

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



April 1, 1987 - September 30, 1987



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Semiannual Report Office of Inspector General U.S. Department of Labor



U.S. Department of Labor
William E. Brock, Secretary
Office of Inspector General
J. Brian Hyland, Inspector General

April 1, 1987 - September 30, 1987

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INSPECTOR GENERAL'S MESSAGE

This is the eighteenth Semiannual Report of the U.S. Department of Labor's Office of Inspector General (OIG). It is being issued in accordance with the provisions of the Inspector General Act of 1978 (P.L. 95-452).

I am pleased to include in this report the discussion of two activities that I believe are particularly noteworthy: the preparation of audited financial statements on the Department and risk analysis reviews of several of our major agencies using GAO's Control and Risk Evaluation (CARE) audit methodology.

We can all take special pride in the fact that the Department of Labor is the first agency to have prepared these audited financial statements. These audited statements, together with the risk analysis reviews, provide the Department with important alternatives in evaluating its operations and are major steps toward achieving Secretary Brock's goal to enhance the effectiveness of financial management systems.

While reflecting on some of our significant contributions to improve the management and operation of the Department's programs, I also look forward to our ongoing efforts to introduce to the administration of Federal programs some of the newer technology that has been developed for application in the private sector.

In this regard, we continue to have an important leadership role within the Inspector General community to utilize smart card technology to more efficiently deliver Federal benefit programs while reducing administrative costs, errors in processing and vulnerability to fraud and abuse.

For the next reporting period, the OIG will continue to press forward:

- preparing routine annual financial statements for all of the agencies,

- working with GAO and the Department to resolve complex threshold issues related to the application of generally accepted accounting principles to Federal accounting and reporting, and

- consolidating statements for the Department.

I know I express the sentiment of the entire Department of Labor in wishing Secretary Brock much success in his future endeavors. The Secretary's support, his leadership and direction have been instrumental in achieving many of the Department's notable accomplishments. His tenure has been marked by real and sustained progress and he has effectively defined the challenges facing the Department and the nation's work force for the coming decades.

I have appreciated his strong interest and capabilities in implementing the many OIG recommendations, and I look forward to establishing an effective and cooperative working relationship with the new management team.

Lastly, I want to cite the excellent performance of all of the very dedicated OIG employees whose hard work has produced the accomplishments contained in this report. We all share in the success of these efforts.

A handwritten signature in cursive script, reading "J. Brian Hyland".

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, 1987. During this period, audit initiatives resulted in numerous economy and efficiency findings and recommendations regarding Agency operations: the OIG issued 120 audit reports on program activities, grants and contracts. Investigative results continued to show positive progress during this reporting period: 633 investigations were opened, 599 cases were closed, and there were 582 indictments and 427 successful prosecutions. The Office of Labor Racketeering (OLR) has expanded its focus from the more traditional organized crime elements to investigations of corruption in employee benefit plans by accountants, attorneys, bankers and other fund administrators and advisors. This area remains its highest investigative priority. During the six-month reporting period, OLR investigations resulted in 87 indictments and 61 convictions, with additional predicate established for the potential civil recovery of approximately \$18 million.

PENSION AND WELFARE BENEFITS ADMINISTRATION (PWBA)

o The Role of the Independent Public Accountant in ERISA

During this semiannual reporting period the OIG completed a survey to review PWBA's use of Independent Public Accountants' (IPAs') audit reports of pension and welfare plans in ERISA enforcement. ERISA covers 4.5 million welfare plans and 915,000 pension plans with \$1.4 trillion in assets. The retirement security and welfare of many American workers depends upon the financial integrity of these plans. A draft report issued to the agency found that PWBA makes little use of annual IPA audits to direct enforcement efforts toward plans requiring further investigation. Generally, IPA reports were of little use because they frequently did not identify violations later found by investigators; did not disclose information on known violations; did not meet generally accepted auditing standards and were 2 years old when received by PWBA. (See page 2.)

o Information Resources Management in PWBA

PWBA's Information Resources Management was also reviewed because of concerns over the capability of the agency's

major ADP system to contribute to the enforcement of ERISA's fiduciary standards and the agency's current efforts to redesign its ERISA Automated Data Base and Access System, at an estimated cost of over \$100 million. (See page 5.)

o Pension Plan Fraud

With the passage of the Comprehensive Crime Control Act of 1984 amendments, the OIG began conducting investigations of single employer pension plans, which comprise about 75 percent of the pension plans in existence. While these cases have proven to be both complicated and labor intensive, the OIG has begun to achieve some indictments and convictions for these criminal violations. (See page 50.)

EMPLOYMENT STANDARDS ADMINISTRATION (ESA)

o Fraud by Medical Providers and Claimants

The OIG has developed several initiatives to detect and control medical provider fraud and fraud by claimants who fail to report earned income. A joint OIG and Postal Inspection Service investigation into fraudulent billing practices by medical providers resulted in indictments against four physicians in the Houston area. Another case resulted in criminal complaints being filed against three California pharmacists for fraudulently billing the Department for name-brand drugs while actually substituting generic equivalents. The OIG also sought major recoveries from workers compensation claimants who failed to report earned income. These ex-employees defraud the Government of sizable amounts since they often can receive benefits for many years before detection. (See page 51.)

EMPLOYMENT AND TRAINING ADMINISTRATION (ETA)

o Puerto Rico CETA Close Out

As part of OIG's efforts to assist ETA in closing out Puerto Rico's CETA program, a report was issued on a follow-up review of all grants awarded to Puerto Rico's Balance of State program. We identified \$78.1 million in questioned costs because of deficiencies in the financial management system and \$562,186 in unresolved subrecipient costs recommended for disallowance. (See page 13.)

o Federal Share of Unemployment Compensation

Between February 1984 and December 1986, the OIG audited the Federal share of the unemployment compensation (UC) program in 40 states as well as Puerto Rico and the District of Columbia. Individual reports were issued to each auditee. The reviews covered \$10.8 billion of Federal UC benefits and recommended disallowing a net total of \$226.4 million. A report summarizing the results of these 42 audits was forwarded to ETA during this reporting period. (See page 39.)

o Unemployment Insurance Program Fraud

As a result of its continuing investigation into fictitious employer and employee schemes, 11 more individuals from the Boston area were indicted in a scheme that has resulted in unemployment insurance losses of about \$750,000. In these schemes, dummy companies are often established and the alleged employees then file for Unemployment Insurance (UI) compensation.

Additionally, our on-going approach of clustering several similar cases of fraud by UI beneficiaries for simultaneous prosecution has resulted in the conviction of a number of individuals. (See page 48.)

In this regard, the OIG has completed the development, production and distribution of a videotape depicting UI system weaknesses and suggested countermeasures that can reduce vulnerability to fictitious employee/employer fraud schemes. (See page 49.)

DEPARTMENTAL MANAGEMENT

o Procurement

The OIG reviewed contract modifications awarded by the Solicitor's Office and the Department of Justice which appeared to conflict with Federal appropriation laws and procurement regulations. The modifications extended a 4-month, \$395,000 sole source contract into a 7-year, \$9 million contract. The contract has been terminated and improperly obligated funds deobligated. (See page 20.)

o Financial Management

During this reporting period, OIG presented the first audited financial statements for two major DOL program agencies -- ETA and OSHA -- and the first compiled DOL consolidated financial statements. This represents a substantial step toward audited financial statements for the Department. We also compiled financial statements for ESA and obtained an independent financial statement audit of OIG. Each financial statement audit and compilation project was coordinated with a separate review of financial management systems using GAO's Controls and Risk Evaluation (CARE) audit methodology.

The OIG has worked closely with departmental management and GAO throughout these projects. We commend the Assistant Secretary for Administration and Management, the Department's Comptroller and key program officials for their active and cooperative participation.

Audited financial statements for the Department are expected to be presented during the next reporting period, with routine annual financial statement audits planned thereafter. (See page 26.)

OFFICE OF LABOR RACKETEERING (OLR)

o Wedtech Indictments Include Government Officials

OLR is coordinating the various federal investigations for the U.S. Attorney's Office in the Southern District of New York of Wedtech, which have resulted in a 58-count indictment against a current U.S. Congressman, a former SBA Regional Administrator and various corporate or former public officials associated with Wedtech. (See page 64.)

o Law Enforcement Authority

During this reporting period, the U.S. Department of Justice appointed all qualified OLR Special Agents as Special Deputy U.S. Marshals on a trial basis for 1 year. Such authority has added demonstrably to the effectiveness and efficiency of OLR field operations by enabling agents to use firearms, make arrests and execute search warrants. While this temporary authority has proved beneficial, it does not adequately meet OLR's need for permanent law enforcement powers necessary to ensure success and credibility. In this regard, the Inspector General will continue to advocate

legislation that would afford full statutory law enforcement authority for OLR in its own right. (See pages 55 and 67.)

o Labor Racketeering Seminar

To assist Federal, state and local agencies in acquiring diagnostic skills in labor racketeering, the OIG has developed and begun offering a 2-day training seminar that incorporates relevant statutes, investigative strategies and techniques and case studies. (See page 55.)

OTHER ACTIVITIES

o Legislative Proposals

During this six-month period, the OIG made a number of legislative proposals to implement the recommendations of the President's Commission on Organized Crime, authorize full law enforcement authority for OLR special agents and make audit reports prepared by IPAs under ERISA subject to the provisions of the Single Audit Act. Of the 473 legislative and regulatory items reviewed during this reporting period, the OIG expressed concern about, and/or support for, several proposed measures. (See page 67.)

o President's Council on Integrity and Efficiency (PCIE)

The OIG has assumed a leadership role in promoting the use of technological innovations such as smart cards for delivering Federal benefit programs while reducing fraud and errors. (See page 72.)

o ADP Initiative

OIG computer specialists designed, developed and implemented an extremely innovative ADP security system. Since July, the OIG has responded to about 80 requests worldwide for the software package, including requests from Parliaments in Australia, Canada and New Zealand. (See pages 71.)

OFFICE OF AUDIT

During this reporting period, 139 audits of program activities, grants and contracts were issued. Of these:

- 18 were performed by OIG auditors,
- 22 by CPA auditors under OIG contract,
- 29 by state and local government auditors,
- 66 by CPA firms hired by grantees, and
- 4 by other Federal audit agencies.

The 139 audit reports issued during this period consisted of 9 program results audits, 14 financial and compliance audits, 8 economy and efficiency audits, 11 surveys, 3 research and issue identification audits, 3 special purpose reviews, 6 indirect cost audits, and 85 audits conducted under the provisions of the Single Audit Act or OMB Circular A-102, Attachment P. The Department of Labor was the cognizant agency for 53 of the Single Audit or Attachment P audits.

The Office of Audit section of this semiannual report is divided into three chapters. Chapter 1 contains information on audit activities in the Department's programs. Chapter 2 highlights our progress in evaluating the Department's system of financial management (page 26). Audit resolution during the period is covered in Chapter 3 (page 39). Money owed 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.

PENSION AND WELFARE BENEFITS ADMINISTRATION

The Pension and Welfare Benefits Administration (PWBA) carries out the Department's responsibilities under Title I of the Employee Retirement Income Security Act (ERISA) of 1974, which includes regulatory, enforcement, research, reporting and public disclosure activities. Currently, ERISA covers 4.5 million welfare plans and 915,000 pension plans with \$1.4 trillion in assets. Thus, the retirement security and welfare of a large number of American workers depend on the financial integrity of these plans. For Fiscal Year 1987, PWBA's budget was \$33 million and the approved staffing level was 492.

During this reporting period, we issued draft reports on PWBA's use of Independent Public Accountants' audit reports

in ERISA enforcement and PWBA's information resources management.

PWBA Should Expand the Role of the Independent Public Accountant in ERISA Enforcement

To protect participants' assets and rights, ERISA requires that plan administrators engage an Independent Public Accountant (IPA) on behalf of all plan participants to audit annually those pension and welfare plans covering 100 or more participants. IPA audits are important because, of the 5.3 million plans, about 100,000 plans have 100 or more participants and these larger plans (subject to annual IPA audits) hold about \$1.2 trillion, or 88 percent of the \$1.4 trillion in total assets covered by ERISA. In contrast, PWBA has only about 200 investigators directly involved in the enforcement of ERISA, and these investigators are able to investigate only about 1,700 of the 5.3 million plans each year.

Our audit objective was to determine whether IPA audit reports of pension and welfare plans are, or could be, used by PWBA for enforcement of ERISA.

Our current review disclosed that PWBA has not conceptualized how IPA audits could be used to protect plan participants and enhance PWBA's limited enforcement resources. Our current review disclosed PWBA is continuing to make little use of the annual IPA audits to direct enforcement efforts toward plans most in need of PWBA investigation. In December 1986, the Department announced its long-term strategy for PWBA's enforcement of ERISA. However, the Enforcement Strategy Implementation Plan does not include the role of IPAs to assist PWBA in its enforcement efforts.

OIG believes PWBA should have recognized the importance of the statutorily required audits and incorporated these audits as an integral part of their strategy to:

- protect plan participants,
- deter the misuse of plan assets, and
- enforce ERISA requirements.

We found that annual IPA audit reports have not been very useful to PWBA enforcement efforts, because the reports:

- frequently do not identify ERISA violations subsequently found by investigators;
- do not adequately disclose information on known ERISA violations;
- cannot be relied on because IPAs do not always adhere to generally accepted auditing standards when performing audit testing, and the reports do not contain all the required financial disclosures; and
- are about 2 years old when received by PWBA.

ERISA violations found by PWBA or the Office of Labor Racketeering (OLR) are rarely identified and disclosed by IPAs, even though the IPA may have reviewed transactions later found to be illegal by PWBA and OLR investigators. These improprieties involved both statutory and criminal violations. We visited IPA offices to review workpapers and audit reports and found that:

- Sixty-six percent of the IPA reports reviewed (41 of 62 reports) failed to identify \$14.1 million in violations subsequently found by PWBA or OLR investigators during their plan investigations covering the same periods.
- Eleven percent of the IPA reports reviewed (7 of 62 reports) did not disclose information on \$2.3 million in violations although the improper transactions had been reviewed by the IPA.
- Thirty-one percent of the IPA workpapers reviewed (18 of 58 IPA workpapers) lacked adequate support to demonstrate that the IPA tested or evaluated key control systems designed to safeguard plan assets from misuse.
- Fifty-one percent of the IPA reports reviewed (86 of 168 IPA reports) lacked one or more disclosures required by ERISA or the American Institute of Certified Public Accountants (AICPA) reporting standards.

Although PWBA should have been aware of the shortcomings with IPA reports, e.g., failures to find or clearly disclose ERISA violations, PWBA has failed to institute a quality control program to ensure the IPA audits provide the intended deterrent effect of identifying and disclosing ERISA violations. During our review, PWBA implemented an "Accountant Opinion Project" to review, for enforcement purposes, certain IPA reports with other than "unqualified" IPA opinions.

Under current circumstances, it is impractical for PWBA to use IPA reports to monitor plan compliance primarily because: (1) IPA audit quality needs substantial improvement, (2) the AICPA audit and reporting guidelines do not encourage IPAs to detect or inform PWBA of potential ERISA violations, and (3) IPAs who perform audits have little incentive to identify or report ERISA violations.

To better protect plan participants, improve PWBA's enforcement and ensure the deterrent effect of the independent audits, we recommend that PWBA:

- determine how IPA audits can be used (a) as an integral part of PWBA's enforcement of ERISA and (b) as a protection of the retirement security and welfare of plan participants;
- develop and implement a quality control program to ensure that (a) IPA audit reports meet ERISA reporting requirements and AICPA standards and (b) substandard audit work or deficient audit reports are identified and remedial action is taken; and
- in conjunction with OIG, work with the AICPA to improve the usefulness of IPA audits by (a) revising the AICPA audit guide to incorporate additional auditing procedures and reporting standards, (b) encouraging the AICPA to establish an ERISA Practice Section, similar to their Securities and Exchange Practice Section and (c) assisting the AICPA in developing and providing training to interested IPAs nationwide.

If these recommendations cannot be effected administratively, we recommend that PWBA propose legislative changes to ERISA which would authorize the Secretary of Labor to:

- issue ERISA regulations defining IPA auditing and reporting requirements; and
- take disciplinary action directly against IPAs who perform substandard audit work or render inappropriate opinions on financial statements that are deficient under ERISA requirements and AICPA standards, similar to the Securities and Exchange Commission.

PWBA Response -- PWBA's formal response to the draft audit report was not due before preparation of this semiannual report. PWBA advised us that they agree generally with OIG's recommendations to improve coordination with the AICPA so as to increase the usefulness of IPA audits. PWBA disagrees, however, that the use of these IPA audits has not been conceptualized as an integral part of PWBA's enforcement effort. Indeed, several related actions have been taken during the past two years, according to PWBA.

PWBA stated that OIG's draft recommendations on expanding the role of IPA audits requires additional research because implementing those recommendations would fundamentally change: (1) the current relationship between the employee benefit plan and its IPA and (2) the role of the Department as it relates to the accounting profession. PWBA also stated that, given PWBA's limited resources, adopting a quality control program over IPA audit reports would require further research into costs and potential benefits.

PWBA's System Development Effort and Management of Information Resources Can Be Improved

As part of our effort to assure effective and efficient management of information resources within the Department, OIG reviewed the Information Resources Management (IRM) functions of PWBA. OIG considered this review important since the General Accounting Office (GAO) and the Office of Management and Budget (OMB) have major concerns related to the Form 5500 processing system. Additionally, PWBA's current efforts to develop its ERISA Automated Data Base and Access System may cost more than \$100 million and represents one of 17 high priority systems identified in the President's Management Improvement Plan.

Since 1978, PWBA's major ADP system used to enforce fiduciary standards under ERISA has been the Form 5500 processing system. This system requires the filer to submit a Form 5500 to the IRS at the end of each plan reporting

period. IRS receives the reports, places selected data onto magnetic tape and periodically provides updated tapes to DOL.

In 1984, PWBA was reorganized into a separate agency with an Assistant Secretary who supported development of an electronic filing system for processing Form 5500 information that could be used jointly by DOL and IRS. This system, the ERISA Electronic Information Handling System, was to solve PWBA's problems of data timeliness, accuracy and completeness. In 1985, PWBA contracted a study on the feasibility of this system at a cost of approximately \$850,000. According to PWBA, this study was a major success because it concluded that filing plan information (i.e., Form 5500) electronically was both feasible and positively received by the private and public sectors.

In 1986, a newly appointed agency head changed the focus of PWBA's system development approach from the ERISA Electronic Information Handling System to the ERISA Automated Data Base and Access System. This new effort has been approved by the Department and has received funding from OMB to:

(1) develop user needs and functional requirements at a proposed cost of \$1.1 million in 1987, and (2) provide for the remaining system design and first year operational costs in 1988 at a proposed cost of \$13.6 million. PWBA contracted out for assistance in developing this system.

Using OIG's System Development Monitoring Program and interviewing representatives of GAO, OMB and IRS, we found the following problems:

- Development of an automated data base system, by itself, will not solve PWBA's problems with data timeliness and accuracy.
- The approach taken by PWBA for the current system development effort did not consider improvements to the present system. However, IRS is currently considering improvements to the existing system.
- PWBA's IRM official did not have the leading role for the current system development effort. Additionally, PWBA does not appear to have the skills and experience needed to manage and direct a major system development effort.

