY OF
06	ETA	06-5-594-03-345	09/03/85	LOUISIANA, STATE OF
06	ETA	06-5-580-03-345	07/10/85	SAN ANTONIO, CITY OF
06	ETA	06-5-582-03-345	07/17/85	JEFFERSON PARISH
06	ETA	06-5-584-03-345	07/15/85	TOPEKA, CITY OF
06	ETA	06-5-585-03-345	08/07/85	OKLAHOMA, DEPT OF ECON & COMMUNITY AFFAIRS
06	ETA	06-5-588-03-345	08/23/85	JACKSON CO
06	ETA	06-5-592-03-345	09/09/85	FORT WORTH, CITY OF
06	ETA	06-5-596-03-345	09/11/85	DALLAS, CITY OF
06	ETA	06-5-811-03-370	06/14/85	PRE-AWARD SURVEY - MRS PANTOJA
06	MSHA	06-5-595-06-601	09/03/85	LOUISIANA
06	OSHA	06-5-565-10-101	05/21/85	COLORADO DEPT OF LABOR AND EMPL
06	OSHA	06-5-581-10-101	07/15/85	TEXAS DEPT OF HEALTH
06	OSHA	06-5-589-10-101	09/09/85	NEW MEXICO STATE HEALTH AND ENVIRONMENT DEPT
06	BLS	06-5-564-11-111	05/21/85	COLORADO DEPT OF LABOR AND EMPL
06	BLS	06-5-569-11-111	05/09/85	MONTANA DEPT OF LABOR AND INDUSTRY
06	BLS	06-5-576-11-111	05/24/85	IOWA DEPT OF JOB SERVICE
06	BLS	06-5-586-11-111	07/15/85	TEXAS DEPT OF HEALTH
06	BLS	06-5-590-11-111	09/09/85	NEW MEXICO STATE HEALTH AND ENVIRONMENT DEPT
06	BLS	06-5-593-11-111	09/03/85	LOUISIANA

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06	OT AGY	06-5-529-98-599	05/06/85	WOODBURY CO
06	OT AGY	06-5-546-98-599	05/03/85	IOWA, OFF OF THE GOVERNOR
06	OT AGY	06-5-575-98-599	07/15/85	ST LOUIS, CITY OF
09	VETS	09-5-523-02-001	07/26/85	ALASKA DEPT OF LABOR
09	ETA	09-5-099-03-001	09/30/85	ETA FINANCIAL REPORTING
09	ETA	09-5-514-03-315	04/25/85	ALASKA DOL UNEMPL COMPENSATION FUND
09	ETA	09-3-738-03-320	07/23/85	ALIEN LABOR CERTIFICATION PROCESS, SURVEY OF
09	ETA	09-5-515-03-325	09/13/85	WASHINGTON EMPL SECURITY DEPT
09	ETA	09-5-520-03-325	07/26/85	ALASKA DEPT OF LABOR
09	ETA	09-4-078-03-345	06/28/85	SANTA CLARA CO SUBRECIPIENT
09	ETA	09-5-002-03-345	08/05/85	REPAYMENT AGREEMENT - SAN DIEGO RETC
09	ETA	09-5-021-03-345	04/08/85	LONG BEACH, CITY OF
09	ETA	09-5-077-03-345	07/24/85	SOLANO CO
09	ETA	09-5-082-03-345	08/06/85	SANTA CRUZ CO
09	ETA	09-5-084-03-345	08/05/85	SAN FRANCISCO REPAYMENT AGREEMENT
09	ETA	09-5-085-03-345	08/05/85	CALIFORNIA REPAYMENT AGREEMENT
09	ETA	09-5-092-03-345	09/04/85	SAN FRANCISCO, OFF OF CONTROLLER
09	ETA	09-5-505-03-345	04/18/85	CLARK CO
09	ETA	09-5-506-03-345	04/18/85	KITSAP CO
09	ETA	09-5-507-03-345	05/07/85	EUGENE, CITY OF
09	ETA	09-5-508-03-345	05/03/85	PORTLAND, CITY OF
09	ETA	09-5-511-03-345	05/01/85	SNOWMISH CO