Our draft report recommended that the following actions be initiated by PWBA's Assistant Secretary:

- Redirect the system development effort to: (a) address the concerns of OIG, GAO and the Department's Directorate of Information Resources Management (DIRM); (b) intensify the coordination with the IRS; and (c) address non-ADP problems.
- Modify the Contractor's Task Order and the Project Plan to: (a) document proper planning and management of the system's development; (b) provide additional technical ADP requirements (e.g., targeting subsystem, master file); and (c) incorporate an improved present system as a system alternative.
- Assign the Assistant Administrator of the Office of Information Management the project management responsibility for directing the system's development.
- Supplement the project manager's technical skills and knowledge with technical assistance from governmental organizations familiar with system development processes and develop a project team having program experience and expertise to develop acceptable system documentation and requirements.
- Consider using Information Systems Planning (or other proven system development planning methodologies) to clearly define PWBA's organizational goals, system objectives, work processes and information needs.
- Continue to work with IRS to critically evaluate each data element on the Form 5500.

PWBA Response -- PWBA's formal response to the draft system development review report was not due before preparation of this semiannual report. PWBA advised us that they agree in principle with several of our recommendations, e.g., those dealing with the structure of their project management team and the need for additional technical in-house expertise. They have been and will continue to work with IRS on improving the Form 5500 and related processing system. PWBA strongly disagrees, however, with OIG's other conclusions

and recommendations. In addition, PWBA notes that they have been proceeding under the direction of OMB and in accordance with a plan agreed upon by the affected agencies.

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 preserve human resources. To accomplish its mission, OSHA promulgates occupational safety and health standards and enforces compliance by inspecting workplaces. To administer the program for fiscal year 1987, OSHA had a \$226 million budget and a staffing level of 2,200.

Special Review of OSHA Enforcement Activities

OIG issued a final report, "Special Review of OSHA Enforcement Activities," in September 1987, which represents the culmination of a year-long, comprehensive audit of OSHA enforcement efforts in the New York and Philadelphia Regions. This review was undertaken at the request of the Deputy Secretary of Labor and was prompted by OSHA's alleged mishandling of the abatement (elimination) of health hazards at two New York thermometer companies and alleged improprieties in scheduling inspections by OSHA's Philadelphia Office.

The report identified internal control weaknesses as well as instances of noncompliance with OSHA policies and procedures. Such problems, if not corrected, could seriously impair the agency's effectiveness in discharging its duties. OSHA concurred with the report's findings and agreed to take corrective actions in the following areas:

- **Management Control Systems.** Two of OSHA's primary management control systems are (1) the Integrated Management Information System (IMIS), and (2) the Internal Evaluation Program (IEP). The IMIS was in an interim stage of development and did not meet overall management needs to effectively control enforcement activities. The IEP did not always identify and correct organizational weaknesses which existed at the area office level. OSHA agreed to (1) expand its IMIS to track appropriate data/control items, and (2) revise its IEP to ensure correction of area office problems.

- **Abatement of Hazards.** Assuring abatement is the cornerstone of OSHA's enforcement activity. The review disclosed that OSHA's policy did not require documentation verifying abatement by follow-up inspections or appropriate notification from employers. Even where there was documentation of abatement verification, it was sometimes not obtained until long after the established abatement deadline had passed. OSHA's policy now requires appropriate and timely documentation of abatement.

- **Targeting and Scheduling Inspections.** Targeting and scheduling inspections are critical to effective resource utilization in a program where limited enforcement resources must cover about six million workplaces. OSHA's policies and procedures did not require appropriate documentation to ensure the integrity of OSHA's construction targeting practices. The number of planned health inspections of high-risk workplaces was insufficient and inspections in response to serious complaints were not always performed in a timely manner. OSHA procedures now require appropriate documentation of targeting practices and OSHA intends to increase the number of health inspections.

- **Penalty Assessment.** The review disclosed that OSHA needs to communicate clearly its national policy regarding the purpose and role of penalties and negotiated settlements with employers. In addition, field offices did not consistently follow established procedures for calculating penalties. OSHA will issue a memo explaining its penalty policy and will ensure compliance with penalty procedures.

Management's Corrective Actions to Date

OSHA's positive response to our report resulted in agreement to all 38 recommendations. Twenty-eight of these recommendations, however, remain open pending completion of the planned corrective action. Examples of open recommendations which OIG will follow up to ensure corrective action include:

- **Hiring 100 additional industrial hygienists.** In Fiscal Year 1988, OSHA expects to fill 30 current industrial hygienist vacancies, and the agency

intends to replace, through attrition, 70 current safety inspector positions with industrial hygienists. OIG feels strongly that OSHA needs to increase its number of industrial hygienists in order to provide adequate health inspection coverage across the nation.

- **Communicating the agency's penalty assessment policy.** Although OSHA did not agree that its penalty assessment policy was unclear, OSHA did agree to issue a memorandum to the field offices clearly explaining the agency's penalty policy and goals.

General Risk Analysis of OSHA Programs and Management Systems

In July 1987, OIG issued its report, "OSHA Programmatic and Management Systems Review -- General Risk Analysis." The report discusses OIG's preliminary review of OSHA's various programs and management systems. OSHA's programs and systems are identified and risk-ranked using GAO's Controls and Risk Evaluation (CARE) audit methodology.

The report provides the basis for OIG's long-range plan for reviewing those OSHA operations which display high potential vulnerabilities to fraud, waste or mismanagement. The following four programs were found to have the highest potential vulnerabilities of all OSHA systems reviewed: (1) state enforcement, (2) Federal enforcement, (3) standards development and (4) investigations of reprisals against employees. Since OSHA's state enforcement programs have not been reviewed as recently as the other three areas, OIG has initiated a pre-survey of state enforcement issues.

MINE SAFETY AND HEALTH ADMINISTRATION

The Mine Safety and Health Administration (MSHA) administers the provisions of the Mine Safety and Health Act of 1977. The program is designed to reduce the number of mine-related accidents and fatalities and achieve a safe and healthful environment for the nation's miners. Approximately 5,585 coal and 11,600 metal/nonmetal mining operations are under MSHA's jurisdiction. For Fiscal Year 1987, MSHA had an approved staffing level of 2,909 and a \$156 million budget.

During this reporting period, we completed a review on MSHA's State Grants Program.

State Grants Program

We reviewed MSHA's compliance with Section 503 of the 1977 Federal Mine Safety and Health Act which requires MSHA to provide financial assistance to states in developing and enforcing mine safety and health laws.

Our survey disclosed that improvements are needed in the state grant agreements and management and control of state grants. In reviewing the grant approval process, we found that:

- Grant narratives did not always contain specific goals, objectives, a detailed plan of action and quantitative projections of results.
- The grant approval process lacked District Office involvement.

These conditions occurred because MSHA had not provided clear policies and procedures to grantees to assure that grants contained specific objectives or guidance on data needed to measure the program's effectiveness.

MSHA did not have clearly defined policies, procedures or responsibilities to ensure sufficient management controls over its grant program. As a result, the monitoring system was ineffective; grants and letters of credit were not closed out; and records were not maintained on audits performed.

We recommended that MSHA:

- develop and issue a policy statement that reflects MSHA's current objectives for the State Grants Program and issue procedures for grantees to use as a guide for preparing the required grant narratives;
- develop formal procedures for involving the Coal and Metal/Nonmetal District Offices in the grant proposal review process;
- centralize the State Grants Program accountability responsibilities under the Office of State Programs; and
- develop an internal State Grants Program operations directive.

EMPLOYMENT AND TRAINING ADMINISTRATION

The Employment and Training Administration (ETA) administers programs to enhance employment opportunities and provides temporary benefits to the unemployed through employment and training programs authorized by the Job Training Partnership Act (JTPA), the Work Incentive (WIN) program authorized by the Social Security Act, the Unemployment Insurance (UI) program, the Trade Adjustment Assistance Act and the Employment Service authorized by the Wagner-Peyser Act. In Fiscal Year 1987, authorized staffing was 1,781 and ETA's budget was \$29.9 billion. Of that amount, \$25.6 billion was for the UI Trust Fund, \$3.7 billion for JTPA, \$326 million for Older Workers, \$110 million for WIN, and \$176 million for Trade Readjustment Allowances (TRA).

Indian and Native American Programs

Indian and Native American programs are federally administered programs authorized by JTPA. The purpose of the program is to provide job training to economically disadvantaged, unemployed or underemployed Indian and Native Americans. Fiscal Year 1987 budget authority was \$61.5 million.

Although the enactment of the Single Audit Act has reduced our activities in performing financial and compliance audits, we perform reviews in support of investigations or by request of program administrators. A recent audit of the Oglala Sioux Tribe, Pine Ridge, South Dakota, exemplifies such a cooperative effort between the Office of Audit and ETA. ETA requested an audit of the Oglala Sioux Tribe on the basis of information developed during their monitoring reviews. One concern centered on the disposition of Federal JTPA funds withdrawn by the grantee in an amount in excess of reported program expenditures.

The audit questioned or recommended for disallowance \$139,890 for the period October 1, 1983 to March 31, 1987. Two major deficiencies in the Oglala Sioux Tribe's financial management practices that were identified in the audit include:

- JTPA funds were used to finance non-JTPA activities (\$139,890). Direct loans and advances of JTPA funds to the Tribe's General Fund and Special Payroll Account totaled \$99,000 as of March 31, 1987. Further, JTPA funds were disbursed

inappropriately (1) to cover indirect costs which were \$34,410 (56 percent) in excess of the \$61,000 budget; and (2) to cover \$6,245 of unallowable bank charges and \$235 of other unidentified expenses.

- Financial management controls were inadequate. In particular, the lack of separation of financial management responsibilities leaves the JTPA program funds vulnerable to abuse.

We recommended that the Tribe return to the Department of Labor \$139,890 of unallowable disbursements and strengthen their internal controls.

ETA has also taken action. The Tribe's Letter of Credit was terminated and ETA installed a cash advance process for tighter control over funds. ETA issued an initial determination disallowing the full amount questioned.

Puerto Rico Balance of State CETA

As part of our efforts to assist ETA in closing out the CETA program in Puerto Rico, we issued a report in September 1987, on a followup review to the CETA Special Purpose Review of all grants awarded to the Puerto Rico CETA Balance of State program. This follow-up review identified \$78,135,702 of questioned costs and \$562,186 of costs recommended for disallowance, as summarized below:

- Deficiencies in the financial management system were identified in the follow-up review. These deficiencies appeared in the Financial Status Reports submitted to ETA for 28 grants which were in excess of the amounts recorded in the general ledger by \$45,684,190. We have, therefore, questioned costs of \$45,684,190.
- The Prime Sponsor did not establish an adequate system to resolve questioned costs or costs recommended for disallowance resulting from subrecipient audits. Our review disclosed that \$32,405,535 of subrecipient questioned costs and \$562,186 of subrecipient costs recommended for disallowance remain unresolved.
- Our review of the Prime Sponsor's systems for participant eligibility determinations, participant allowances, and participant wage payments resulted in questioned costs of \$45,977.

Unemployment Insurance Program

The Social Security Act of 1935 authorized the Unemployment Insurance (UI) program as a support system for workers who have suffered a loss of employment and who are available for work. The UI program is a unique Federal-state partnership that is based upon Federal law, but is implemented through individual state legislation.

The states are responsible for operating the program. They are free to set the parameters of their operations provided they conform to broad Federal guidelines. This program is administered at the state level by the State Employment Security Agencies (SESAs) in the 50 states and three other entities (District of Columbia, Puerto Rico and the Virgin Islands). At the Federal level, the Unemployment Insurance Service (UIS) of ETA is charged with ensuring proper and efficient administration of the UI program.

In Fiscal Year 1987, total unemployment benefits to be paid was estimated at \$15.8 billion.

Federal Share of the Unemployment Compensation Program

Between February 1984 and December 1986, OIG audited the Federal share of the unemployment compensation (UC) program in 42 states (including Puerto Rico and the District of Columbia). The Federal share of the UC program comprises benefits paid to Federal (UCFE) and ex-military (UCX) personnel, the Federal portion of the Extended Benefits (EB) program, and benefits originating from the federally funded Federal Supplemental Compensation (FSC) and CETA Public Service Employment (PSE) programs.

An individual report was issued to each state as each audit was completed. A report summarizing the results of these 42 audits was provided to ETA in September 1987. The audits covered \$10.8 billion of Federal unemployment compensation benefits for the period October 1, 1981 through September 30, 1984.

Our audit objectives were to determine the validity and accuracy of federally supported unemployment benefit charges reported by the states to the Department of Labor.

We identified \$226.4 million net costs recommended for disallowance:

- overreported costs of \$249.1 million;
- less allowable costs of \$9.7 million not reported by the states for reimbursement; and
- less adjustments of \$13.0 million made by states, subsequent to our audit period, to reduce overreported costs.

Of the amount recommended for disallowance, the majority, \$233.4 million, relates to the EB program. This program provides additional compensation to eligible participants who have exhausted all rights to regular unemployment benefits. EB is financed equally from Federal and state funds.

The \$249.1 million in overreported costs consist of the following:

- \$145.7 million in 16 states that did not timely enact the work search requirements to qualify for Federal sharing of extended benefits. These requirements of P.L. 96-499 were effective for the first week of unemployment beginning after March 31, 1981. Several states have requested legislative relief which would retroactively change the effective date of the Extended Benefit (EB) work search requirement from April 1, 1981 to some later date in 1981 that would make these 16 states entitled to reimbursement of \$145.7 million. Retroactively allowing these 16 states to charge benefits to the Extended Unemployment Compensation Account would result in the other 37 states' employers also funding the EB costs which were not subject to Federal sharing according to applicable legislation. On June 9, 1987, OIG expressed its concerns to the Senate Finance Committee about any legislation that would shift the funding burden of these costs.
- \$49.2 million in 11 states which had a compensable waiting week for regular benefits but continued to charge the Federal Government for first week EB payments. P.L. 96-499 denies the Federal reimbursement of first week EB payments if state

law provides for payment of regular benefits to claimants for their first week of unemployment.

P.L. 96-499 gave the states a grace period to enact waiting week legislation before the Federal restriction on first week EB reimbursements became effective. ETA and OIG disagree as to the grace period allowed some states. This disagreement will be the subject of a second Federal share audit report to be issued as a management letter to the Secretary.

- \$23.8 million in 33 states of overreported costs because of miscellaneous errors in all Federal programs.
- \$17.2 million in 15 states of state and local government EB charges. P.L. 91-373 requires that state and local government EB costs be 100 percent state funded.
- \$10.3 million in 16 states of EB overcharges on combined wage claims. These costs were charged to the Federal Government when payments were made to claimants, but not credited when reimbursements were received from other states.
- \$2.9 million attributable to ineligibility of, and overpayments to, EB claimants.

For information on resolution and corrective action taken to date on the 42 audit reports issued, see Chapter 3, Audit Resolution.

UCFE/UCX Program

The states pay UCFE and UCX benefits as agents of the U.S. Government. The Federal Government, through ETA, reimburses the states for the amount of benefits paid to claimants. The states report, by employing Federal agency, the benefit amounts paid to ETA. ETA bills each Federal agency for the benefit costs. Many states' systems did not contain the proper controls for reporting UCFE/UCX charges by the appropriate Federal agency. The states drew their money from the Federal Employee Compensation (FEC) Account in the Unemployment Trust Fund (UTF) but failed to prepare accurate reports to ensure that appropriate Federal agencies properly reimbursed the FEC Account. These system/reporting deficiencies did not affect the their receiving

reimbursement for UCFE/UCX charges against the Federal Government. However, we found that since 18 states did not accurately report UCFE/UCX charges by Federal agency, the FEC Account in the UTF was not reimbursed at least \$12.6 million (\$11.6 million UCFE/\$1 million UCX).

Federal Supplemental Compensation (FSC) Program

The audit additionally identified \$34.4 million in FSC overpayments. FSC benefits were payable to eligible claimants who exhausted their rights to regular and extended benefits. FSC was 100 percent federally funded. We did not recommend these costs for disallowance due to the immateriality of these costs to total program costs. We did recommend, however, that ETA direct the states to recoup these funds according to state statute and return recoupments to the Federal Government. It should be noted that these overpayments represent only .6 percent of the \$5.35 billion of FSC payments audited for the period September 18, 1982 through September 30, 1983. The states should be commended for such a low overpayment rate during a period when Congress continually changed claimant entitlement levels.

DEPARTMENTAL MANAGEMENT

Departmental management refers to those activities and functions of the Department which formalize and implement systems, standards, policies and procedures to ensure efficient and effective operation of administrative and managerial programs. The Assistant Secretary for Administration and Management has oversight responsibility.

We reviewed two major functional areas within departmental management: (1) Information Resource Management (IRM) and (2) Procurement. Within the broad category of IRM we completed reviews on:

- ADP commercial services,
- computer security, and
- BLS and PWBA system development.

In the Procurement area we reviewed a major contract awarded by the Solicitor's Office and the Department of Justice to provide litigation support to handle ERISA cases.

Information Resources Management

ADP Commercial Services

The Department depends on the private sector to provide ADP services so the agencies can carry out their missions. In 1987, ADP commercial services were the largest ADP expenditure in the Department -- \$53.4 million, or 48 percent, of the Department's \$110.6 million information technology budget.

Previous audits of various individual ADP commercial services contracts identified potential problems in the Department's ADP contract management. During the last reporting period, OIG reviewed departmental processes for planning, acquiring and administering ADP commercial services contracts.

Contract administration for ADP commercial services did not always protect departmental interests by certifying invoices for payment and safeguarding electronic data. In addition, contract provisions did not protect departmental software rights, cover contractor personnel qualifications or provide for recovery of funds for inadequate services.

Our review also found that, under the Department's decentralized structure for information resources management, program agencies plan, acquire and administer contracts for ADP commercial services with minimal departmental guidance and oversight. With appropriate coordination, the problems identified in our review might have been prevented if responsible program managers had received timely guidance and assistance from departmental technical support organizations.

Finally, ongoing ADP commercial services contracts require more timely review and oversight to identify and correct systemic problems before new contracts are planned and awarded.

We recommended and the Office of the Assistant Secretary for Administration and Management (OASAM) agreed with all our recommendations except one. OIG recommended revising the Department's criteria for determining what constitutes an ADP acquisition to reflect the expanded Federal Information Resources Management Regulations (FIRMR) definition of automatic data processing equipment and ensure that upcoming acquisitions which fall under the newly issued definition, such as the Black Lung medical bill processing contract, are

properly included in the Department's review process for acquisition of information technology resources. OASAM responded that the criteria for determining what constitutes an ADP acquisition is already included in the FIRMR text. However, OASAM's Directorate of Information Resources Management agreed to ensure that written guidance to agencies will indicate specifically which FIRMR parts must be consulted whenever a services contract is contemplated.

Computer Security

DOL is one of eight agencies participating in a project focusing on control and integrity issues in the data processing life-cycle. The project is being coordinated by the President's Council on Integrity and Efficiency (PCIE).

After our review, it was our general assessment that: (1) the Department has established policies and procedures that implement the requirements of OMB Circulars A-123, A-127 and the planning requirements of A-130; (2) DIRM has established an Information Resources Management (IRM) review program; and (3) information is being shared, as needed, among agencies.

We recommended, and the Assistant Secretary for Administration and Management agreed to delegate information dissemination procedures to the Office of Information and Public Affairs. In addition, specific actions to improve the Department's implementation of computer security policies, oversight function in DIRM, quality assurance policies and Privacy Act requirements have been incorporated into DIRM's Fiscal Year 1988 workplans.

System Development Monitoring -- Bureau of Labor Statistics (BLS)

BLS is the Federal Government's principal data gathering agency in the field of labor economics. BLS' overall mission is to collect, process, analyze, and disseminate sensitive statistical data used to establish economic policy in employment, unemployment, the labor force, productivity, prices, wages, family expenditures, industrial relations and occupational safety and health. BLS is composed of an Office of Commissioner; six major program components, each headed by an Associate Commissioner; and four major functional support areas.

We surveyed BLS to gather general background on information resources management and to determine whether the system's planning implementation was properly controlled by the agency.