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09	ETA	CETA	09-5-512-03-345	04/10/85	SPOKANE, CITY OF
09	ETA	CETA	09-5-524-03-345	08/22/85	ALASKA DEPT OF COMMUNITY & REGIONAL AFFAIRS
09	ETA	CETA	09-5-525-03-345	08/06/85	CLACKAMAS CO
09	ETA	DFREP	09-5-028-03-365	08/06/85	MINNESOTA MIGRANT COUNCIL
09	ESA	ADMIN	09-5-098-04-001	09/30/85	ESA FINANCIAL REPORTING
09	ESA	OWCP	09-3-702-04-430	08/06/85	OWCP VOCATIONAL REHABILITATION SERVICES
09	ESA	FECA	09-4-527-04-431	07/02/85	CONFIRMATION OF FECA PAYEES
09	OASAM	COMP	09-5-096-07-710	09/30/85	FLOWCHARTING OF DOL'S ACCOUNTING SYSTEM
09	OSHA	ADMIN	09-5-097-10-001	09/30/85	OSHA FINANCIAL REPORTING
09	OSHA	ADMIN	09-5-510-10-001	04/26/85	OSHA'S MANAGEMENT OF NEW DIRECTIONS PROGRAM
09	OSHA	OSHAG	09-4-528-10-101	07/02/85	LABOR ED RESEARCH CENTER
09	OSHA	OSHAG	09-4-532-10-101	05/13/85	PACIFIC NORTHWEST LABOR COLLEGE
09	OSHA	OSHAG	09-4-536-10-101	05/13/85	OREGON LUNG ASSOCIATION-OSHA NEW DIRECTIONS
09	OSHA	OSHAG	09-5-018-10-101	09/17/85	FEDERATED FIREFIGHTERS-OSHA NEW DIRECTIONS
09	OSHA	OSHAG	09-5-019-10-101	09/12/85	TEAMSTER'S LOCAL 2707-OSHA NEW DIRECTIONS
09	OSHA	OSHAG	09-5-518-10-101	07/19/85	WASHINGTON DEPT OF LABOR AND INDUSTRIES OSHA
09	OSHA	OSHAG	09-5-521-10-101	07/26/85	ALASKA DEPT OF LABOR
09	BLS	BLSG	09-5-519-11-111	07/19/85	WASHINGTON DEPT OF LABOR AND INDUSTRIES
09	BLS	BLSG	09-5-522-11-111	07/26/85	ALASKA DEPT OF LABOR
09	OT AGY	OT AGY	09-5-022-98-599	05/08/85	HAWAII CO

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11	VEVS	ADMIN	11-5-148-02-001	09/27/85	SEATTLE, CITY OF
11	ETA	ADMIN	11-4-157-03-001	07/05/85	PROCUREMENT A AND E CONTRACTS
11	ETA	JTPA	11-5-138-03-340	04/11/85	SOUTHEAST ARKANSAS ECONOMIC DEV DIST
11	ETA	JTPA	11-5-196-03-340	09/10/85	CENTRAL VERMONT COMMUNITY ACTION COUNCIL, INC
11	ETA	JTPA	11-5-217-03-340	09/27/85	OKLAHOMA DEPT OF ECON & COMMUNITY AFFAIRS
11	ETA	CETA	11-5-058-03-345	06/07/85	WATTS LABOR COMMUNITY ACTION COMMITTEE, INC
11	ETA	CETA	11-5-093-03-345	04/12/85	KING CO, WASHINGTON EMPL AND TRNG CSRT
11	ETA	CETA	11-5-095-03-345	04/12/85	SOUTH CAROLINA GOVERNOR'S OFF
11	ETA	CETA	11-5-131-03-345	04/04/85	JICARILLA APACHE TRIBE
11	ETA	CETA	11-5-175-03-345	07/29/85	CONFEDERATED TRIBES OF WARM SPRINGS
11	ETA	CETA	11-5-202-03-345	09/10/85	COLORADO, STATE OF
11	ETA	OSPPD	11-3-009-03-350	04/01/85	MARK BAFFLE ASSOC, INC
11	ETA	OSPPD	11-3-012-03-350	04/01/85	NORHWESTERN UNIVERSITY
11	ETA	OSPPD	11-3-018-03-350	04/01/85	NATIONAL YOUTH COMMUNITY SERVICES
11	ETA	OSPPD	11-3-031-03-350	04/10/85	CITY UNIVERSITY OF NY RESEARCH FOUNDATION
11	ETA	OSPPD	11-3-052-03-350	04/01/85	DIRECT COSTS UNDER FED GRANTS & CONTRACTS
11	ETA	OSPPD	11-3-059-03-350	04/01/85	UNIV OF UTAH
11	ETA	OSPPD	11-3-117-03-350	04/01/85	ANALYSIS GROUP, INDIRECT COST RATE
11	ETA	OSPPD	11-3-135-03-350	04/01/85	URBAN INSTITUTE
11	ETA	OSPPD	11-3-185-03-350	04/01/85	WAYNE STATE UNIVERSITY
11	ETA	OSPPD	11-3-433-03-350	09/06/85	NATIONAL CONFERENCE OF BLACK MAYORS
11	ETA	OSPPD	11-3-804-03-350	04/01/85	NATIONAL GOVERNOR'S ASSOC
11	ETA	OSPPD	11-3-811-03-350	04/01/85	ALACHUA CO
11	ETA	OSPPD	11-3-815-03-350	04/01/85	MATHEMATICA POLICY RESEARCH, INC