We found that:

- BLS effectively manages and controls its system development and design.
- While BLS does not use contractors to develop functional specifications for system developments, it does use contractors to perform specific tasks, such as training and data entry.
- BLS has implemented standards for hardware, software and other computer-related products and services.
- BLS is able to report system costs, such as hardware/software, personnel and computer use, by the categories required in OMB Circular A-130, "Management of Federal Information Resources."

However, BLS does not fully respond to all departmental planning requirements and we recommended that BLS work more closely with DIRM in the future.

PWBA's System Development Effort and Management of Information Resources can be Improved

Information resources management by PWBA has been discussed in the section on PWBA. (See page 5.)

Procurement

Acumenics Research and Technology, Inc.

We reviewed contract modifications awarded by the Solicitor's Office (SOL) to Acumenics which appeared to conflict with Federal appropriation laws and procurement regulations. Initially, in June 1982, SOL awarded Acumenics a 4-month \$395,000 sole source contract through the Small Business Administration (SBA) 8(a) program. The contract required Acumenics to provide litigation support to SOL's Special Litigation Task Force for cases filed under the Employee Retirement Income Security Act (ERISA) of 1974.

In September 1982, Labor's contracting officer objected to extending the expiring non-competitive contract with Acumenics. (8(a) firms can be awarded contracts on a non-competitive basis.) As a result, SOL turned to Justice to obtain a non-competitive contract with Acumenics to continue the litigation support because the two agencies have joint responsibility under ERISA. Justice then awarded Acumenics an 8(a) sole source contract to perform the work for Labor.

In 1983, Acumenics lost its 8(a) small business status because it was bought out by a larger company. In 1984, Justice transferred administrative responsibility of the contract to Labor.

Through subsequent contract extensions, Labor had increased the contract funding to \$9.0 million and extended the contract period through 1989. Specifically, the March 1986 modification extended the contract for 3 years and increased contract funding by \$3.7 million by using Fiscal Years 1982 and 1983 funds.

In September 1986, OIG requested a legal opinion from the Comptroller General of the GAO on issues relating to the contract. In July 1987, SOL notified GAO that the Acumenics contract was being terminated. In August 1987, GAO notified the Secretary of Labor and the Inspector General that:

- The current contract was not a legal, enforceable document.
- It was unacceptable to award modifications on an 8(a) basis after the contractor has lost 8(a) status.
- The litigation support services, consisting mainly of clerical tasks, were severable into time periods; thus, the sole-source contract extensions were not authorized.
- Expired Fiscal Years 1982 and 1983 appropriations totaling \$7.9 million could not be obligated in subsequent years to pay for future services.

In view of the foregoing, GAO instructed Labor to (a) adjust its accounts to pay for the reasonable value of the services rendered during each fiscal year out of that year's appropriation, and (b) deobligate the expired funds that were improperly obligated. In addition, GAO informed Labor

that if any of Labor's unobligated fiscal year appropriations were insufficient to make the adjustment, then a reportable Anti-Deficiency Act violation occurred.

The Comptroller of the Department subsequently certified that there were sufficient funds to cover the prior year expenditures.

EMPLOYMENT STANDARDS ADMINISTRATION

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

- 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.
- OFCCP administers an Executive Order and portions of the statutes which prohibit Federal contractors from engaging in employment discrimination and require affirmative action to ensure equal employment opportunity.
- 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.

In OWCP's Division of Federal Employees' Compensation, we evaluated promised corrective action on our previously reported review of the timeliness of FECA claims processing. We also monitored OWCP/OPM crossmatches. In OWCP's Division of Longshore and Harbor Workers' Compensation, we reviewed compensation payments made during 1983 under the Longshore and Harbor Workers' Compensation Act. OIG is in the process of performing a financial management review of ESA. The results to date of the financial management review are reported in Chapter 2 of this report.

Federal Employees' Compensation Program

The Federal Employees' Compensation Act (FECA) is the sole form of workers' compensation available to Federal employees who suffer on-the-job injury or an occupational disease.

The Department of Labor administers the Act, but all Federal agencies influence how effectively it is implemented.

In Fiscal Year 1987, FECA's approved staffing level was 913 with a \$46.3 million budget. The appropriation for Federal employees' compensation benefits totaled about \$1.2 billion. Approximately 48,800 claimants will receive long-term benefits and another 68,000 Federal employees received continuation of pay for short-term job-related injuries.

In our previous semiannual report, we reported on our review of the FECA claims approval and payment system. We found that the majority of FECA claimants appeared to be adequately served by the present FECA payment system. Our sample results disclosed that 92 percent of the injured Federal employees sustained only short-term disabilities (45 days or less). The majority of these employees suffered traumatic injuries but did not file claims for lost wages as they were covered by continuation of pay. However, the remaining 8 percent of the claimants in our sample had disabilities lasting more than 45 days and, therefore, filed claims for lost wages. Approximately half of the 8 percent experienced delays in receiving FECA compensation payments.

These delays are primarily attributable to both employing agency and OWCP practices. We recommended a number of improvements to OWCP on the timeliness of the present FECA claims processing system.

ESA management stated that timeliness of claims processing and prompt payment of compensation have been major OWCP priorities for several years. ESA has also implemented several initiatives which have resulted in significant reductions in the number and age of unprocessed claims in their inventory.

OWCP stated that our specific recommendations complement their own management initiatives, and OWCP plans to adopt them where feasible. Further study of several of our recommendations is planned before deciding on specific corrective actions. We shall continue to follow up on recommended and promised corrective actions.

Over a period of years, OIG and OWCP have been cooperating to improve the employing agencies' management of their FECA responsibilities. OWCP has invited OIG to brief employing agencies' representatives on our review at their next

quarterly meeting with the employing agencies. The two primary topics of discussion will be timeliness of FECA processing and light duty assignments (rehabilitation).

FECA/OPM Crossmatches

In several of our earlier semiannual reports, we reported that OIG, in conjunction with OWCP and the Office of Personnel Management (OPM), crossmatched FECA and OPM computer records to identify instances where individuals were receiving OPM retirement or survivor annuities concurrently with FECA disability or death benefits. FECA prohibits the receipt of these dual benefits.

We also encouraged OWCP and OPM to make periodic crossmatches of the records. To date, OWCP/OPM has completed two additional crossmatches and is performing a third. The results of these crossmatches have been successful, particularly in identifying OPM overpayments, which have averaged \$957,508 in the last two crossmatches. In contrast, the FECA overpayments have shown a significant reduction to a level of only \$4,000 in the last crossmatch. This reduction is attributed to claimants' formally electing to receive FECA benefits as opposed to OPM disability retirement benefits. As a result, any benefits then received from OPM are considered as OPM overpayments.

Longshore and Harbor Workers' Compensation Program

The Longshore and Harbor Workers' Compensation Program administers and enforces claims processing and benefit payments to injured workers covered by the Longshore and Harbor Workers' Compensation Act. The Act provides compensation to workers for wages lost through disability, medical treatment and rehabilitation services and death benefits to surviving dependents of workers.

In fiscal year 1987, Longshore had a staffing level of 144 and a \$7.2 million budget. The Division of Longshore and Harbor Workers' Compensation (DLSHWC) opened approximately 43,000 new cases involving lost time injuries; and payments were made on 17,700 compensation cases.

During this reporting period, we audited a sample of reported calendar year 1983 compensation payments made under the Longshore and Harbor Workers' Compensation Act for cases in the New York District Office. The objective of the audit was to determine if authorized self-insured employers and insurance carriers were accurately reporting to the DLSHWC

compensation and medical payments they paid under the Act during calendar year 1983. The 1984 assessments are based on these reported payments.

Section 44 of the Act established a Special Fund to pay specified costs, such as second injuries, which are shared by the industry (authorized self-insured employers and insurance carriers). Annually, DLSHWC assesses an amount against the self-insured employers and insurance carriers necessary to replenish the Special Fund. The 1984 annual assessment was based on a formula which took into account the amount of compensation and medical costs paid by each self-insured employer/insurance carrier as reported to the DLSHWC, in relation to the totals for all self-insured employers/insurance carriers during the preceding calendar year.

The Special Fund assessments have increased from more than \$40 million in 1984 to over \$55 million in 1986. During our review and subsequent to the DLSHWC requesting detailed backup for reported compensation and medical payments totals, one insurance carrier reported understating its Longshore payments between 1972 and 1985. As a result, the carrier paid about \$7.6 million in settlement of past assessments. Authorized self-insurers and insurance carriers still report compensation payments on the "honor system" and the DLSHWC does not confirm the reports through independent means.

Our audit disclosed that some of our earlier concerns were subsequently addressed by the 1984 amendments to the Act, the implementing regulations and revised procedures. However, DLSHWC still needs to (1) strengthen internal controls by reconciling reported payments to DLSHWC records to ensure the accuracy of reported compensation payments, (2) provide specific reporting instructions to self-insured employers and insurance carriers on how to report adjustment activity needed to properly account for all payments, and (3) charge interest instead of a penalty on late assessment payments.

**CHAPTER 2 -- OIG ISSUES FIRST AUDITED FINANCIAL
STATEMENTS FOR DOL AGENCIES AND COMPILES FIRST
DOL CONSOLIDATED FINANCIAL STATEMENTS**

During this reporting period, OIG presented the first audited financial statements for two major DOL program agencies -- the Employment and Training Administration and the Occupational Safety and Health Administration -- and the first compiled DOL consolidated financial statements. The statements are in accordance with Federal generally accepted accounting principles (GAAP) and consistent with Treasury financial reporting requirements.

This was a first time accomplishment for both the Department of Labor and for a Federal Inspector General. These projects represent a substantial step toward the Secretary's goal of audited financial statements for the Department -- a goal OIG plans to meet during the next semiannual reporting period.

In addition, we compiled financial statements for the Employment Standards Administration and arranged for, and completed, an independent financial statement audit of the Office of Inspector General.

Each financial statement audit and compilation project was coordinated with a separate review of financial management systems using GAO's Controls and Risk Evaluation (CARE) audit methodology.

Projects completed or in process enable OIG to make a preliminary assessment of the overall status of DOL's financial management. Because these projects have broken new ground in the fields of Federal accounting and financial reporting, coordination with DOL management and GAO has been, and continues to be, a key to their success.

Each financial statement audit report contains the following components required under generally accepted government auditing standards:

- Financial Statements and Opinion
- Report on Internal Accounting Controls
- Report on Compliance with Laws and Regulations

EMPLOYMENT AND TRAINING ADMINISTRATION

Financial Statements and Opinion

The consolidated statement of financial position and the related statements of operations, changes in financial position, and reconciliation to budget reports for fiscal year 1986 were audited for ETA.

The ETA statement of financial position showed assets of \$39.2 billion, including \$21.2 billion in investments of the Unemployment Insurance Trust Fund, liabilities of \$21.3 billion, and equity of the U.S. Government and Trust Fund balances of \$18.0 billion. The statement of operations showed revenue and financing sources of \$30.1 billion and related expenses of \$22.9 billion.

Audit tests were restricted to the Federal level. Reporting of state and local costs will be tested under the Single Audit Act.

In the auditors' opinion, the consolidated statement of financial position fairly presents ETA's financial position at September 30, 1986, in conformity with Federal GAAP, except for the following qualifications:

- Various audit tests could not be performed on beginning balances of accounts receivable and accounts payable since the audit commenced after September 30 of the previous year (1985).
- Accrued state and Federal unemployment insurance taxes due from employers totaling \$3.7 billion were recorded based on actual tax collections from the next quarter. The validity of this amount could not be verified since neither ETA nor the individual states find it practicable to maintain subsidiary records for individual employers.
- Because subsidiary accounting records which fully identify contractor or grantee advances were not maintained, confirmation of individual account balances was impossible and the auditors were unable to attest to advances to grantees of \$685 million shown on the statement of financial position.

- The liability of \$13.8 billion in future unemployment benefits was determined using an actuarially unacceptable estimation method.
- The liability of \$29 million in future FECA workers' compensation expenses was determined using an actuarially unacceptable estimation method.

No opinion was given on the consolidated statements of operations, changes in financial position and reconciliation to budget reports because this was the first year statements were audited, and it was not practical to perform various audit procedures on beginning balances.

Report on Internal Accounting Controls

The internal control report identified material deficiencies related to grantee advances and property management.

DOL's current systems and controls cannot link \$684 million in advances to grantees recorded in the General Ledger to subsidiary records which identify advances by individual grantee. We recommended that adequate subsidiary ledgers be established.

Weaknesses in ETA's property management systems related to capitalization of major improvements, recording depreciation and the accuracy of costs shown on the Real Property Management System. Capital improvements of \$190 million over a 2-year period were not capitalized, accumulated depreciation of \$206 million was not computed and recorded, and 6 out of 30 (20 percent) of the DOL-owned Job Corps facilities were understated by a net of \$676,000. As a result, the cost of ETA property could not be determined and accurately included on ETA's report of financial position submitted to the U.S. Treasury. We recommended that accurate recording of ETA property be improved -- a recommendation ETA has started to implement.

Using the CARE methodology, ETA's systems were reviewed concurrently with the financial statement audit. The findings from that work were incorporated in the internal control report of the financial audit. In addition, a management letter will be forwarded to ETA on significant internal control findings.

Report on Compliance with Laws and Regulations

The report on compliance with laws and regulations, required by generally accepted Government auditing standards, included one exception. ETA is required to report net disbursements according to agency records monthly to Treasury. Treasury regulations require that discrepancies between agency and Treasury records be resolved by the agency within 90 days. Treasury transfers unresolved discrepancies into suspense accounts which ETA was not promptly resolving. ETA had four expense accounts totaling over \$12.2 million including one suspense account more than 16 years old. Recommendations have been made to clear existing accounts and to institute procedures to prevent a recurrence.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

Financial Statements and Opinion

The statement of financial position and related statements of operations, changes in financial position and reconciliation to budget reports were audited for fiscal year 1986 and compiled for fiscal year 1985 for OSHA.

The OSHA statement of financial position shows assets of \$68.1 million, liabilities of \$45.5 million, and equity of the U.S. Government of \$22.5 million. Appropriations and other financing sources totaled \$228.1 million for Fiscal Year 1986. Other financing sources included \$8.2 million collected from fines and penalties which is transferred to the U.S. Treasury General Fund. Expenses for the year totaled \$220.1 million.

In the auditors' opinion, the financial statements fairly present OSHA's financial position as of September 30, 1986, and the results of operations, changes in financial position, and reconciliation to budget reports for the year then ended in accordance with Federal GAAP, except for:

- Lack of available documentation on the cost of equipment purchased prior to October 1, 1984. This equipment was included in the statement of financial position at the cost reflected in the accounting records, but the source documents were not readily available. OSHA's property was valued at \$5.2 million after depreciation.

- The liability for future FECA workers' compensation expenses, totaling \$18 million, was determined using an actuarially unacceptable estimation method.
- Approximately 38 percent of OSHA's 1986 budget is expended through grants. Under the Single Audit Act, audits of these grantees generally were not due to the Federal Government until December 31, 1987. We were unable to fully test these grant expenses.

Report on Internal Accounting Controls

The internal control report identified material weaknesses related to grants management, penalty accounting, property management, and recording obligations.

A number of grants management problems were identified, with three primary contributory factors. First, the Department's accounting system does not accommodate the efficient, timely recording of grant information as reflected by an overstatement of grant advances of \$14.6 million when compared to the grant files. Second, the use of grant files to track grant activity is not efficient. A summary of key information on all grants is needed to efficiently manage the program. (OSHA is developing an automated record keeping system to address this problem.) Finally, the current grants management process needs more discipline to ensure proper monitoring and documentation in such areas as grantee matching requirements, property and reporting.

OSHA's Penalty Accountability System did not accurately record interest or delinquent and administrative charges in all cases. (OSHA management has indicated that the system has been revised to correct this.) Also, receivables which were waived were not reflected in the system on a timely basis. OSHA, in the past year, has revised their procedures to address the waiver problem.

The Department's property management system (DPMS) cannot be relied upon to produce accurate information. The Department's inventory records were incomplete and not updated on a timely basis. For example, some computer equipment was not included in the DPMS, resulting in a \$1.8 million adjustment. Property was not always capitalized (recorded as an asset) in accordance with Federal GAAP, requiring additional adjustments of approximately \$1 million. For example, additions or

improvements to property were not properly recorded, and components of systems were not considered in the aggregate for capitalization but only as individual components, thus understating the total amount capitalized.

Though OSHA generally was properly recording unliquidated obligations (undelivered orders) initially, these obligations were not always liquidated when an invoice was received or payment made for the goods or services on a timely basis. As a result, the accounting records understate accounts payable, understate current period expenses, and overstate undelivered orders. We also noted several instances where obligating documents were not executed on a timely basis.

Report on Compliance with Laws and Regulations

No compliance exceptions pertaining to OSHA were identified.

Review of OSHA's Financial Management Systems

We analyzed systems critical to OSHA's operation and reviewed transactions that flowed through these systems using GAO CARE audit methodology to determine internal control strengths and weaknesses.

A draft report has been provided to OSHA management which summarizes the strengths and weaknesses of OSHA's systems and the following areas of future planned audit coverage:

- Grant Management System -- The current system had a number of shortcomings. Additional work is planned in the areas of grantee cash and accounts receivable management, grant monitoring and closeout.
- Penalty Accountability System -- Though the current system has been significantly upgraded, problems identified in data accuracy and report utilization will be reviewed further.
- Targeting system -- The present system for targeting industries and selecting employers for inspection is complicated and involved. We will compare the OSHA approach to state targeting approaches to determine if the targeting system can be improved. (See Chapter 3, Audit Resolution.) OSHA's Management Information System also will be reviewed to evaluate the validity of the data base.

- Equipment Maintenance System -- Finally, OSHA has several systems for managing technical equipment maintenance. Consolidation of the systems may result in improved efficiencies and effectiveness.

EMPLOYMENT STANDARDS ADMINISTRATION

Financial Statements and Compilation Report

Financial statements have been designed and compiled for ESA for fiscal year 1986. The consolidated statements show assets of \$33.4 billion and liabilities of \$33.3 billion. Appropriations and other financing sources totaled \$2.1 billion, with expenses of \$2.0 billion. The statement of operations presents expenses by national budget account, office, object class and expense type. Supplementary financial reports present the statements of financial position and operations by program and by fund type, including ESA's three trust funds -- Black Lung Disability Trust Fund, Longshore and Harbor Workers' Compensation Special Fund, and District of Columbia Compensation Special Fund.

A limited number of adjustments have been made in the compilation:

- Reserves for future workers' compensation benefits have been recorded using the current agency estimation method.
- Financing sources and expenses have been stated on an accrual basis.
- The accounts receivable from employing agencies for the 2 years of FECA benefits have been reflected. For Federal agencies, there is a 2-year lag in payment due to the length of the appropriation process. Agencies will include the FECA billing in their next budget request.

The compilation noted two departures from Federal GAAP: (1) the liability of \$30.4 billion for future workers' compensation expenses was not based on an accepted actuarial method; and (2) statements of changes in financial position and reconciliation to budget reports were not prepared because prior year statements were not prepared.

Additional adjustments are anticipated during the audit. Also, the fiscal year 1985 statements will be compiled to

present all four required statements and comparative information. An actuary is working with OIG and ESA management to improve the workers' compensation estimates for future benefits. These calculations are significant not only to DOL but also to the financial statements of other Federal agencies and departments and the United States Government as a whole.

Review of ESA's Financial Management Systems

OIG's general risk analysis presents the organization's financial management profile and includes an inventory of systems; a risk ranking of systems; and the organization's mission, funding and organization structure. High risk systems were targeted for further review.

ESA has 23 identifiable financial management systems of which 7 have been identified as high risk, 7 systems as medium risk, and 6 systems as low risk. Three Longshore program systems, not included in the risk ranking, are being reviewed separately in an audit of the Longshore and Harbor Workers' Special Fund. The internal controls of the 7 high risk systems are being reviewed further. Four of the high risk systems are workers' compensation payment systems which are receiving detailed testing in the financial audit.