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11	ETA	OSPPD	11-4-009-03-350	08/16/85	GARRETT SULLIVAN AND CO
11	ETA	OSPPD	11-4-124-03-350	06/18/85	NATIONAL COUNCIL CHURCHES OF CHRIST
11	ETA	OSPPD	11-4-145-03-350	06/03/85	MANPOWER DEMONSTRATION RESEARCH CORP
11	ETA	OSPPD	11-4-152-03-350	07/30/85	SER JOBS FOR PROGRESS
11	ETA	OSPPD	11-4-158-03-350	06/04/85	NATIONAL OFF FOR SOCIAL RESPONSIBILITIES
11	ETA	OSPPD	11-4-245-03-350	06/18/85	FEDERATION OF APPALACHIAN HOUSING
11	ETA	OSPPD	11-4-254-03-350	04/01/85	HOWARD UNIVERSITY
11	ETA	OSPPD	11-4-407-03-350	06/18/85	OIC OF AMERICA
11	ETA	OSPPD	11-5-155-03-350	04/19/85	OIC OF AMERICA
11	ETA	OSPPD	11-5-185-03-350	09/06/85	NEW HAMPSHIRE
11	ETA	OSPPD	11-5-198-03-350	09/06/85	UNIVERSITY OF NORTHERN COLORADO
11	ETA	OSPPD	11-5-199-03-350	08/30/85	AKRON UNIVERSITY
11	ETA	DINAP	11-3-027-03-355	08/19/85	GILA RIVER INDIAN COMMUNITY
11	ETA	DINAP	11-3-028-03-355	08/15/85	CALIFORNIA INDIAN NEWER CSRT, INC
11	ETA	DINAP	11-3-029-03-355	08/26/85	ALJU LIKE, INC
11	ETA	DINAP	11-3-114-03-355	04/01/85	MUSCOGEE (CREEK) NATION
11	ETA	DINAP	11-3-127-03-355	08/23/85	SEATTLE INDIAN CENTER
11	ETA	DINAP	11-3-163-03-355	04/01/85	CHICKASAW NATION
11	ETA	DINAP	11-3-439-03-355	07/18/85	YA-KA-MA INDIAN EDUCATION AND DEV, INC
11	ETA	DINAP	11-4-348-03-355	04/01/85	KAWERAK INC
11	ETA	DINAP	11-4-418-03-355	07/12/85	GREAT LAKES INTER-TRIBAL CNCL, INC
11	ETA	DINAP	11-4-419-03-355	07/12/85	GREAT LAKES INTER-TRIBAL CNCL, INC
11	ETA	DINAP	11-4-420-03-355	07/12/85	GREAT LAKES INTER-TRIBAL CNCL, INC
11	ETA	DINAP	11-4-421-03-355	07/12/85	GREAT LAKES INTER-TRIBAL CNCL, INC
11	ETA	DINAP	11-5-089-03-355	04/08/85	OSAGE NATION OF OKLAHOMA
11	ETA	DINAP	11-5-097-03-355	04/12/85	FAIRBANKS NATIVE ASSOCIATION
11	ETA	DINAP	11-5-104-03-355	04/08/85	CNEIDA TRIBE OF INDIANS OF WISCONSIN