OFFICE OF INSPECTOR GENERAL

Financial Statements and Opinion

The statement of financial position and related statements of operations, changes in financial position and reconciliation to budget reports for Fiscal Year 1986 were audited by an independent certified public accountant firm. The financial statements were compiled for fiscal year 1985 to present comparative information.

The statement of financial position showed assets of \$19.7 million, liabilities of \$8.5 million and equity of \$11.2 million. In fiscal year 1986, financing sources totaled \$39.8 million, with related expenses of \$40 million. There were \$257,847 of unfunded expenses related to accrued annual leave and workers' compensation expenses which are to be funded from future appropriations.

In the auditors' opinion, the statement of financial position fairly presents the financial position of the Office of Inspector General as of September 30, 1986, in conformance with Federal GAAP, except for the following:

- Because this is the first year financial statements have been audited, it was not practical to perform audit tests on beginning balances.
- The accounting system did not accumulate costs of internally developed ADP software. OIG has developed or enhanced several ADP systems in-house.
- The liability for future workers' compensation claims, totaling \$1.7 million, was determined using an actuarially unacceptable estimation method.

No opinion was given on the consolidated statements of operations, changes in financial position or reconciliation to budget reports because it was not practical to perform sufficient audit tests on beginning balances.

Report on Internal Accounting Controls

The report identified one deficiency. Federal GAAP requires amounts payable for goods and services be recorded as a liability when the goods are received or services performed. The audit identified a number of misclassifications between accounts payable (liabilities) and unliquidated obligations (undelivered orders). Procedures to ensure the timely recording of the liabilities were recommended.

Report on Compliance with Laws and Regulations

No compliance exceptions were identified.

Review of OIG's Financial Management Systems

The independent CPA firm evaluated the internal controls of critical systems using the CARE methodology to identify internal control objectives and techniques. They evaluated whether the internal control techniques effectively met their objectives, including whether transactions are processed according to system design.

Based on the results of the review, the auditors concluded that, overall, the internal controls of the systems were adequate to ensure that information processed by the systems is accurate and properly reported. Several weaknesses were identified including the need to (1) update written procedures, (2) improve system development testing, and (3) improve reconciliation procedures between systems. OIG is taking appropriate action to implement the auditors' recommendations for systems improvements.

OASAM SYSTEMS REVIEW

OASAM provides administrative and management leadership and services to the Department and its program agencies. In carrying out its responsibilities, OASAM operates systems which support both its internal operations and the operations of DOL's program agencies. These systems were identified and are being evaluated using the CARE methodology. A general risk analysis of OASAM's systems has been completed. A full systems review has been completed for the Comptroller's Office.

General Risk Analysis

OIG's general risk analysis presents a financial management profile including an inventory and a preliminary risk ranking of the systems. Those systems identified as high risk are targeted for further review.

A total of 74 systems -- 28 financial management and 46 management information -- were identified. Of the financial systems, 5 systems support planning and program development, 8 support budget formulation, 34 systems support budget execution and accounting, and 10 systems support the audit and evaluation of financial activity. Several systems support more than one financial activity. They support a variety of administrative functions including accounting, procurement, payroll, payment processing, property management and grant award and administration. The 46 management information activities support such functions as personnel management, training, productivity measurement and ADP support.

Of the 74 systems risk ranked using the CARE audit methodology, 16 systems were determined to be high risk and are being reviewed in detail. The systems include personnel, property and procurement systems.

Comptroller's Office

We have completed transaction flow review and compliance tests and analyses of systems under the purview of the Comptroller's Office. The internal control techniques were analyzed to determine their effectiveness in meeting the control objectives.

Recommendations were made to correct:

- operating procedures which were not documented, current, or adequate,
- non existing procedures which need to be developed; and
- existing procedures which were not being followed.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements for fiscal year 1986 have been designed and compiled for the Department. The statements provide a summary-level financial report which builds on the individual agencies' reports. Supplementary financial statements are presented for DOL's eight program agencies. Financial statements also are presented by the various types of funds DOL administers.

The compiled statements included the audited amounts for ETA, OSHA and OIG. Data has been compiled for the remaining DOL agencies.

The compiled financial statements show assets of \$72.9 billion, liabilities of \$54.8 billion, and equity of \$18.1 billion. Total appropriations and financing sources for the year were \$33.3 billion, while expenses on an accrual basis totaled \$26 billion. These amounts relate to DOL's trust funds (e.g., Unemployment Insurance Trust Fund, Black Lung Disability Trust Fund, etc.), program expenses (e.g., JTPA grants), and administrative expenses (e.g., salaries).

The compiled statements will be the basis for the Fiscal Year 1986 consolidated financial statement audit.

OVERALL STATUS OF DOL'S FINANCIAL MANAGEMENT

Based upon information available to date from financial statement audits and financial management reviews, OIG can draw some preliminary conclusions about the Department's overall compliance with GAO standards.

Material weaknesses noted in the Internal Control and Compliance Reports issued in connection with financial statement audits, other significant internal control items to be included in related management letters, as well as significant internal control weaknesses included in our financial management (CARE) reviews, indicate that improvements are needed before DOL will fully comply with GAO's standards.

The capability to readily prepare the U.S. Treasury's required financial reports and internally compiled financial statements is merely the outgrowth of sound underlying financial systems and controls.

COORDINATION WITH MANAGEMENT AND GAO

Throughout this period, OIG has worked closely with departmental management and GAO to resolve complex issues on how to apply GAAP to Federal accounting and reporting. The Assistant Secretary for Administration and Management and the Comptroller of the Department, along with key program officials, are to be commended for their active and cooperative participation in the financial statement project.

The Department is in the forefront in ultimately being able to comply fully with the revised Federal GAAP and U.S. Treasury reporting requirements. The project is well timed since the Department is currently modernizing its accounting system to incorporate Federal GAAP and Treasury reporting requirements.

In the process of auditing Federal financial statements, OIG has also developed a number of approaches and tools including joint use of OIG staff and CPAs under contract and the development of a generic Federal financial compliance guide. The guide provides audit procedures for testing Federal agency compliance with financial laws and regulations and focusing on identifying material non-compliance to be reported in a financial statement audit.

WHAT ' S NEXT?

Financial statement audits of ETA and OSHA have been completed, and draft reports are being reviewed by departmental and agency management. Financial statement audits of ESA and the consolidated financial statements of the Department will be completed during the next reporting period.

Routine annual financial statement audits are planned. Financial statement audits, repeated annually, discipline the accounting systems to provide the most reliable data on resource utilization by testing the Department's consistency in applying accounting, reporting, internal control and other applicable standards.

OIG is working with management to design an annual report of the Department, which presents the financial statements along with program accomplishment data.

With respect to program accomplishment data, reviews of management information systems and their related program statistics are under way. These reviews focus on evaluating the systems' internal controls and the program data's reliability and, working closely with management, determining key measurement statistics which best present program accomplishments.

It is our opinion that, for the benefit of financial statement users, financial data must be presented along with program accomplishment information. Matching financial input to programmatic output provides a basis to determine Federal agencies' return on investment. With this information, management and the Congress can make more knowledgeable and cost-effective decisions.

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>	
3/31/86	241	\$27.2	\$21.8	\$49.0
9/30/86	337	\$15.0	\$14.1	\$29.1
3/31/87	223	\$84.8	\$38.6	\$123.4
9/30/87	149	\$98.0	\$40.3	\$138.3

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:

UI Federal Share Audit Resolution

The Employment and Training Administration (ETA) is continuing to resolve the final Federal Share state reports. As of June 30, 1987, ETA issued final Findings and Determinations (F&Ds) for 29 of the 42 state reports, disallowing \$74.2 of the \$94.0 million the OIG recommended for disallowance in the 29 reports. Of this amount, ETA has recovered \$19.4 million from the states. Debts are established against the states for the remaining \$54.8 million of disallowed costs. Of this debt, \$53.6 million is under appeal.

Significant individual Federal Share reports resolved or sustained this period are listed below.

State of Kentucky, Audit of Federal Share of the Unemployment Compensation Program (Audit Report No. 04-84-198-03-315) -- ETA disallowed \$7,577,133 in cost exceptions in the Federal share of Extended Benefits (EB)

because Kentucky had not timely enacted legislation requiring EB claimants to actively seek and to accept suitable work. Kentucky appealed the disallowance to the Administrative Law Judge (ALJ). During this reporting period, the ALJ sustained the Grant Officer's decision to disallow the costs. Subsequently, Kentucky has requested the Secretary of Labor to review the Administrative Law Judge's (ALJ's) decision. The Secretary has accepted the case for review.

The audit also identified \$2,444,323 which the State had not claimed for first week EB payments on combined wage claims reimbursed to other states. The Grant Officer determined that Kentucky was not entitled to the reimbursement. The Grant Officer's determination was appealed but withdrawn by the state at the hearing. Nonetheless, the ALJ addressed the matter and agreed with the Grant Officer's determination.

State of California, Audit of the Federal Share of the Unemployment Compensation Program (Audit Report No. 04-85-095-03-315) -- ETA disallowed \$1,157,333 in cost exceptions, including:

- \$354,016 in EB benefits paid to claimants in excess of their maximum allowable benefit amount;
- \$444,270 in overreporting of the Federal Share of EB; and
- \$324,759 in EB and FSC overpayments for unauthorized payments.
- \$34,288 in EB benefits paid to claimants who did not have a regular UI "parent claim" on the agency's computer system.

State of Kentucky, SESA Operational Audit (Audit Report No. 04-84-156-03-325) -- Kentucky owed \$1,503,206 in interest earned on the overnight investment of UI funds in local bank accounts for the period 7/15/82 to 12/31/84. ETA directed the Kentucky Cabinet for Human Resources to take action to ensure that unreturned interest earned on unemployment trust funds is properly credited to the fund. Kentucky appealed ETA's decision to the ALJ. However, the appeal was dismissed because the DOL and the State of Kentucky reached a settlement agreement without litigation. The State agreed to transfer \$942,686 to the State account in the UI Trust Fund from State funds other than unemployment funds.

National Urban League (Audit Report No. 02-85-078-03-350)

-- ETA disallowed the following:

- \$359,995 of unsupported wages and fringe benefits.
- \$112,096 in costs in excess of budget.
- \$5,110 in unresolved subcontractor costs.

Intelcom, Job Corps Program (Audit Report No. 09-85-280-03-370) -- ETA disallowed \$235,436 in cost exceptions as follows:

- \$135,589 resulting from inadequate documentation to support oral or written bids.
- \$57,377 resulting from outstanding checks, checks drawn but not issued, and duplicate reimbursement of expenditures.
- \$27,812 resulting from inadequate records to support payments.
- \$10,170 resulting when the contractor overrecovered indirect costs.
- \$4,488 resulting from unallowable interest expended.

The audit report also disclosed six administrative findings. Since report issuance, the agency plans corrective action which should correct and strengthen administrative/internal accounting procedures.

Management Commitment to Use Funds More Efficiently

During this reporting period, program officials and grantees agreed to implement our recommendations to improve agency systems and operations and thereby avoid unnecessary expenditures of program and administrative funds. Following is one example of management efficiencies which has been implemented.

MSHA Equipment Testing Fees Updated

In an OIG audit report issued in 1981 on the Mine Safety and Health Administration's Approval and Certification Center

(ACC), we recommended that MSHA raise the 20-year old equipment testing fees to fully recover the costs of testing.

A followup review of the ACC in 1984 (see September 1986 semiannual report) showed that the fees still had not been raised. As a result, we estimated that MSHA's inaction caused the Government to lose about \$10 million in testing fees since the issuance of the 1981 report and a continuing loss of approximately \$3 million annually.

MSHA concluded that all costs associated with the testing of equipment are not fully recoverable. However, the updated fee schedule more closely covers the actual costs of testing. The revised fee schedule was issued May 8, 1987, to become effective October 1, 1987. For fiscal year 1988, MSHA estimates an annual savings of \$1.6 million. For future years, the savings will be utilized by MSHA in other program areas.

Management Commitments to Remedy Administrative Problems

Non-monetary audit recommendations are important because they direct attention to improving internal controls and operating procedures. They also propose shifting program emphasis and policy direction and making legislative or regulatory changes. Corrective actions constitute reasonable remedies and include descriptions and timetables of specific actions taken, completion dates and evidence to prove recommendations were implemented.

Following are examples of significant resolution actions taken by program officials to remedy administrative deficiencies:

Followup on OSHA's Inaction Regarding Workplace Fatalities Recommendation

In the last semiannual report, OIG discussed the findings of the interim report, "OSHA Is Not Taking Appropriate Action Against Employers With Significant Histories Of Workplace Fatalities." The report recommended, among other things, that OSHA identify and proactively target for inspection those employers with histories of workplace fatalities. Originally OSHA did not agree to implement this recommendation, saying that such a program may not be workable. As discussed in the previous semiannual report, OIG felt strongly that such a proactive targeting program was needed and requested that the agency reconsider its

position. Upon reconsideration and discussion with OIG, OSHA subsequently informed OIG that the draft directive implementing the proactive fatality inspection program will be completed by November 16, 1987, and the final directive will be implemented as of January 1, 1988.

UI Experience Rating

On August 16, 1985, we issued an audit report citing a decline in the level of experience rating in the Unemployment Insurance Tax system.

Our audit report recommended that the Employment and Training Administration revise the State Employment Security Agencies' reporting of experience rating to provide for data which would enable the development and publication of an Experience Rating Index (ERI). This index would provide a measure of the relative degrees of experience rating in the states' UI tax systems. We also recommended that ETA direct the SESAs to reconcile their UI Trust Funds to beginning and ending cash balances to verify the accuracy of the reported experience rating data.

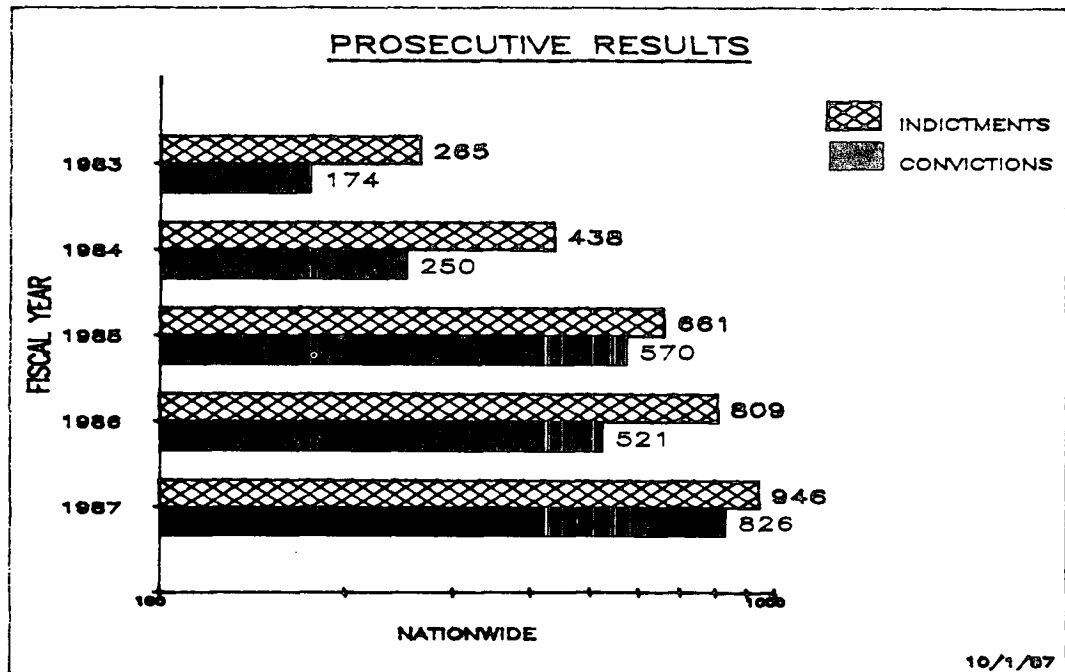
We are pleased to note that in September 1987, OMB approved a revised ETA-204 experience rating report for issuance to the SESAs. With this approval, the SESAs will now be reporting data which will enable the development and publication of an ERI.

ETA has indicated that they are now prepared to address the only remaining recommendation from our 1985 audit, directing the SESAs to reconcile their UI Trust Funds to verify the accuracy of the reported ERI.

OFFICE OF INVESTIGATIONS

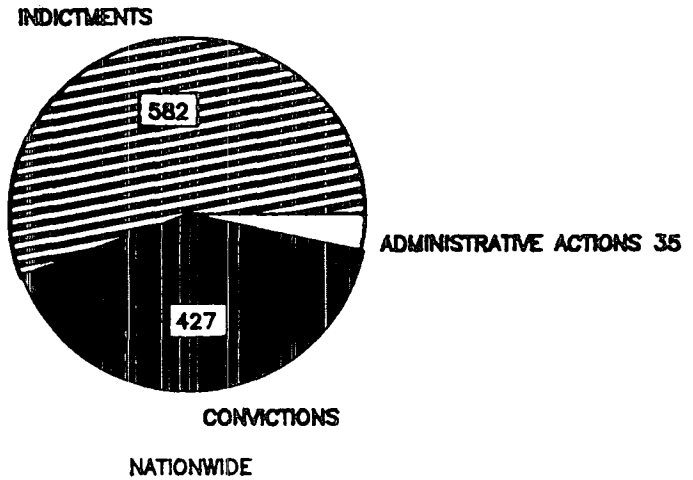
The Office of Investigations (OI) administers an investigative program within the Department of Labor (DOL) to detect and deter fraud, waste and abuse in the operation and administration of DOL programs. A primary goal of OI is to increase the economy and efficiency of these programs.

Since its inception nine years ago, OI has made significant progress in administering an effective investigative program. The growing professionalism of the OI staff is demonstrated by the innovative approaches being employed, the increase in the number of sophisticated and complex cases and the continuing increase in measurable results being achieved. The graph below illustrates our accomplishments over the last four years.



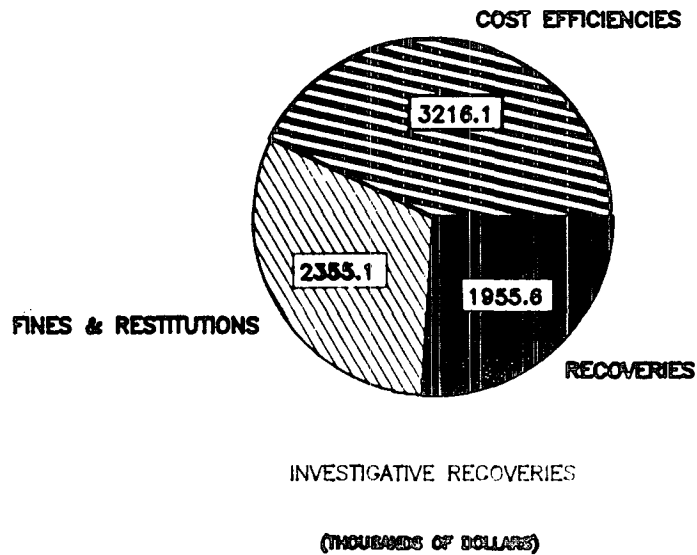
During this reporting period, OI's accomplishments included 582 indictments and 427 successful prosecutions. Recoveries, restitutions, settlements, fines and cost efficiencies, which are receiving increased emphasis, totaled \$7,526,745 for this period and \$14,892,845 for all of fiscal year 1987. The following graphs depict the results achieved this reporting period.

PROSECUTIVE & ADMINISTRATIVE RESULTS



10/1/87

INVESTIGATIVE RECOVERIES



10/1/87

OI continues to strive for enhanced results through cooperation, support and understanding in its relations with state, local and Federal agencies. This is evidenced through the many successful joint efforts discussed below.

EMPLOYMENT AND TRAINING

JOB TRAINING PROGRAMS

OI's Job Training Partnership Act (JTPA) investigations are not only focused on ferreting out criminality, but also directed at meaningful cash recoveries, substantial cost efficiencies and cost avoidances. Notwithstanding the difficulties in investigating these cases, because of the lack of uniform program administration and disparity in regulations developed by the respective states, OI is committed to maintaining a firm and positive presence in JTPA. Case work is oriented to recovery, cost efficiency and cost avoidance.

- A joint investigation with the OIGs of the Departments of Commerce, Housing and Urban Development, and the Audit Office of Dade County, Florida led to the November 13, 1986, indictment of three individuals. They were charged with embezzlement, fraud and false statements related to numerous Federally funded programs, including JTPA, for which they were principally responsible for formulating contracts. The ongoing investigation revealed that Specific Employment and Training (SET), a JTPA subcontractor, was suppose to train 150 participants to process old tires. There is no evidence that the training ever took place. As of June 30, Florida has deobligated over \$1.2 million in JTPA funds previously earmarked for SET. U.S. v. Hope, et al (S.D. Florida)

- Under a JTPA contract with the City of San Antonio, Texas, the San Antonio Alliance of Business claimed reimbursements by submitting false eligibility, classroom attendance and job placement records. This concealed the fact that only 3 of 55 on-the-job-training participants in the National Ironworkers and Employers Training Program had actually fulfilled minimal requirements of the contract. The U.S. Attorney declined criminal prosecution; however, the State demanded repayment of \$109,132 in DOL funds.

UNEMPLOYMENT INSURANCE PROGRAM

Approximately \$26 billion dollars annually are expended on the Unemployment Insurance (UI) program. Accordingly, OI continues to devote considerable investigative attention to UI. Close coordination with the State employment security agencies and cooperative efforts continue to produce significant indictments and monetary recoveries. The "clustering" approach of UI cases enables both OIG and the States to maximize OI's resources.

Of particular note during this reporting period are several cases in which State employees were identified and charged with defrauding UI through internal embezzlement schemes. The following cases are representative of our nationwide accomplishments during this period.

- MARYLAND - An investigation with the Postal Inspection Service and Baltimore Police Department revealed the theft of \$30,000 in UI benefits by a former Maryland Department of Employment and Training (MDET) employee and two accomplices. On April 2, one accomplice was convicted; the other was indicted on May 15. The former MDET employee is a fugitive. Maryland v. Cox, et al. (C.C. Maryland)
- DISTRICT OF COLUMBIA - A former D.C. Department of Employment Services (DES) claims examiner pled guilty on July 31 to a criminal information charging mail fraud in a scheme that generated \$14,000 from three legitimate claimant accounts. Her September 14 sentencing included \$14,000 in restitution. This investigation also resulted in additional evidence about another employee who had been previously indicted for theft of \$17,000 in UI funds. U.S. v. Dawkins (D. District of Columbia)
- MASSACHUSETTS - In an ongoing investigation of a widespread fictitious employer/employee UI scheme, eleven more Boston-area individuals were indicted on charges of false claims, mail fraud and false representation of social security numbers. This brings to a total of 22 individuals who have been prosecuted for participating in this scheme in which UI losses are approximately \$750,000 and in which restitutions totaling \$1,275,830 have been ordered. U.S. v. Littlefield, et al.

(D. Massachusetts)

- TEXAS - On April 30, 25 individuals were charged with UI fraud in State District Court in Houston. Collectively, the subjects allegedly defrauded the Texas UI program of \$74,000, by claiming UI benefits while employed. Texas v. Burke, et al. (S.D.C. Texas)
- UTAH - An investigation worked jointly with the Utah Job Service disclosed that 324 members of the Utah National Guard intentionally withheld wage data from the Utah Job Service. As a result, they received UI benefits in excess of \$300,000. With U.S. Attorney assistance, restitution orders were initiated to effect full recovery.
- DISTRICT OF COLUMBIA - On April 2, 14 individuals, including eight former District of Columbia government employees, were indicted for false claims and mail fraud in allegedly having illegally obtained approximately \$64,000 in UI benefits between 1982 and 1985. U.S. v. Nash et al. (D. District of Columbia)

UI Fraud Prevention

OI completed the production of a unique videotape, "A.K.A. Allen Cleo Jones: A Fraud Awareness Program." Jones, mentioned in previous semiannual reports, spent much of his life operating interstate fictitious employee/employer UI schemes nationwide. Prosecuted five times for UI fraud, he has been responsible for the loss of hundreds of thousands of dollars. In the video he reveals system weaknesses that contribute to fictitious employee/employer UI fraud and suggests countermeasures. OI distributed this videotape to all ETA Regional Administrators, State Employment Security Agencies and DOL Regional Inspectors General for Investigations. Copies also were made available to other OIGs.

ALIEN CERTIFICATION-IMMIGRATION

OI continues to investigate violations of law within the Alien Certification program. Some attorneys, representing both applicant employers and aliens, continue to provide

false information to the Department on which it predicates certification. OI's investigations have revealed fictitious businesses, jobs, credentials and statements of salaries. Other violations and irregularities were discovered, which include: knowingly hiring illegal aliens, avoiding UI taxes, avoiding State and Federal income taxes, and violating wage and hour laws.

- On July 10, a Los Angeles immigration attorney was found guilty on two counts of filing false alien labor certifications at San Francisco. He had been charged in a seven-count indictment, which included mail fraud. On September 28, he was sentenced to one year imprisonment; five years probation and prohibition from law practice, concurrently. U.S. v. Garrisi (N.D. California)

- On June 5, a Federal grand jury in San Francisco, California returned a 16-count indictment against another Los Angeles attorney and his client, an applicant employer. Each was charged with mail fraud and making false statements in a scheme to defraud the alien labor certification program. U.S. vs. Lew et al. (N.D. California)

PENSION AND WELFARE BENEFITS ADMINISTRATION

The Pension and Welfare Benefits Administration (PWBA) has program responsibility for enforcement of the Employee Retirement Income Security Act (ERISA), legislation to safeguard trillions of dollars in assets controlled by employee pension and other benefit plans.

While PWBA endeavors to obtain compliance with ERISA primarily through civil process, OI also seeks criminal sanctions.

- On August 4, two officers of Tri-Core Corporation were indicted on ten-counts of mail and wire fraud and embezzlement from a pension fund. They were alleged to have altered and forged documents to inflate commission fees and defraud the pension fund and insurance company of approximately \$707,000. The defendants are awaiting trial in this matter. U.S. v. Strothman and Shehan (N.D. West Virginia)

- On May 5, an investigation with the Postal Inspection Service culminated in the 15-count mail fraud indictment of an ambulance service operator. He falsely billed the United Mine Workers of America Health Retirement Funds on approximately 900 dates, participating in a fraud exceeding \$199,000. On August 10, he pled guilty to two-counts and is awaiting sentencing. U.S. v. Merchant (W.D. Pennsylvania)

- On May 29, the administrator of several pension and profit sharing plans pled guilty to two-counts of embezzling approximately \$125,000 from two trusts. He made unauthorized fund transfers from the plans to operate his real estate firm. On July 31, he was sentenced to one year and one day imprisonment, followed by five years probation, and ordered to make restitution. This successful prosecution was attained through a joint effort by the Seattle Office of PWBA and OI. U.S. v. Watson (W.D. Washington)

EMPLOYMENT STANDARDS ADMINISTRATION

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

OFFICE OF WORKERS' COMPENSATION PROGRAMS

The Division of Federal Employees' Compensation (DFEC) within OWCP provides disability income and medical protection for approximately 3.3 million Federal employees at a cost exceeding \$1.2 billion. OI developed several investigative initiatives to reduce medical provider and claimant fraud in the DFEC program.

DFEC Medical Providers

- Multi-count Federal indictments were returned on May 15 in Houston, Texas against four physicians, charging them with making false statements in claims for Federal employees compensation. The

defendants were identified during the course of a project with the Postal Inspection Service to review FECA billing practices by Houston area medical providers. U.S. v. Parker, Epperson, Armstrong, Athari (S.D. Texas)

- On September 9, criminal complaints were filed in Long Beach, California against three pharmacists charging them with false statements and theft. According to the complaints, the pharmacists submitted fraudulent bills to OWCP for name-brand drugs, when in fact they substituted them with generic equivalents. U.S. v. Lee, Rubin, El-Mashi (C.D. California)

DFEC Claimant Fraud

- A former Drug Enforcement Administrator Special Agent was indicted on July 18 for failure to report his income as a private investigator, while receiving over \$160,000 in OWCP benefits. U.S. v. Talak (D. Arizona)
- A former U.S. Air Force employee was indicted for failure to disclose his employment and earnings while receiving a \$56,252 overpayment. He pled guilty to three counts of filing false statements to claim OWCP, was sentenced to five years probation and ordered to make \$11,956 restitution. U.S. v. Maestas (D. Colorado)
- On April 14 a former FBI Special Agent was indicted for failing to report his income as a self-employed distributor of wood shavings. U.S. v. Freeman (C.D. California)
- A former Defense Logistics Agency (DLA) employee received a three-year suspended sentence, three years probation, and ordered to make restitution of \$40,000 for filing false claims for FECA benefits. The DLA and OI investigation disclosed he was working in his family business. Additionally, in a civil action, a judgement of \$35,000 was levied against him as a civil fraud penalty. U.S. v. Howser (E.D. Virginia)

WAGE AND HOUR DIVISION

The Wage and Hour Division (WHD) enforces the provisions of the Fair Labor Standards Act and laws such as the Davis-Bacon Act, which insure that workers are paid minimum or prevailing wages, particularly when Federally funded construction contracts are involved. WHD has traditionally relied upon administrative remedies, such as withholding funds from contracts when contractors are found in violation of the Davis-Bacon Act and refuse to correct the wage underpayment. With the assistance of WHD, OI investigated the following contractors who violated criminal statutes.

- On July 1, the president of a construction company pled guilty to a superseding criminal information charging mail fraud and false statements. He had submitted falsified payroll certifications to the U.S. Coast Guard in conjunction with a heating/plumbing contract at Governor's Island, New York. On July 15, he made full restitution of \$97,196 to the Department. U.S. v. Sciacca (E.D. of New York)

- On July 13, two officers and a corporation pled guilty to informations charging conspiracy to defraud. As subcontractors serving the U.S. Postal Service, they submitted falsified payroll certifications. On September 4, they were sentenced to five years probation and an \$85,400 fine. Additionally, they were debarred from doing business with the government for three years. U.S. v. Choops, et al. (W. D. New York)

- On July 17, a construction company and its owner pled guilty to a criminal information charging false statements. The firm, serving as both the prime and subcontractor on several government contracts in the Buffalo, New York area, routinely submitted falsified payroll certifications. The corporation agreed to make \$64,000 restitution. U.S. v. Municipal Contract, et al (W.D. of New York)

ETHICS AND INTEGRITY ISSUES

Employee ethics and integrity awareness is a continuing priority of the Inspector General. During investigations of integrity related matters which involved use of ADP or computer related equipment in furtherance of the crime, it was noted that in several instances the DOL employees involved had prior criminal convictions.

The Inspector General alerted the Assistant Secretary for Administration and Management of the need to review the position sensitivity levels of certain computer related positions. This resulted in required background inquiries that should better identify those individuals with criminal backgrounds prior to hiring.

Ethics training also received special attention during this period. In April, OI, with the assistance of MSHA Headquarters, monitored ethics training given to newly hired mine inspectors. Several recommendations for improvement were made by OI and are to be implemented by MSHA at future training sessions.

OFFICE OF LABOR RACKETEERING

The Office of Labor Racketeering (OLR) investigative program has successfully implemented its long-range initiatives designed to identify and reduce racketeering activity in employee benefit plans, labor-management relations, and internal union affairs. Investigative efforts continue to concentrate on employee benefit plans, which are considered the area most vulnerable to criminal exploitation. In addressing this area of abuse, OLR has expanded its focus from the traditional organized criminal element to include a new generation of racketeers--accountants, attorneys, bankers, fund administrators and investment advisors. During the past fiscal year, 50 percent of the investigative program was dedicated to employee benefit plan corruption in support of the Department of Labor's goal of protecting the pension and welfare benefits of the American worker.

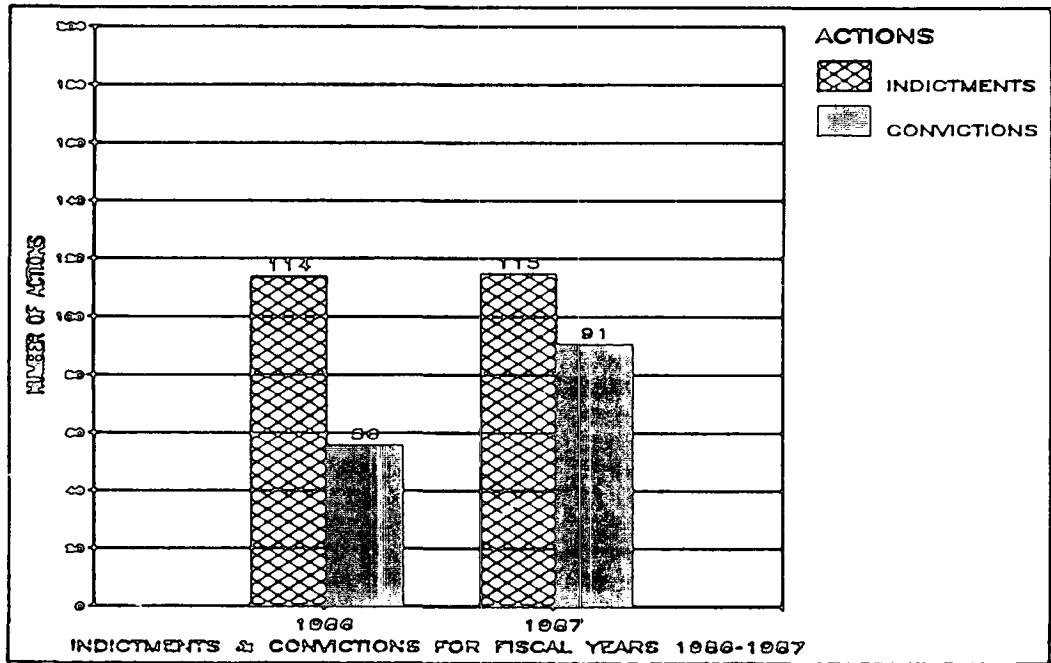
During this reporting period, the U.S. Department of Justice appointed all qualified OLR Special Agents as Special Deputy U.S. Marshals on a trial basis for 1 year. Such authority has added demonstrably to the effectiveness and efficiency of OLR field operations by enabling agents to use firearms, make arrests, and execute search warrants. OLR now is better able to continue those enforcement efforts that are potentially hazardous to agents and cooperating third parties. While this temporary authority has proved beneficial, it does not adequately meet OLR's need for permanent law enforcement powers necessary to ensure success and credibility. In this regard, the Inspector General will continue to advocate legislation that would afford full statutory law enforcement authority for OLR.

Joint investigations with Federal, state, and local law enforcement agencies enable OLR to leverage limited resources against the most significant labor racketeering problems. To assist these agencies in acquiring diagnostic skills in labor racketeering, OLR has developed a 2-day training seminar, which incorporates relevant statutes, investigative strategies and techniques, and case studies. One seminar was conducted in Princeton, N.J., and two similar sessions are scheduled to be held in California and Missouri during fiscal year 1988.

During this period, OLR investigations established a predicate for the potential civil recovery of approximately \$18 million.

OLR investigations resulted in 87 indictments and 61 convictions during this reporting semiannual period.

As shown in the graph below, fiscal year 1987 (October 1, 1986, to September 30, 1987) convictions increased 62.5 percent to 91 in FY 1987 compared to 56 in FY 1986. The number of indictments in FY 1987 increased to 115 from 114 in the prior year.



Significant cases for this period follow.

EMPLOYEE BENEFIT PLANS

Southern Florida Hotel & Culinary Workers Union Welfare Fund

Miguel Recarey, Jr., president of International Medical Center (IMC), was indicted on April 8, 1987, by a Federal grand jury in Miami, Fla., on one count each of conspiracy to pay kickbacks, paying kickbacks to obtain a contract with the Southern Florida Hotel and Culinary Workers Union Welfare Fund to provide health care to the Miami-based Hotel Employees and Restaurant Employees Union Local 355 union members, bribing a potential government witness, and obstruction of justice. IMC is one of the country's largest health maintenance organizations (HMO) providing care to Medicare beneficiaries.

Also included in the conspiracy count were Antonio Fernandez, former president of local 355 and a benefit fund trustee; Mariano Villa DelRey, former director of personnel for Doral Properties of South Florida who reports to the chairman of the management trustees of the union's health and welfare fund; and Jorge Recarey, brother of Miguel Recarey, Jr. DelRey was additionally charged with one count of accepting kickbacks.

The indictment charged that between November 1980 and November 1982, the four defendants participated in a kickback scheme involving approximately \$115,000 in payments from Recarey, Jr., to DelRey and Fernandez for their influence in helping IMC obtain a 5-year contract with the local 355 health and welfare fund. Jorge Recarey was also charged with assisting his brother to launder the \$75,000 in payments to Fernandez. Recarey, Jr., allegedly hired Fernandez' son to work at IMC with the intent to influence Fernandez not to testify before a Federal grand jury.

The investigation by OLR leading to this indictment continues. U.S. v. Recarey, et al. (S.D. Florida)

Connecticut Teamsters Dental Health Plan

Fifteen defendants charged with racketeering and embezzlement regarding International Brotherhood of Teamsters (IBT) local employee benefit plans in Connecticut have pled guilty to or been convicted of varying charges in U.S. District Court in New Haven. They had been charged on June 27, 1986, with racketeering consisting of multiple acts of embezzlement, principally involving dental treatments totaling about \$130,000 to ineligible persons that were paid for through submission of false records.

Anthony G. Rossetti, the highest ranking Teamster official in the State, and three others pled guilty on April 10, 1987, to charges of embezzlement. Rossetti held four Teamster positions: Secretary-treasurer of Teamsters Local 191, chairman of the IBT Tri-State Joint Fund, trustee of the New England Teamsters Pension Fund, and president of Joint Council 64. On May 13, two other major defendants in the case--Vincent Pisano, the second highest-ranking Teamster official in Connecticut, and Carol Rizzieri, owner of Teamsters Dental Office Company--were convicted on racketeering and embezzlement charges. During May, guilty pleas to misdemeanor charges of false record keeping in violation of the Employee Retirement Income Security Act

(ERISA) were entered by the following Teamster related defendants: Joseph M. Roberto, business agent for local 191; Mario Salvatore, president of local 191; Phillip Guarnaccia, secretary-treasurer of local 493; George Lamontagne, president of local 677; Patsy Ravalese, administrator for Tri-States Legal Services; Stacia Altieri, former fund manager for local 191 health services and insurance plan; and Peter Susca, secretary-treasurer, local 1035. Johanna Pisano and Louis J. Mario, pled guilty to a felony violation of concealing a crime in which they participated. U.S. v. Rossetti et al. (D. Connecticut)

Sheetmetal Workers Local 38 and United Wire, Metal & Machine Workers Local 810 Employee Benefit Plans

A 145-count Federal indictment, involving the embezzlement of over \$14 million from the benefit funds of Sheetmetal Workers Local 38 and United Wire, Metal and Machine Workers Local 810 of the Teamsters, was filed June 15, 1987, in Brooklyn, N.Y., against Mario Renda, president of First United Fund, and Martin J. Schwimmer, an author, professor and financial advisor registered with the Securities and Exchange Commission. The massive racketeering conspiracy alleges that the defendants used First United as a racketeering enterprise, and, along with the embezzlement counts, counts include mail and wire fraud, illegal payments to union officials and obstruction of justice.