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11	ETA	DINAP	11-5-106-03-355	04/08/85	SPOKANE TRIBE OF INDIANS
11	ETA	DINAP	11-5-111-03-355	04/11/85	CHOCTAW NATION OF OKLAHOMA
11	ETA	DINAP	11-5-112-03-355	04/08/85	SHOSHONE-BANNOCK TRIBES, INC
11	ETA	DINAP	11-5-113-03-355	04/11/85	OSAGE NATION OF OKLAHOMA
11	ETA	DINAP	11-5-118-03-355	04/08/85	OMAHA TRIBE OF NEBRASKA
11	ETA	DINAP	11-5-124-03-355	04/12/85	NEZ PERCE TRIBE OF IDAHO
11	ETA	DINAP	11-5-133-03-355	04/12/85	CONFEDERATED TRIBES OF SILETZ INDIANS
11	ETA	DINAP	11-5-176-03-355	07/29/85	ONEIDA TRIBE OF INDIANS OF WISCONSIN
11	ETA	DINAP	11-5-188-03-355	08/15/85	CHICKASAW NATION OF OKLAHOMA
11	ETA	DINAP	11-5-194-03-355	09/10/85	CHEROKEE NATION OF OKLAHOMA
11	ETA	DINAP	11-5-200-03-355	09/10/85	THE SENECA NATION OF INDIANS
11	ETA	DINAP	11-5-201-03-355	09/10/85	THE SENECA NATION OF INDIANS
11	ETA	DINAP	11-5-209-03-355	09/11/85	ST REGIS MOHAWK TRIBE
11	ETA	DINAP	11-5-210-03-355	09/16/85	SOUTHERN UTE INDIAN TRIBE OF COLORADO
11	ETA	DINAP	11-5-213-03-355	09/26/85	STANDING ROCK SIOUX TRIBE
11	ETA	DINAP	11-5-216-03-355	09/26/85	KODIAK AREA NATIVE ASSOCIATION
11	ETA	DOWP	11-4-426-03-360	04/08/85	NATIONAL RETIRED TEACHERS ASSOCIATION
11	ETA	DOWP	11-5-080-03-360	04/12/85	KENTUCKY CABINET OF HUMAN RESOURCES
11	ETA	DOWP	11-5-098-03-360	04/12/85	MINNESOTA,
11	ETA	DOWP	11-5-105-03-360	04/08/85	BALTIMORE, CITY OF
11	ETA	DOWP	11-5-114-03-360	04/12/85	CUMBERLAND CO
11	ETA	DOWP	11-5-127-03-360	04/11/85	NEW MEXICO STATE AGENCY ON AGING
11	ETA	DOWP	11-5-140-03-360	04/11/85	WASHINGTON
11	ETA	DOWP	11-5-173-03-360	07/29/85	CORPUS CHRISTI, CITY OF
11	ETA	DOWP	11-5-174-03-360	08/12/85	ALASKA DEPT OF ADMINISTRATION
11	ETA	DOWP	11-5-177-03-360	08/12/85	PORTLAND, CITY OF
11	ETA	DOWP	11-5-179-03-360	08/23/85	PRINCE WILLIAM CO



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11	ETA	DOWP	11-5-180-03-360	09/11/85	TENNESSEE
11	ETA	DOWP	11-5-183-03-360	09/06/85	TENNESSEE
11	ETA	DOWP	11-5-187-03-360	09/06/85	ARLINGTON CO
11	ETA	DOWP	11-5-197-03-360	08/30/85	HAWAII CO
11	ETA	DOWP	11-5-215-03-360	09/24/85	COLORADO
11	ETA	DOWP	11-5-218-03-360	09/26/85	PRINCE GEORGE'S CO
11	ETA	DOWP	11-5-221-03-360	09/26/85	WASHINGTON
11	ETA	DFREP	11-4-030-03-365	06/10/85	RURAL HOUSING IMPROVEMENT, INC
11	ETA	DFREP	11-4-031-03-365	06/10/85	NCALL RESEARCH FUND, INC
11	ETA	DFREP	11-4-032-03-365	06/13/85	LEE CO HOUSING AUTHORITY
11	ETA	DFREP	11-4-033-03-365	06/14/85	THE DELTA HOUSING DEV CORP
11	ETA	DFREP	11-4-034-03-365	06/18/85	OMICA HOUSING CORP
11	ETA	DFREP	11-4-035-03-365	05/23/85	CENTER FOR RURAL DEV
11	ETA	DFREP	11-4-036-03-365	05/23/85	COLORADO RURAL HOUSING DEV CORP
11	ETA	DFREP	11-4-037-03-365	09/27/85	COMM IMPROVEMENT SYSTEMS & PLANNING ASSOC
11	ETA	DFREP	11-4-038-03-365	05/23/85	RURAL COMMUNITY ASSISTANCE CORP
11	ETA	DFREP	11-4-039-03-365	06/03/85	HOUSING AUTHORITY OF THE CO OF SANTA CRUZ
11	ETA	DFREP	11-4-041-03-365	09/27/85	IDAHO MIGRANT COUNCIL, INC
11	ETA	DFREP	11-4-042-03-365	08/16/85	MIRON CO HOUSING AUTHORITY
11	ETA	DFREP	11-4-043-03-365	06/04/85	COLONIAS DEL VALLE INC
11	ETA	DFREP	11-4-044-03-365	08/26/85	SAN PATRICIO CO, YOUTH EDUCATION AND JOB OPP
11	ETA	DFREP	11-4-053-03-365	04/19/85	TIERRA DEL SOL HOUSING
11	ETA	DFREP	11-5-101-03-365	04/01/85	COLORADO DEPT OF LABOR AND EMPL
11	ETA	QJC	11-4-025-03-370	04/09/85	LEO A. DALY
11	ETA	QJC	11-4-090-03-370	06/03/85	CONTROL DATA CORP
11	ETA	QJC	11-4-111-03-370	09/20/85	ENVIRONMENTAL MANAGEMENT CONSULTANTS, INC

REGION	AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
11	ETA	QJC	11-4-112-03-370	09/06/85	FACE ASSOCIATES, INC
11	ETA	QJC	11-4-202-03-370	08/30/85	FACE COST AND PRICING DATA
11	ETA	QJC	11-4-339-03-370	05/24/85	UAW FINANCIAL AND COMPLIANCE
11	ETA	QJC	11-5-065-03-370	04/01/85	YOUTH DEVELOPMENT ASSOCIATES
11	ETA	QJC	11-5-074-03-370	04/09/85	INDIANA EMPL SECURITY DIVISION-JOB CORP
11	ETA	QJC	11-5-078-03-370	04/09/85	INDIANA EMPL SECURITY DIVISION-JOB CORP
11	ESA	FECA	11-3-319-04-431	09/05/85	FECA CHARGEBACK AUDIT
11	ESA	FECA	11-5-128-04-431	09/03/85	FECs LEVEL II - SYSTEM MONITORING
11	MSHA	GRIEES	11-5-109-06-601	04/11/85	EASTERN WASHINGTON UNIVERSITY
11	MSHA	CMSh	11-3-118-06-610	04/01/85	NEW MEXICO, STATE OF
11	MSHA	CMSh	11-4-137-06-610	04/09/85	WEST VIRGINIA DIV OF VOC REHAB
11	OASAM	COMP	11-4-092-07-710	09/30/85	WORKING CAPITAL FUND
11	OASAM	OP	11-3-080-07-741	06/03/85	CENTAUR ASSOCIATION, INC
11	OASAM	OP	11-4-058-07-741	04/23/85	ACE FEDERAL REPORTERS, INC
11	OASAM	OP	11-4-082-07-741	07/18/85	CONRAD AND ASSOC
11	OASAM	OP	11-4-130-07-741	06/18/85	LEWIN AND ASSOCIATES, INC
11	OASAM	OP	11-4-352-07-741	05/13/85	O'NEAL AND SAUL
11	OASAM	OP	11-4-354-07-741	09/26/85	QUEZADA NAVARRO AND COMPANY
11	OASAM	OP	11-4-357-07-741	08/15/85	GILBERT VASQUEZ AND COMPANY
11	OASAM	OP	11-4-358-07-741	09/30/85	JD CATTEN AND ASSOCIATES
11	OASAM	OP	11-4-360-07-741	04/18/85	MD OPPENHEIM AND COMPANY
11	OASAM	OP	11-4-363-07-741	06/06/85	RD HUNTER AND COMPANY
11	OASAM	OP	11-4-367-07-741	04/15/85	BOYD AND BOYD