First United, with headquarters in Garden City, N.Y., was once the country's largest money brokerage house. It is a broker for the investment in certificates of deposit (CDs) issued by banks and savings and loan associations throughout the country. First United's biggest customers were the benefit funds of the two unions.

Allegedly, the scheme to defraud the benefit plans arose from Schwimmer's role as financial advisor to the benefit plans of the two union locals. Through First United, the benefit plans invested approximately \$100 million from 1981 through 1984 in long-term CDs. Renda and Schwimmer invested the money in long-term CDs issued by small banks and savings and loan associations across the country. They allegedly diverted more than \$14 million in commission payments from the banks to a series of off-the-books accounts that were concealed from the auditors of First United and the trustees and members of the two locals. The money allegedly went into brokerage accounts in the names of Renda and Schwimmer, to stockholders' loans to corporations the defendants

controlled, and for the purchase of various personal items, including a Rolls Royce, diamonds, and \$3 million in stocks and bonds. The defendants allegedly also made illegal payments to unnamed officials of local 810 to influence decisions regarding the investment of the benefit fund money.

The indictment seeks the forfeiture from the defendants of more than \$22 million in profits from the scheme, including forfeiture of over \$14 million in cash, a jet airplane, the \$3 million in stocks and bonds and other luxury items that were purchased with the proceeds from the defendants' alleged criminal activities. The government also seeks the forfeiture of Renda's 100 percent interest in First United Fund, Ltd.

Joseph DeCarlo, vice president for First United, had pled guilty on June 6, 1987, to a 2-count information that he conspired to pay off officials and others to influence the placement of investments of local 810 employee benefit plans and that he caused the false filing of First United's 1982 corporate tax return. He has agreed to cooperate with the government.

Sheetmetal Workers Local 38, with headquarters at 898 Washington Street, Peekskill, N.Y., has about 650 participants enrolled in four benefit plans. IBT Local 810, located at 10 East 15th Street, New York, N.Y., has about 7,000 participants in three benefit plans.

These indictments are the result of a continuing 2-year joint investigation by OLR, the IRS and the FBI. U.S. v. Schwimmer and Renda and U.S. v. DeCarlo (E.D. New York)

Hotel Employees & Restaurant Employees Local 109 Retirement and Welfare Funds

James Carl Benjamin, former trustee of the Newark-based Hotel Employees and Restaurant Employees Union (HERE) Local 109 benefit funds in New Jersey and former president of HERE Local 3, and James Wellington Brown, former vice president of the Midlantic National Bank of East Orange, N.J., were indicted by a Federal grand jury in Newark on September 22 in a 29-count indictment involving the embezzlement of \$500,000 from the HERE Local 109 Retirement and Welfare Funds.

The defendants were charged with 14 counts of embezzlement from the benefit plans, 1 count of conspiracy to embezzle, 2 counts of bank fraud, and 4 counts of making false entries on bank records with intent to defraud. Benjamin was additionally charged with four counts of income tax fraud. Brown was also charged with three counts of receiving commissions or gifts as a bank official for procuring loans and one count of violating the Currency and Foreign Transaction Reporting Act.

Allegedly, from January 1, 1983, to December 23, 1985, Benjamin and Brown used a variety of schemes to embezzle money from the local 109 funds, including obtaining false and fraudulent loans at Midlantic and then repaying them by wrongfully liquidating certificates of deposit that belonged to local 109's benefit funds; repaying Benjamin's personal loans at Midlantic with the proceeds of the false and fraudulent loans at the same bank; purchasing a 1981 Lincoln Mark IV for Brown with the Retirement Fund's money; repaying a real estate loan from Midlantic to both defendants with the Welfare Fund's money; funding a corporation to purchase a night club with assets from the Retirement Fund; and withdrawing from Midlantic approximately \$319,352 in cash belonging to both Funds.

Locals 3 and 109 were merged into local 3 in 1981 and now represent approximately 900 hotel and restaurant employees in the Newark area. However, the employee benefit plans for local 109 remained separate and cover approximately 300 union members.

This investigation was conducted jointly by OLR, the U.S. Department of Labor's Pension and Welfare Benefits Administration, the U.S. Attorney's Office and the FBI.
U.S. v. Benjamin and Brown (D. New Jersey)

Allied International Union of Security Guards and Special Police

Mitchell Goldblatt, an attorney who represented the pension and welfare funds of the Allied International Union of Security Guards and Special Police (Allied) and the Federation of Special Police and Law Enforcement Officers and the union, was convicted on June 8, 1987, in District Court in Brooklyn, N.Y., of participating in a scheme to defraud the benefit funds of approximately \$590,000 by the use of worthless certificates of deposit.

He was found guilty of one count of conspiracy under the Racketeer Influenced and Corrupt Organizations (RICO) statute and 14 other counts, including obstruction of justice, embezzlement from employee benefit funds, and accepting kickbacks.

Goldblatt was the last remaining defendant in a major investigation by OLR that involved Michael Franzese, a reputed highly placed member in the Colombo organized crime family in New York and two former presidents of Allied. The other defendants pled guilty in 1986 and have been sentenced. Goldblatt was sentenced to serve 6 years in prison and is barred from holding any union or employee benefit plan position for 13 years. U.S. v. Goldblatt (E.D. New York)

Ironworkers Local 7

Fifteen present or former members of Iron Workers Local 7 in Boston, Mass., and a company official were indicted on August 26, 1987, on charges of conspiring to use false social security account number information and to violate ERISA.

A 17-count Federal indictment charged each of the defendants with collecting salaries under a false name and social security number from Y & M Steel Contractors, Inc., which had a contract with local 7. Allegedly, over \$150,000 in illegal wages were received.

The defendants are: Robert Allen, George Bradley, Michael L. Connerty, Robert Crawford, Leon Gaines, Patrick J. Gibbons, Leroy Hicks, Edward C. Hopkins, Maurice J. Houlihan, Joseph McWilliams, Colin P. Moore, Michael Mugford, Joseph E. Neulist, William H. Pottle, John Reaves, and William Wischerth. Except for Allen, who worked as a construction supervisor for Y & M, the defendants are present or former members of local 7 who worked on construction projects in the Boston area.

According to the indictment, from about January 1983 to June 1984, the men submitted W-4 forms containing assumed names and fictitious social security numbers to Y & M Steel. Each of these W-4 forms claimed exempt status so that no taxes were withheld from the wages. In many instances, the defendants allegedly continued to receive unemployment benefits under their real names while working and being paid under the pseudonyms. The false information submitted by

the defendants to their employer allegedly caused the employer to submit false remittance information to the local's welfare plan in violation of ERISA.

Iron Workers Local 7 represents approximately 1,950 union members in the Boston area. Y & M Steel Contractors, Inc., of Detroit, Michigan, has employed union members in major construction projects in the Boston area, including the Marriott and Westin hotels.

This investigation was conducted jointly by OLR and the FBI, with assistance from the Environmental Protection Agency Office of Inspector General. U.S. v. Allen et al. (D. Massachusetts)

Teamsters Local 436 Pension and Welfare Fund

Two more defendants were convicted and two more pled guilty in the 5-year investigation by OLR of corruption involving Teamsters Local 436 and its affiliated benefit plans.

Salvatore "Sam" T. Busacca, president of Teamsters Local 436 in Cleveland, Ohio, and chairman of the board of its associated welfare and pension plans, and Deborah A. Hanson, office manager for the funds, were convicted on August 21, 1987, after a 3-month trial, on charges involving embezzlement of approximately \$66,000 from the union and the funds.

Busacca was convicted on two counts of violating the RICO statute, five counts of embezzling labor union and benefit plan funds totaling \$57,065, one count of receiving \$20,000 in unlawful payments from a service provider, three counts of mail fraud, one count of falsifying records required by ERISA, and four counts of filing false Federal income tax returns. Hanson was convicted on two counts of embezzling a total of \$9,062 from the benefit plans, one count of making false statements in documents required by ERISA, and two counts of mail fraud.

An April 1986 indictment had charged Busacca with 39 counts and Hanson with 14 counts regarding the embezzlement of over \$125,000 from the operating expenses of the local and the benefit funds and causing the payment of fund benefits to persons who were not entitled to receive them. Busacca had also been charged with soliciting and receiving payoffs totaling approximately \$40,000 from companies under contract

to local 436 to allow them to understate their required contributions to the benefit plans.

On September 11, Joseph Marrali, owner of M&M Seamless Gutters of Maple Heights, Ohio, pled guilty to three counts of embezzling approximately \$27,000 from the fund, one count of conspiracy to embezzle, and one count of falsifying records required by ERISA. His co-defendant, Eugene Gallina, a former Thistledown Racetrack employee in Northfield, Oh., pled guilty on September 15 to four counts of embezzling approximately \$43,000 from the fund and one count of conspiracy. Both had been charged in September 1986 in a 22-count indictment involving the embezzlement of approximately \$100,000 by submitting false medical claims to the local 436 Welfare Fund.

These four defendants bring to 14 the number of persons convicted in this investigation. IBT Local 436 represents about 3,000 construction drivers and building material, excavating and race track employees in the Cleveland area. U.S. v. Busacca and Hanson (N.D. Ohio)

INTERNAL UNION AFFAIRS

Iron Workers Local 357

Three officials of Iron Workers Local 357 in Springfield, Massachusetts, were indicted May 5, 1987, by a special Federal grand jury for embezzling over \$330,000--the largest dollar amount in a labor racketeering indictment in New England history.

Charges of conspiracy and record keeping violations were also included in a 22-count indictment against Robert E. McNulty, business agent for the local; Gerald T. Callahan, financial secretary-treasurer; and James J. Kennedy, president. The indictment charges that the three defendants diverted employer contributions to pension, health and welfare, annuity, vacation, and apprenticeship training plans, and payments of withheld dues money to their own personal benefit. Then, to avoid detection, McNulty allegedly made false entries in union records.

The defendants are charged with embezzling union funds by drawing checks totaling at least \$260,000 payable to McNulty. Additionally, they are charged with purchasing official bank checks with union funds for their own use or

the use of others. U.S. v. McNulty et al. (D. Massachusetts)

OTHER

Wedtech

Racketeering and racketeering conspiracy charges involving the awarding of contracts to Wedtech, a military contractor in Bronx County, N.Y., were included in a 58-count superseding indictment returned June 3, 1987, in the case of U.S. v. Stanley Simon, (S.D. N.Y.) and include U.S. Congressman Mario Biaggi (D-NY), former Small Business Administration (SBA) Regional Administrator Peter Neglia, former Wedtech Chief Executive Officer John Mariotta, former Wedtech counsel Bernard Ehrlich, Richard Biaggi (Congressman Biaggi's son), Ronald Betso, and Simon, former Bronx Borough president.

The indictment alleges that Wedtech officials made illegal payments to public officials to facilitate, receive, or maintain government contracts. More than 90 percent of the company's gross revenues were derived from Department of Defense and U.S. Postal Service contracts.

Under the RICO statute, Congressman Biaggi was charged with having committed seven racketeering acts; Neglia with five; Mariotta with eight; Ehrlich with seven; Richard Biaggi with four; Betso with two; and Simon with three.

Congressman Biaggi and Ehrlich are charged with allegedly demanding and receiving 5 percent, or 225,000 shares of Wedtech's outstanding stock in or about mid-1983 by threatening to withdraw the law firm of Biaggi & Ehrlich (B & E) from representing Wedtech and the SBA's support of Wedtech unless their demands were met. Richard Biaggi allegedly concealed his father's acquisition and receipt of 112,500 shares of Wedtech stock (one-half of the 5 percent demanded) by having the stock issued in his name, and later having proceeds of the sale of 25,000 shares of this stock deposited in an account in his name. The remaining 112,500 shares were allegedly issued to Ehrlich.

Congressman Biaggi and Ehrlich also allegedly demanded a \$50,000 payment, disguised as legal fees paid to B & E, for having assisted Wedtech by contacting New York City officials. Biaggi also allegedly failed to disclose his receipt and sale of Wedtech stock in his Ethics in

Government Act-Financial Disclosure Statements for the years 1983, 1984 and 1985.

Congressman Biaggi, Mariotta, Neglia, Ehrlich and Richard Biaggi also allegedly participated in a scheme to defraud the SBA by executing a sham stock purchase agreement that was submitted to SBA as part of a scheme to misrepresent that Mariotta owned more than 50 percent of Wedtech's stock, as required under the SBA's Section 8(a) program. Mariotta also is alleged to have participated in making illegal payments to Simon, Mario Biaggi and Neglia.

Neglia is also charged with demanding that Wedtech pay \$3,000 to Republican organizations on his behalf and that one-half of his prospective salary as an attorney employed by B & E be paid by Wedtech. Allegedly, with the assistance of his friend Betso who is also charged in this count, he demanded a stock option for 20,000 shares of Wedtech stock issued in Betso's name.

Simon allegedly demanded and received a job and salary increases from Wedtech for his brother-in-law and approximately \$50,000 in cash, charitable and campaign contributions, and expenses from Wedtech.

Congressman Biaggi, Neglia, Betso and Simon also are charged in separate counts with violating the RICO statute by giving allegedly false statements to Federal investigators or false testimony to the Federal grand jury.

Each of the 25 racketeering acts are also charged as separate crimes of extortion, bribery, bribe-receiving, mail fraud, wire fraud and obstruction of justice as they relate to each defendant, bringing the total counts to 58 overall.

The continuing investigation of Wedtech is being conducted by OLR, the FBI, the SBA Office of Inspector General, the IRS, the Defense Criminal Investigation Service of the Department of Defense and the New York City Police Department. OLR is coordinating the various Federal investigations of Wedtech for the U.S. Attorney's Office in the Southern District of New York, U.S. v. Simon et al. (S.D. New York)

OFFICE OF RESOURCE MANAGEMENT AND LEGISLATIVE ASSESSMENT

This section describes several activities of the Office of Resource Management and Legislative Assessment (ORMLA) that are mandated by statute or that the Inspector General has deemed important for achieving the mission of the OIG.

LEGISLATIVE AND REGULATORY ASSESSMENT

During this reporting period, ORMLA reviewed or commented on 473 legislative and regulatory items in carrying out its responsibilities under Section 4(a) of the Inspector General Act of 1978. The most significant are summarized below.

OIG LEGISLATIVE AGENDA

As part of the Department's legislative process for calendar year 1988, the OIG has proposed several legislative initiatives that address its concerns and are designed to improve program operations. These proposed legislative items have been forwarded to the Department for review and a determination as to whether they will be transmitted to the Office of Management and Budget and included in the Administration's legislative package. The items proposed included the following:

o Law Enforcement Authority for Labor Racketeering Special Agents

OIG continued its endorsement of legislation to provide full law enforcement authority for Office of Labor Racketeering special agents. This authority would permit special agents to make arrests, administer oaths to witnesses, carry firearms and execute search warrants. The lack of law enforcement authority impedes the ability of OLR special agents to perform many of the traditional law enforcement responsibilities and presents a real problem of safety.

As a temporary stop-gap measure, the Department of Justice has provided a one-year deputation of OLR special agents. While it is helpful, a permanent legislative solution is necessary.

Prior congressional hearings and accompanying reports from the Senate Labor and Human Resources Committee and the Permanent Subcommittee on Investigations have supported the proposal for law enforcement authority.

o Implement Recommendations of the President's Commission on Organized Crime

In order to deprive organized crime of its economic bases, the President's Commission on Organized Crime recommended several legislative proposals pertaining to the Department of Labor. Actions supported by the OIG include the following:

- To enact a labor-bribery statute by amending the Labor Management Relations Act to prohibit the purchase of a union or a union office or the sale of the right to obtain union work;
- To amend Section 501 of the Labor Management Reporting and Disclosure Act (LMRDA) to give the Secretary authority, on behalf of union members, to enforce 29 USC 501(a) without a specific complaint and to remove, if necessary, fiduciaries who have breached their fiduciary responsibilities;
- To amend Section 209 of the LMRDA to make delinquent and false reporting of union activities a felony; and
- To amend the LMRDA to prohibit persons convicted of any crimes in Title V and VI of the LMRDA from holding any union office under Section 504 of the LMRDA.

The Department's Policy Review Board has approved these proposals as part of the Department's response to recommendations of the President's Commission.

o Independent Public Accountant (IPA) Audit Reports Under ERISA to be covered by the Provisions of the Single Audit Act

The Pension and Welfare Benefits Administration (PWBA) administers the Department's responsibilities under Title I of the Employee Retirement Income Security Act (ERISA) of 1974, which includes regulatory enforcement, research, reporting and public disclosure activities.

ERISA requires an IPA opinion on the financial statements of pension and welfare benefit plans which cover 100 or more participants. IPA audit reports are issued annually.

The legislation being requested would require that these audits be subject to the provisions of the Single Audit Act of 1984 and designate the DOL/OIG as the cognizant agency

with audit oversight responsibility for the quality of these audits.

OTHER LEGISLATION

The following bills are proposed legislation of particular interest to the OIG:

o Hobbs Act Amendment

The OIG supports legislation that would nullify the effect of Supreme Court's decision in United States v. Enmons 410 U.S. 396 (1973) by amending 18 USC 1951 to make clear that the Hobbs Act punishes the actual or threatened use of force or violence to obtain property as part of a labor-management dispute. The Department of Justice has sought this result for over a decade and in the 99th Congress strongly supported S. 1774, a bill introduced by Senator Dole that would accomplish this purpose without banning incidental picket line violence and threats.

o Computer Matching and Privacy Protection Act of 1987

The OIG reviewed the Senate-passed version of S. 496 and supports the general intent of this bill. While S. 496 is much improved over an earlier version that was introduced in the 99th Congress, we raised concerns that we believe need to be addressed by the proposed bill. In particular, Section 4 of the bill would establish a Data Integrity Board in each agency conducting or participating in a matching program. The responsibilities of this Board would include the review and approval of agreements to match or to disclose agency records.

We believe that this section conflicts with the necessary independence of the Inspectors General by impinging on IG authority to determine the manner in which audits and investigations are conducted and the choice of the most appropriate methodology. This could effectively preclude or sharply limit the use of a very important and efficient fraud, waste and abuse detection technique. The Office of Management and Budget and other Offices of Inspector General have also raised concerns about this issue.

o Inspector General Act Amendments of 1987

We support the Senate-reported version of S. 908, the "Inspector General Act Amendments of 1987," and the intent

of this proposed legislation. We do, however, have some concerns about a few of its provisions.

In particular, the proposed bill's focus on reporting audit statistics may serve to emphasize statistical accomplishments over more important contributions, such as improving the delivery of Federal programs in ways that may not always be as readily quantifiable. We suggest that the legislation focus on improving the reporting process from the standpoint of the IG's involvement with agency managers in furthering the aims of the Department.

To further enhance reporting requirements, we suggest that the term "audit resolution" be defined in a manner that is consistent with the widely-accepted and understood definition contained in OMB Circular A-50. New definitions contained in S. 908 cloud the issue by creating a dual meaning within the Federal sector for the term.

Another concern relates to the point at which the six-month audit determination period begins. We suggest the elimination of the dual standard applied to audits performed by Federal auditors (six months after issuance) as opposed to audits performed by non-Federal auditors (six months after receipt by the executive agency).

Finally, in light of the emphasis placed by Congress and the IG community on preventing fraud, waste and abuse and improving the efficiency and effectiveness of future program operations, we suggest that the reporting requirements be expanded to include the monetary value of recommended savings and management efficiencies, as well as savings and efficiencies achieved through managements' commitments to take action on auditors' recommendations.

o Whistleblower Protection Act of 1987

We support the changes proposed in the Whistleblower Protection Act, which will enhance the Office of Special Council's (OSC) independence and increase their authority to protect whistleblowers. The Act will provide additional protection for whistleblowers through individual right of action to file suit after the OSC fails to act within an 180-day period.

o Federal Financial Management Reform Act of 1987

The OIG strongly endorses the overall concept of this bill, which will provide strong centralized financial systems

management and establish a Chief Financial Officer (CFO) for the entire Government, as well as a CFO in each agency. As a suggestion, the legislation should include a requirement for annual, audited financial statements for each agency and the United States Government as a whole.

PRODUCTIVITY IMPROVEMENT

Conversion and improvement of the OA Information System -- Assignment Tracking and Reporting System (ATARS) -- from USDA to OIG's computer will enable OA managers to use on-line computer systems to manage audit projects; to provide information reflecting project status resources required and used to date; and, most importantly, to project costs. These capabilities are especially critical in monitoring CPA firms under contract.

The creation of administrative support facilities on the OIG computer will allow for more effective and efficient management of training, premium pay resources and forms preparation.

ADP INITIATIVES

Computer specialists within the Division of Information Resources designed, developed and implemented a computer security system. This OIG software package consists of an user environment control program that incorporates a number of desirable security features not included in the vendor-supplied software for our minicomputers. It has been offered to other installations through a newsletter distributed to Federal users of Data General computer equipment. Enough interest was generated that in July the offer was repeated in Database Monthly, a national magazine aimed at Data General computer users. Since July, we have responded to about eighty requests for the package worldwide, including requests from parliaments in Australia, Canada and New Zealand.

PERSONNEL ACTIVITIES

Training matrices have been developed for all OIG occupational series and for management development initiatives. This information is now available in our automated Training Information System, which aids managers in planning and documenting training sessions.

ETHICS AND INTEGRITY AWARENESS TRAINING

During the reporting period, the OIG continued to present its two-hour ethics and integrity training course to supervisors and managers throughout the Department. This course constitutes a required part of the Department's core training program for supervisors. It focuses on everyday questions and problems of ethics and integrity in the workplace including such issues as conflicts of interest; acceptance of gifts or gratuities; outside employment; improper use of government resources or facilities; and reporting waste, fraud and abuse.

PCIE ACTIVITIES: ALTERNATIVE ISSUANCE AND DELIVERY SYSTEMS

The OIG has had a long-term concern about the high-cost, inefficiency and potential fraud present in government benefit programs. One method to address some of these concerns and problems is to use some of the more recent technological innovations employed by private industry. Plastic cards containing a computer chip (so-called "smart cards") and cards with magnetic stripes are two such methodologies that may be applied to many Federal benefit programs. This technology would enable services to be delivered more quickly, administrative costs and the error rate to be reduced, and vulnerability to fraud and abuse to be minimized.

Mindful of the potential efficiencies and savings realized, we held a meeting for PCIE and OMB, in which many OIGs participated as well as the Deputy Director of OMB, where the technology and its application to several government activities and programs were discussed. As a result of this meeting, the IG produced and narrated a 30-minute video tape addressing plastic card electronic approaches to both state and Federal government programs. We will continue to pursue the dissemination and adoption of this technology to foster economy and efficiency within government issuance and delivery systems.

COMPLAINT HANDLING ACTIVITIES

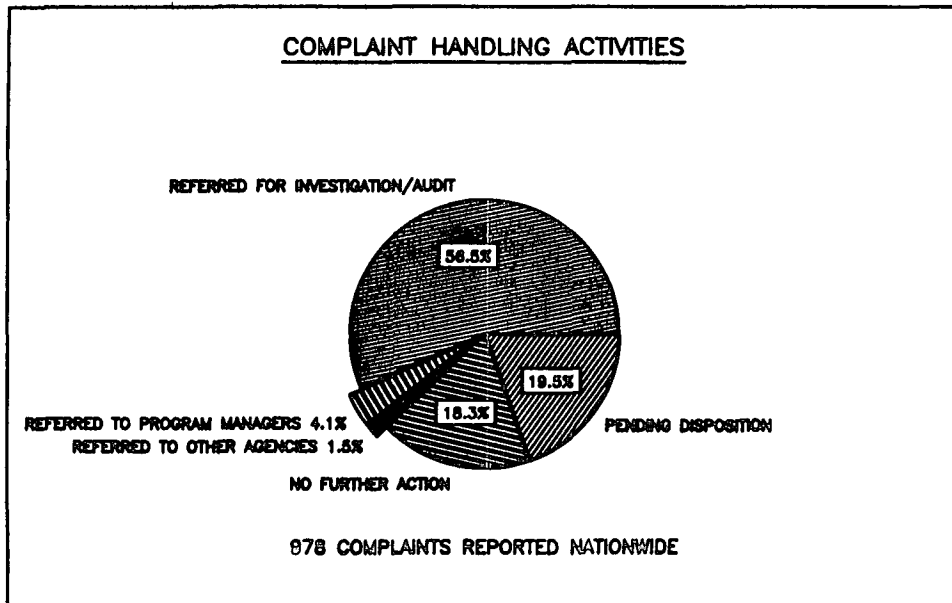
The Office of Inspector General is the focal point for receiving and tracking reports of alleged fraud, gross waste or abuse in the Department of Labor. During this reporting period, the OIG received 978 complaints nationwide from the general public, departmental employees, the Congress and other agencies. 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: 978

ALLEGATIONS BY SOURCE:

Walk - In	2
DOL/IG Hotline Phone	94
Telephone calls	14
Letters from Congressmen	10
Letters from individuals or Organizations	24
Letters from non-DOL agencies	557
Letters DOL agencies	113
Incident Reports from DOL agencies	102
Reported by agent/auditor	49
Referrals from GAO	13

The next graph depicts the disposition of the complaints:



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 as uncollectible during the current 6-month reporting period.

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/ Approximately 70 percent of the total is currently under appeal to an Administrative Law Judge.

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

Program Name	Collections This FY Thru 9/30/87	Outstanding Receivables 9/30/87 <u>1/</u>	Delin- quencies 9/30/87 <u>2/</u>	Adjustments & Write-offs 9/30/87 <u>3/</u>	Under Appeal as of 9/30/87 <u>4/</u>
Employment Standards Administration					
Federal Employees' Compensation Act - beneficiary/provider overpayments	\$ 15,944	\$ 23,887	\$ 8,700	-\$6,083	\$ 7,708
Black Lung Program - responsible mine operator reimburse- ment; beneficiary/ provider overpay- ments	18,917	183,851	13,800	-12,404	163,549
Employment & Training Administration					
- disallowed costs; outstanding cash balances; grantee overpayments	27,600	335,245	25,000	-80,000	256,974
Mine Safety & Health Administration					
- mine operator	9,890	9,173	7,100	-3,000	1,723
Pension Benefit Guaranty Corporation					
- plan assets subject to transfer; employer liability; accrued premium income	297,807	32,841	2,500	0	0
OSEA	9,300	20,500	4,020	-72	6,638
ELS	500	150	100	-120	0
Total	\$379,958	\$605,647	\$61,220	-\$101,679	\$436,592

See previous page for footnotes.

APPENDIX

SELECTED STATISTICS
April 1, 1987 to September 30, 1987

Audit Activities

--	Reports issued on DOL activities	120
--	Audit exceptions	\$147.0 million
--	Reports issued for other Federal agencies	19
--	Dollars resolved	\$138.3 million
	Allowed	\$ 40.3 million
	Disallowed	\$ 98.0 million

Fraud and Integrity Activities

--	Allegations reported	978
--	Cases opened	633
--	Cases closed	599
--	Cases referred for prosecution	614
--	Individuals or entities indicted	582
--	Successful criminal prosecutions	427
--	Referrals for administrative action	85
--	Administrative Actions	35
--	Fines, penalties, restitutions and settlements	\$2,355,059
--	Recoveries	\$1,955,686
--	Cost efficiencies	\$3,216,000

Labor Racketeering Investigation Activities

--	Cases opened	17
--	Cases closed	27
--	Individuals indicted	87
--	Individuals convicted	61
--	Fines	\$ 305,825
--	Forfeitures	\$ 5,283,362
--	Restitutions	\$ 864,615

SUMMARY OF AUDIT ACTIVITY OF DOL PROGRAMS
April 1, 1987 to September 30, 1987

Agency	Reports Issued	DOL Grant/Contract Amount Audited	Amount of Questioned Costs	Amount Recommended for Disallowance
OSEC	1	7,838	0	2,103
VETS	5	2,618,340	501	0
ETA	79	6,006,932,633	92,798,103	53,997,560
ESA	3	0	0	0
MSHA	4	10,891,477	22,867	6,925
OASAM	14	215,581	0	0
OIG	3	0	0	0
OSHA	7	4,627,554	14,692	0
BLS	3	0	0	0
MULTI	1	107,850,074	77,450	0
Other Agencies	19	222,398,558	15,294	0
TOTALS	139	\$6,355,542,055	\$92,928,907	\$54,006,588

SUMMARY OF AUDIT ACTIVITY OF ETA PROGRAMS
April 1, 1987 to September 30, 1987

Program	Reports Issued	Grant/Contract Amount Audited	Amount of Questioned Costs	Amount Recommended for Disallowance
ADMIN	2	\$ 0	\$ 0	\$ 0
UIS	12	3,586,723,069	9,341,886	53,211,583
SESA	8	745,748,413	1,094,834	0
JTPA	16	620,851,582	510,687	161,663
CETA	12	1,031,032,048	79,932,750	624,314
OSPPD	1	0	0	0
DINAP	6	0	0	0
DOWP	9	17,841,782	193,308	0
DSFP	11	4,735,739	424,739	0
OJC	1	0	0	0
CT/EUW	1	0	1,299,899	0
TOTALS	79	\$6,006,932,633	\$92,798,103	\$53,997,560

SUMMARY OF AUDITS PERFORMED UNDER THE SINGLE AUDIT ACT
April 1, 1987 to September 30, 1987

Agency	Reports Issued	Grant/Contract Amount Audited	Amount of Questioned Costs	Amount Recommended for Disallowance
ETA	25	\$569,648,613	\$1,737,241	\$161,663
MSHA	1	9,912,992	0	0
OSHA	1	2,407,235	14,692	0
OT AGY	10	217,306,177	\$15,294	0
TOTALS	37	\$799,275,017	\$1,767,227	\$161,663

AUDITS BY NON-FEDERAL AUDITORS
 PCIE SEMI-ANNUAL REPORTING - SUMMARY RESULTS OF IG REVIEWS
 SIX MONTHS ENDED 30-SEP-87

A-128/102-P AUDITS

OTHER AUDITS
 (Performed Pursuant to A-110/
 program regulations, etc.)

A. STATISTICAL TABLE

	<u>INDEPENDENT PUBLIC ACCOUNTANT</u>	<u>STATE & LOCAL AUDITOR</u>	<u>TOTAL</u>	<u>INDEPENDENT PUBLIC ACCOUNTANT</u>	<u>STATE & LOCAL AUDITOR</u>	<u>TOTAL</u>	<u>GRAND TOTAL</u>
1. Reports issued without change or with minor changes							
a. Based on desk review	35	14	49	0	0	0	49
b. Based on QCR	4	0	4	0	0	0	4
Total without change or minor changes	39	14	53	0	0	0	53
2. Reports issued with major changes							
a. Based on desk review	0	0	0	0	0	0	0
b. Based on QCR	0	0	0	0	0	0	0
Total with major changes	0	0	0	0	0	0	0
3. Reports with significant inadequacies							
a. Based on desk review	0	0	0	0	0	0	0
b. Based on QCR	0	0	0	0	0	0	0
Total reports with significant inadequacies	0	0	0	0	0	0	0
4. Number of auditors referred to State Boards/AICPA	0	0	0	0	0	0	0

AUDITS BY NON-FEDERAL AUDITORS
 PCIE SEMIANNUAL REPORTING - SUMMARY RESULTS OF IG REVIEWS
 SIX MONTHS ENDED 30-SEP-87

A-128/102-P AUDITS

OTHER AUDITS
 (Performed Pursuant to A-110/
 program regulations, etc.)

INDEPENDENT PUBLIC ACCOUNTANT	STATE & LOCAL AUDITOR	TOTAL	INDEPENDENT PUBLIC ACCOUNTANT	STATE & LOCAL AUDITOR	TOTAL	GRAND TOTAL
0	0	0	0	0	0	0

A. STATISTICAL TABLE

5. Number of auditors which other sanctions were taken

B. SUMMARY OF TYPES OF AUDIT WORK DEFICIENCIES IDENTIFIED - BRIEFLY DESCRIBE THE MOST FREQUENT TYPES OF DEFICIENCIES IDENTIFIED (e.g., LACK OF COMPLIANCE TESTING, LACK OF REPORTING NON COMPLIANCE OR INTERNAL CONTROL INSTANCES

C. IF YOU FOUND INSTANCES OF EXTREMELY DEFICIENT AUDITS, DESCRIBE ONE OR TWO OF THE WORST CASES

D. INFORMATION ON SANCTIONS OTHER THAN REFERRALS - BRIEFLY DESCRIBE THE SANCTIONS IMPOSED

E. INFORMATION ON RESULTS OF REFERRALS TO STATE BOARDS/AICPA (IF KNOWN)

The non-Federal audit information on this form pertains only to those non-Federal audits where the audit services were procured or obtained by the auditee organization and where the audits are subject to the reporting agency's quality review system (i.e., desk review and QCRs).

SUMMARY OF AUDIT RESOLUTION ACTIVITY
APRIL 1, 1987 TO SEPTEMBER 30, 1987

AGENCY PROGRAM	APRIL 1, 1987		ISSUED (Increases)		RESOLVED (Decreases)			SEPTEMBER 30, 1987	
	BALANCE UNRESOLVED REPORTS	DOLLARS	REPORTS	DOLLARS	REPORTS	ALLOWED	DISALLOWED	BALANCE UNRESOLVED REPORTS	DOLLARS
OSEC	0	0	1	2,103	0	0	0	1	2,103
VETS	0	0	5	501	4	0	0	1	501
ETA:									
ADMIN	0	0	2	0	2	0	0	0	0
OFCMS	1	0	0	0	1	0	0	0	0
ULS	18	110,779,799	12	62,553,469	18	34,592,878	76,186,921	12	62,553,469
SESA	11	15,950,652	8	1,094,834	11	4,603,372	11,469,529	8	1,094,834
JTFA	5	3,326,307	16	672,350	9	46,989	3,279,318	12	672,350
CETA	14	7,293,923	12	80,557,064	22	642,692	6,067,438	4	81,140,857
OSPPD	2	586,561	1	0	2	34,347	477,201	1	75,013
DINAP	1	0	6	0	7	0	0	0	0
DOWP	1	0	9	193,308	6	0	0	4	193,308
DSEF	4	9,996	11	424,739	13	0	16,078	2	418,657
QJC	2	788,868	1	0	3	391,435	397,433	0	0
CI/EUW	0	0	1	1,299,899	0	0	0	1	1,299,899
ESA	1	0	3	0	3	0	0	1	0
GLMS/FWBA	1	0	0	0	1	0	0	0	0
MSHA	3	0	4	29,792	6	0	0	1	29,792
OASAM	3	12,881,213	14	0	14	0	67,578	3	12,813,635
SOLICITOR	0	0	0	0	0	0	0	0	0
OIG	0	0	3	0	3	0	0	0	0
OSHA	3	6,789	7	14,692	9	3,608	3,181	1	14,692
ELS	0	0	3	0	2	0	0	1	0
MULTI	0	0	1	77,450	0	0	0	1	77,450
OTHER AGY	2	69,700	19	15,294	13	0	69,700	8	15,294
TOTAL	72	\$151,693,808	139	\$146,935,495	149	\$40,315,321	\$98,034,377	62	\$160,401,854

"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).

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.

Differences between the beginning balances in this schedule and the ending balances in the schedules of the previous semiannual report result from adjustments required during the reporting period.

"Total Disallowed" includes "additional claim amounts" of \$122,249, i.e., the amount which a grant officer has disallowed in addition to the original finding amount.

STATUS OF AUDIT RESOLUTION ACTIONS
ON AUDITS UNRESOLVED OVER 6 MONTHS

AGENCY PROGRAM	APRIL 1, 1987		RESOLVED (DECREASES)		SEPTEMBER 30, 1987	
	BALANCE REPORTS	UNRESOLVED DOLLARS	REPORTS	DOLLARS <u>1/</u>	BALANCE REPORTS	UNRESOLVED DOLLARS <u>2/</u>
OSEC	0	0	0	0	0	0
VETS	0	0	0	0	0	0
ETA:						
ADMIN	0	0	0	0	0	0
OFCMS	1	0	1	0	0	0
UIS	18	110,779,799	17	110,779,799	1	0
SESA	11	15,950,652	11	15,950,652	0	0
JTPA	5	3,326,307	5	3,326,307	0	0
CETA	14	7,293,923	13	6,710,130	1	583,793
OSPPD	2	586,561	1	511,548	1	75,013
DINAP	1	0	1	0	0	0
DOWP	1	0	1	0	0	0
DSFP	4	9,996	4	9,996	0	0
OJC	2	788,868	2	788,868	0	0
CT/EUW	0	0	0	0	0	0
ESA	1	0	1	0	0	0
OLMS/PWBA	1	0	1	0	0	0
MSHA	3	0	3	0	0	0
OASAM	3	12,881,213	2	67,578	1	12,813,635
SOLICITOR	0	0	0	0	0	0
OIG	0	0	0	0	0	0
OSHA	3	6,789	3	6,789	0	0
BLS	0	0	0	0	0	0
OTHER AGY	2	69,700	2	69,700	0	0
TOTAL	72	\$151,693,808	68	\$138,221,367	4	\$13,472,441

1/ Reflects resolution activity for assignments which had been unresolved at the beginning of the period.

2/ Includes only those assignments whose unresolved status is over 6 months.