REGION AGENCY	PROGRAM	AUDIT REPORT NUMBER	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
11	OASAM	11-4-369-07-741	05/13/85	FRANK J LEAL
11	OASAM	11-4-370-07-741	04/10/85	DODD, FRAZIER AND COMPANY
11	OASAM	11-4-371-07-741	04/25/85	CHARLES BARRETT
11	OASAM	11-4-372-07-741	09/27/85	SIMPSON AND SIMPSON
11	OASAM	11-4-377-07-741	04/04/85	HARRY F. SHEA
11	OASAM	11-4-413-07-741	05/24/85	METCALF, FRIX AND CO
11	OASAM	11-4-414-07-741	04/23/85	TARCLIA AND CO
11	OASAM	11-4-417-07-741	07/01/85	BANKS, FINLEY, WHITE AND CO
11	OASAM	11-5-108-07-741	06/28/85	COMPUTER SCIENCE CORP
11	OASAM	11-3-007-07-742	04/01/85	JOHN HOPKINS UNIVERSITY DIRECT COSTS
11	OASAM	11-3-032-07-742	04/01/85	UNIVERSITY OF WASHINGTON
11	OASAM	11-3-095-07-742	04/01/85	UNIVERSITY OF CALIFORNIA
11	OASAM	11-3-103-07-742	04/01/85	CENTRAL NAUGATUCK VALLEY REG PLANNING AGENCY
11	OASAM	11-3-119-07-742	04/01/85	RESEARCH TRIANGLE INSTITUTE
11	OSHA	11-3-109-10-101	04/01/85	MONTANA COLLEGE OF MINERAL SCIENCE & TECH
11	OSHA	11-4-101-10-101	04/25/85	UNITED AUTO WORKERS
11	OSHA	11-4-337-10-101	04/23/85	AFL-CIO APPALACHIAN COUNCIL, INC
11	OSHA	11-5-096-10-101	04/12/85	MINNESOTA, STATE OF
11	OSHA	11-5-181-10-101	08/23/85	TENNESSEE DEPT OF LABOR
11	OSHA	11-5-186-10-101	08/26/85	MASS DEPT OF LABOR AND INDUSTRIES
11	OSHA	11-5-207-10-101	09/20/85	TENNESSEE
11	BLS	11-5-182-11-111	08/23/85	TENNESSEE DEPT OF LABOR
11	BLS	11-5-208-11-111	09/20/85	TENNESSEE
11	OT AGY	11-4-336-98-599	04/01/85	AFL-CIO APPALACHIAN COUNCIL, INC

FOOTNOTES USED IN LIST  
OF FINAL AUDIT REPORTS ISSUED

<sup>1</sup>The Regions are:

02	New York
03	Philadelphia
04	Atlanta
05	Chicago
06	Dallas
09	San Francisco
11	Washington
16	Division of Advanced Audit Techniques

<sup>2</sup>The Agencies are:

BLS	Bureau of Labor Statistics
ESA	Employment Standards Administration
ETA	Employment and Training Administration
MSHA	Mine Safety and Health Administration
OASAM	Office of the Assistant Secretary for Administration and Management
OSHA	Occupational Safety and Health Administration
SOL	Office of the Solicitor

<sup>3</sup>The types of programs audited are:

ADMIN	Agency administration
BLSG	Bureau of Labor Statistics Grantees
CETA	Comprehensive Employment and Training Act
CMSH	Coal Mine Safety and Health
COMP	Comptroller
DFREP	Division of Farm and Rural Employment Programs
DINAP	Division of Indian and Native American Programs
DOWP	Division of Older Worker Programs
FECA	Federal Employees' Compensation Act programs
MSHAG	Mine Safety and Health Administration grantees
OCD	Office of Cost Determination
OJC	Office of Job Corps
OP	Office of Procurement
OSHAG	Occupational Safety and Health Administration grantees
OSPM	Office of Supply and Property Management
OSPPD	Office of Strategic Planning and Policy Development
OWCP	Office of Worker's Compensation Programs
OT AGY	Agency other than DOL
SESA	State Employment Security Agency
UIS	Unemployment Insurance Service
USES	United States Employment Service
WIN	Office of Work Incentive programs

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