UNRESOLVED AUDITS OVER 6 MONTHS
PRECLUDED FROM RESOLUTION

Agency	Program	Report	Audit Number	Name of Audit/Auditee	No of Rec	Cost Exceptions
Under Investigation or Litigation:						
ETA	CETA		05-84-067-03-345	DETROIT, CITY OF	3	\$ 583,793
ETA	OSPPD		05-81-301-03-350	CSRT VENTURE CORP	5	75,013
OASAM	OCD		05-83-065-07-742	DETROIT EMPL & TRNG IND. COST	11	12,813,635
Awaiting Resolution (See Chapter 3. Audit Resolution):						
ETA	UIS		03-83-203-03-315	UI EXPERIENCE RATING	3	0
TOTAL					<u>22</u>	<u>\$13,472,441</u>
					====	=====

FINAL AUDIT REPORTS ISSUED
01-APR-87 TO 30-SEP-87

AUDIT REPORT NUMBER	AGENCY	PROGRAM	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
02-87-033-03-315	ETA	UIS	26-JUN-87	STATE OF NEW YORK
02-87-079-03-315	ETA	UIS	19-MAY-87	STATE OF NEW HAMPSHIRE
02-87-052-03-325	ETA	SESA	17-JUN-87	CONNECTICUT DEPT OF LABOR
02-87-089-03-325	ETA	SESA	08-JUL-87	RHODE ISLAND/PROVIDENCE PLANTATIONS
02-87-124-03-325	ETA	SESA	24-AUG-87	VERMONT DEPT OF EMP & TRNG
02-87-078-03-340	ETA	JTPA	08-JUL-87	HARTFORD, CITY OF
02-82-009-03-345	ETA	CETA	12-MAY-87	LOWELL CONSORTIUM
02-84-136-03-345	ETA	CETA	30-SEP-87	COMMONWEALTH OF PUERTO RICO
02-85-022-03-345	ETA	CETA	06-MAY-87	MUNICIPALITY OF BAYAMON
02-86-034-03-345	ETA	CETA	16-JUL-87	BROOME COUNTY
02-87-003-03-345	ETA	CETA	26-JUN-87	SUFFOLK COUNTY
02-87-011-03-345	ETA	CETA	16-JUL-87	CUMBERLAND COUNTY
02-87-020-03-345	ETA	CETA	16-JUL-87	MIDDLESEX COUNTY
02-87-026-03-345	ETA	CETA	26-JUN-87	BUFFALO, CITY OF
02-87-081-03-365	ETA	DSFP	06-JUL-87	CENTRAL VERMONT
02-87-080-03-370	ETA	OJC	10-AUG-87	TRAINING AND DEVELOPMENT CORP
02-85-074-04-431	ESA	FECA	31-AUG-87	FECA TIMELINESS
02-87-050-04-432	ESA	DLSHWC	17-APR-87	LONGSHORE HARBOR WORKERS
02-86-028-10-105	OSHA	EN/PRG	11-SEP-87	OSHA ENFORCEMENT ACTIVITIES
02-85-042-11-001	BLS	ADMIN	16-JUL-87	ASSET MANAGEMENT-BLS
02-87-055-98-599	OT AGY	OT AGY	16-APR-87	WATERBURY CT, CITY OF
03-85-040-03-001	ETA	ADMIN	02-JUL-87	ETA/CARE GENL RISK ANALYSIS
03-87-003-03-325	ETA	SESA	04-MAY-87	VIRGINIA EMP COMM
03-87-024-03-325	ETA	SESA	07-AUG-87	VIRGINIA EMP COMM
03-87-023-03-340	ETA	JTPA	11-AUG-87	MARYLAND
03-87-026-03-340	ETA	JTPA	08-SEP-87	DELAWARE

FINAL AUDIT REPORTS ISSUED
01-APR-87 TO 30-SEP-87

AUDIT REPORT NUMBER	AGENCY	PROGRAM	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
03-87-016-06-601	MSHA	GRTEES	04-MAY-87	VA DEPT OF MINES, MINERALS & ENERGY
03-87-002-06-610	MSHA	CMSH	23-SEP-87	W VA DIV OF VOC REHAB
03-87-025-10-101	OSHA	OSHAG	10-SEP-87	VA DEPT OF LABOR AND INDUSTRY
03-87-014-98-599	OT AGY	OT AGY	06-JUL-87	BUCKS COUNTY, PA
03-87-018-98-599	OT AGY	OT AGY	08-MAY-87	ALLEGHENY COUNTY, PA
03-87-019-98-599	OT AGY	OT AGY	14-MAY-87	PRINCE GEORGE'S COUNTY, MARYLAND
03-87-021-98-599	OT AGY	OT AGY	06-JUL-87	RICHMOND, VA, CITY OF
03-87-027-98-599	OT AGY	OT AGY	23-SEP-87	BALTIMORE, CITY OF
04-84-090-03-315	ETA	UIS	21-SEP-87	FEDERAL SHARE/UI, SUMMARY REPORT
04-85-072-03-315	ETA	UIS	30-SEP-87	FEDERAL SHARE/UI, NEW YORK
04-85-077-03-315	ETA	UIS	30-SEP-87	FEDERAL SHARE/UI, MICHIGAN
04-85-079-03-315	ETA	UIS	30-SEP-87	FEDERAL SHARE/UI, INDIANA
04-85-094-03-315	ETA	UIS	30-SEP-87	FEDERAL SHARE/UI, WASHINGTON
04-85-118-03-315	ETA	UIS	27-APR-87	FEDERAL SHARE/UI, WEST VIRGINIA
04-86-033-03-315	ETA	UIS	30-SEP-87	FEDERAL SHARE/UI, NEW JERSEY
04-86-035-03-315	ETA	UIS	30-SEP-87	FEDERAL SHARE/UI, MASSACHUSETTS
04-87-059-03-340	ETA	JTPA	21-MAY-87	N.C. DEPT OF HUMAN RESOURCES
04-87-068-03-340	ETA	JTPA	17-JUN-87	KY CABINET FOR HUMAN RESOURCES
04-87-070-03-340	ETA	JTPA	25-JUN-87	COMMONWEALTH OF KENTUCKY
04-87-076-03-340	ETA	JTPA	14-JUL-87	COMMONWEALTH OF KENTUCKY
04-87-091-03-340	ETA	JTPA	21-SEP-87	GEORGIA DOL
04-87-064-07-001	OASAM	ADMIN	15-JUL-87	OASAM IMPREST FUND
04-87-036-98-599	OT AGY	OT AGY	18-MAY-87	LOUISVILLE, KY, CITY OF
04-87-046-98-599	OT AGY	OT AGY	28-APR-87	SARASOTA COUNTY, FLORIDA
04-87-053-98-599	OT AGY	OT AGY	28-MAY-87	CUMBERLAND COUNTY, NORTH CAROLINA
04-87-055-98-599	OT AGY	OT AGY	19-MAY-87	OCONEE AREA PLANNING AND DEV COMM
04-87-058-98-599	OT AGY	OT AGY	22-MAY-87	ORANGE COUNTY, FLORIDA
04-87-060-98-599	OT AGY	OT AGY	01-JUN-87	N.E. FLORIDA RGNL PLANNING COUNCIL
04-87-079-98-599	OT AGY	OT AGY	17-JUL-87	ALABAMA DEPT OF ECON COMM AFFAIRS
04-87-097-98-599	OT AGY	OT AGY	30-SEP-87	RURAL ALABAMA DEV CORP
05-87-041-03-315	ETA	UIS	15-SEP-87	NEBRASKA DEPT OF LABOR

FINAL AUDIT REPORTS ISSUED
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AUDIT REPORT NUMBER	AGENCY	PROGRAM	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
05-87-015-03-340	ETA	JTPA	28-JUL-87	OGLALA SIOUX TRIBE
05-87-026-03-340	ETA	JTPA	27-MAY-87	MINNESOTA MIGRANT COUNCIL, INC
05-87-030-03-340	ETA	JTPA	19-JUN-87	MENOMINEE INDIAN TRIBE/WI
05-87-031-03-340	ETA	JTPA	21-JUL-87	ONEIDA INDIAN TRIBE/WI
05-87-034-03-340	ETA	JTPA	27-JUL-87	RURAL MISSOURI, INC
05-86-084-03-345	ETA	CETA	08-JUL-87	ST CLAIR COUNTY CETA
05-87-035-03-345	ETA	CETA	25-JUN-87	COLUMBUS, OHIO, CITY OF
05-87-038-03-345	ETA	CETA	21-JUL-87	MAHONING COUNTY EMP AND TRNG
05-87-017-03-350	ETA	OSPPD	12-JUN-87	NEBRASKA DEPT OF AGING
05-87-032-03-360	ETA	DOWP	21-JUL-87	NEBRASKA DEPT OF ADMIN SERVICES
05-87-033-03-360	ETA	DOWP	21-JUL-87	CHICAGO, IL, CITY OF
05-87-036-03-360	ETA	DOWP	21-JUL-87	MISSOURI DIVISION OF AGING
05-87-037-03-360	ETA	DOWP	15-SEP-87	CASS COUNTY, INDIANA
05-87-019-03-365	ETA	DSFP	15-SEP-87	UNITED MIGRANT OPPORTUNITY SVCS
05-87-020-03-391	ETA	CT/EUW	15-SEP-87	OHIO BUREAU OF EMP SVCS
05-87-006-07-001	OASAM	ADMIN	23-SEP-87	OASAM PROCUREMENT/CARE
05-86-025-07-742	OASAM	OCDC	29-MAY-87	SER-DALLAS INDIRECT COSTS
05-86-069-07-742	OASAM	OCDC	25-SEP-87	LEO A. DALY & CO INDIRECT COSTS
05-87-010-10-001	OSHA	ADMIN	20-JUL-87	OSHA/CARE PROGRAM MGMT SYSTEMS
05-86-091-10-001	OSHA	OSHAG	26-MAY-87	IOWA BUREAU OF LABOR
05-87-040-50-551	MULTI	MULTI	15-SEP-87	MINNESOTA
05-87-029-98-599	OT AGY	OT AGY	27-JUL-87	IOWA GOVERNOR'S OFFICE
06-87-516-02-001	VETS	ADMIN	29-JUN-87	ARKANSAS EMP SEC DIVISION
06-87-504-03-325	ETA	SESA	29-JUN-87	ARKANSAS EMP SEC DIVISION
06-87-514-03-340	ETA	JTPA	29-JUN-87	ARKANSAS EMP SEC DIVISION
06-87-555-03-340	ETA	JTPA	25-AUG-87	DALLAS INTER-TRIBAL CENTER

FINAL AUDIT REPORTS ISSUED
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AUDIT REPORT NUMBER	AGENCY	PROGRAM	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
06-87-539-03-360	ETA	DOWP	24-JUN-87	ARKANSAS OFFICE ON AGING
06-87-540-06-601	MSHA	GRTEES	29-JUN-87	NEW MEXICO ENERGY & MINERALS DEPT
06-87-511-10-101	OSHA	OSHAG	08-APR-87	TEXAS DEPARTMENT OF HEALTH
06-87-535-10-101	OSHA	OSHAG	25-JUN-87	NORTH DAKOTA HEALTH DEPT
06-87-515-11-111	BLS	BLSG	29-JUN-87	ARKANSAS EMP SEC DIVISION
06-87-542-98-599	OT AGY	OT AGY	18-SEP-87	NEW MEXICO GOVERNOR'S OFFICE
06-87-543-98-599	OT AGY	OT AGY	10-SEP-87	NEW MEXICO GOVERNOR'S OFFICE
09-87-533-02-001	VETS	ADMIN	08-JUN-87	TULARE COUNTY, CA
09-87-547-03-315	ETA	UIS	12-AUG-87	ALASKA DOL UI COMP FUND
09-87-535-03-325	ETA	SESA	11-JUN-87	OREGON
09-87-546-03-325	ETA	SESA	07-AUG-87	ARIZONA DEPT OF ECONOMIC SEC
09-87-527-03-340	ETA	JTPA	14-MAY-87	NEVADA JTPA
09-87-541-03-345	ETA	CETA	07-JUL-87	MID-WILLAMETTE JOB COUNCIL
09-87-531-03-355	ETA	DINAP	26-MAY-87	SEATTLE INDIAN CENTER
09-87-532-03-355	ETA	DINAP	08-JUN-87	UNITED INDIAN NATIONS INC CNSRT
09-87-539-03-355	ETA	DINAP	02-JUL-87	NO CA INDIAN DEVELOPMENT COUNCIL
09-87-540-03-355	ETA	DINAP	08-JUL-87	NATIVE AMERICANS FOR COMM ACTION
09-87-542-03-355	ETA	DINAP	09-JUL-87	ORANGE COUNTY INDIAN CENTER
09-87-544-03-355	ETA	DINAP	14-JUL-87	THE FORGOTTEN AMERICAN, INC
09-87-518-03-360	ETA	DOWP	13-MAY-87	HAWAII COUNTY
09-87-528-03-360	ETA	DOWP	18-MAY-87	GOVERNMENT OF GUAM
09-87-523-03-365	ETA	DSFP	09-APR-87	PROTEUS EMPLOYMENT OPPORTUNITIES
09-87-524-03-365	ETA	DSFP	26-JUN-87	NEW ENGLAND FARM WORKERS COUNCIL
09-87-525-03-365	ETA	DSFP	21-APR-87	ORO DEVELOPMENT CORPORATION
09-87-526-03-365	ETA	DSFP	08-MAY-87	RURAL OPPORTUNITIES INC
09-87-529-03-365	ETA	DSFP	20-MAY-87	NEBRASKA ASSN FARMWORKERS
09-87-530-03-365	ETA	DSFP	20-MAY-87	IDAHO MIGRANT FARMWORKERS INC
09-87-534-03-365	ETA	DSFP	07-JUL-87	CA HUMAN DEVELOPMENT CORP

FINAL AUDIT REPORTS ISSUED
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AUDIT REPORT NUMBER	AGENCY	PROGRAM	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
09-87-537-03-365	ETA	DSFP	02-JUL-87	SELF-HELP ENTERPRISES
09-87-545-03-365	ETA	DSFP	16-JUL-87	RURAL COMMUNITY ASSISTANCE CORP
09-87-002-07-001	OASAM	ADMIN	30-SEP-87	OASAM/CARE
09-87-536-98-599	OT AGY	OT AGY	26-JUN-87	ANAHEIM, CITY OF
11-86-065-01-080	OSEC	PCEH	28-JUL-87	PRES COUNCIL-EMP HANDICAPPED
11-85-206-02-001	VETS	ADMIN	15-APR-87	FLORIDA VETS PROGRAM
11-87-042-02-001	VETS	ADMIN	08-SEP-87	JTPA TITLE IV-C GRANT ADMIN
11-87-044-02-001	VETS	ADMIN	31-JUL-87	DVOP PROGRAM GUIDE
11-87-038-03-360	ETA	DOWP	14-JUL-87	NATL CAUCUS/CENTER ON BLACK AGED
11-87-039-03-360	ETA	DOWP	27-MAY-87	GREEN THUMB, INC
11-86-027-06-001	MSHA	ADMIN	01-MAY-87	MSHA's IRM CAN BE IMPROVED
11-87-029-07-720	OASAM	DIT	29-APR-87	COMPUTER SYSTEMS INTEGRITY
11-86-046-07-741	OASAM	OP	01-APR-87	ACME REPORTING
11-86-064-07-741	OASAM	OP	21-SEP-87	ADP COMMERCIAL SERVICES
11-87-035-07-741	OASAM	OP	24-APR-87	TRITON CORP
11-87-036-07-741	OASAM	OP	16-APR-87	AUTOMATED SCIENCES GROUP, INC
11-87-048-07-741	OASAM	OP	22-JUL-87	DYNAMIC CORPORATION
11-87-050-07-741	OASAM	OP	16-JUL-87	TS INFOSYSTEMS, INC
11-87-032-11-001	BLS	ADMIN	29-SEP-87	SYSTEMS MONITORING
12-87-009-03-001	ETA	ADMIN	12-AUG-87	FINANCIAL STATEMENTS COMPILATION
12-87-018-04-001	ESA	ADMIN	11-SEP-87	FINANCIAL STATEMENTS COMPILATION
12-87-017-07-001	OASAM	ADMIN	22-SEP-87	DOL CONSOLIDATED FIN STMTS
12-87-021-07-001	OASAM	ADMIN	30-SEP-87	DOL CONSOLIDATED FIN STMTS COMP
12-86-018-09-001	OIG	ADMIN	24-APR-87	OIG/CARE FIN REVIEW GRA
12-86-019-09-001	OIG	ADMIN	24-APR-87	OIG FIN REV/FIN RPTG
12-87-013-09-001	OIG	ADMIN	08-JUN-87	OIG FIN STMT COMP

FINAL AUDIT REPORTS ISSUED
01-APR-87 TO 30-SEP-87

AUDIT REPORT NUMBER	AGENCY	PROGRAM	DATE SENT TO PROGRAM AGENCY	NAME OF AUDIT/AUDITEE
12-87-001-10-001	OSHA	ADMIN	02-JUL-87	OSHA FIN STMT COMP
15-87-002-98-599	OT AGY	OT AGY	17-APR-87	DOL DAY CARE CENTER

ABBREVIATIONS USED IN THIS REPORT

The Regions are:

02	New York
03	Philadelphia
04	Atlanta
05	Chicago
06	Dallas
09	San Francisco
11	Washington
12	Financial Management Audit Division
15	Division of Administration, Benefits and Regulatory Compliance
16	Division of Advanced Audit Techniques

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
OIG	Office of Inspector General
OLMS	Office of Labor-Management Standards
OSEC	Office of the Secretary
OSHA	Occupational Safety and Health Administration
PWBA	Pension and Welfare Benefits Administration
SOL	Office of the Solicitor
VETS	Veterans Employment and Training Service
GAO	General Accounting Office
IRS	Internal Revenue Service
OMB	Office of Management and Budget
OPM	Office of Personnel Management

The types of programs audited are:

ADMIN	Agency administration
ADP	Automatic Data Processing
BL	Black Lung
BLSG	Bureau of Labor Statistics Grantees
CCCA	Comprehensive Crime Control Act
CETA	Comprehensive Employment and Training Act
CMSH	Coal Mine Safety and Health
COMP	Comptroller
CT/EUW	Multiprogram audits of CETA, SESA, UIS and WIN
DCMWC	Division of Coal Mine Workers' Compensation
DFEC	Division of Federal Employees' Compensation
DINAP	Division of Indian and Native American Programs

DIRM Directorate of Information Resources Management
 DIT Directorate for Information Technology
 DLSHWC Division of Longshore and Harbor Workers' Compensation
 DMPS Directorate of Management Policy and Systems
 DOL Department of Labor
 DPGM Directorate of Procurement and Grant Management
 DPM Directorate of Personnel Management
 DSFP Division of Seasonal Farmworker Programs
 DOWP Division of Older Worker Programs
 DVOP Disabled Veterans Outreach Program
 EN/PRG Enforcement Program (OSHA)
 ERISA Employee Retirement Income Security Act
 ES Employment Service
 FBI Federal Bureau of Investigations
 FECA Federal Employees' Compensation Act
 FERS Federal Employees' Retirement System
 GMA Gary Manpower Administration
 GRTEES Grantees
 ILA International Longshoremen's Association
 ILGWU International Ladies Garment Workers' Union
 IMIS Integrated Management Information System (OSHA)
 IRM Information Resources Management
 JTPA Job Training Partnership Act
 LMRDA Labor-Management Reporting and Disclosure Act
 LSHWCA Longshore and Harbor Workers' Compensation Act
 MSFW Migrant and Seasonal Farm Workers (also see DSFP)
 MSHAG Mine Safety and Health Administration Grantees
 MULTI Multiple DOL Agencies
 OA Office of Accounting (OASAM)
 OCD Office of Cost Determination
 OFCMS Office of Financial Control and Management Systems
 OI Office of Investigations
 OJC Office of Job Corps
 OLR Office of Labor Racketeering
 OP Office of Procurement
 ORMLA Office of Resource Management and Legislative Assessment
 OSHAG Occupational Safety and Health Administration Grantees
 OSPPD Office of Strategic Planning and Policy Development
 OSTM Office of Space and Telecommunications Management
 OT AGY Agency other than DOL
 OWCP Office of Workers' Compensation Programs
 PCEH President's Council on Employment of the Handicapped
 PCIE President's Council on Integrity and Efficiency

RICO	Racketeer Influenced and Corrupt Organization (Statute)
SESA	State Employment Security Agency
TRA	Trade Readjustment Allowances
UC	Unemployment Compensation
UI	Unemployment Insurance
UIS	Unemployment Insurance Service
USES	United States Employment Service
UTI	Diversified Transportation Resource
VAN	Value-Added Network
WCBT	Western Conference Benefits Trust
WH	Wage and Hour Division
WIN	Office of Work Incentive Programs

Miscellaneous:

AICPA	American Institute of Certified Public Accountants
CARE	Controls and Risk Evaluation (GAO Audit Methodology)
CPA	Certified Public Accountant
GAAP	Generally Accepted Accounting Principles
GRA	General Risk Analysis (CARE)
IPA	Independent Public Accountant

FACT SHEETS HIGHLIGHTS

OIG continues the following fact sheets which are part of a series designed to provide general information and guidance to DOL employees and members of the general public.

Fact Sheet No.	Topic
OIG: 86-1	"OFFICE OF INSPECTOR GENERAL"
OIG: 86-2	"REPORTING FRAUD, WASTE and ABUSE"
OIG: 86-3	"ETHICS and INTEGRITY in the WORKPLACE"

If you would like a copy of any of these Highlights, please write to:

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Office of Inspector General
200 Constitution Ave., N.W., Rm. S-5506
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