



Semiannual Report to Congress



U.S. Department of Labor
Office of Inspector General



A Message from the Inspector General

I am pleased to submit this Semiannual Report to Congress, which highlights the most significant activities and accomplishments of the Department of Labor (DOL), Office of Inspector General (OIG), for the six-month period ending March 31, 2009. During this reporting period, our investigative work led to 228 indictments, 238 convictions, and \$79.3 million in monetary accomplishments. In addition, we issued 30 audit and other reports and questioned \$14.7 million in costs.

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

Highlights of this report include:

An audit of Occupational Safety and Health Administration's (OSHA's) Enhanced Enforcement Program, which targets employers who willfully disregard their statutory workplace safety obligations, found that OSHA failed to properly identify and inspect related worksites. Proper application of enhanced enforcement may have deterred or abated hazards at worksites of 45 employers where 58 subsequent fatalities occurred.

The OIG also found that although the Department's claims decisions under the Energy Employees Occupational Illness Compensation Program Act complied with the law, it may take two years or more to process claims. It is critical that DOL provide timely, uniform, and adequate compensation to civilian men and women suffering from cancer and other illnesses incurred as a result of their work in the nuclear weapons production and testing programs.

An OIG audit found that the Employee Benefits Security Administration (EBSA) could not effectively measure outcomes of its civil enforcement projects or demonstrate that it allocated civil enforcement resources to areas of highest impact. As a result, EBSA could not determine whether these projects were increasing compliance with the Employee Retirement Income Security Act.

The OIG also continues to safeguard the integrity of Foreign Labor Certification programs. In a recent case, a former Immigration and Customs Enforcement official and his wife were indicted for

allegedly scheming to use companies to falsely petition for employment-based visas for between \$16,000 and \$20,000 per petition.

A recent program fraud investigation involving the Workforce Investment Act and H-1B Technical Grant funds uncovered a conspiracy to fraudulently pay about \$1.8 million in excessive salaries and bonuses to executives of a now defunct training consortium. Sentences for those involved ranged up to 84 months' imprisonment and restitution totaled \$2.6 million.

Our labor racketeering focus includes combating corruption involving the monies in union-sponsored benefit plans. In a recent investigation, six defendants pled guilty in connection with a \$5 million scheme that involved submitting fraudulent medical claims to more than 25 different union-sponsored health and welfare funds and insurance companies. This type of fraud translates into higher premiums and reduced coverage for consumers, as well as increased costs to employers.

With the significant investments and outlays under the American Recovery and Reinvestment Act, the OIG will be focused in the upcoming six-month period on meeting our oversight responsibilities relating to DOL plans and stimulus expenditures.

I would like to express my sincere gratitude to the professional and dedicated staff of the OIG for their significant achievements during this reporting period. We will continue to work constructively with the Secretary of Labor and DOL managers to ensure that the rights and benefits of American workers and retirees are safeguarded.



Gordon S. Heddell
Inspector General

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Selected Statistics

Investigative recoveries, cost-efficiencies, restitutions, fines and penalties, forfeitures, and civil monetary action ¹	\$79.3 million
Investigative cases opened	206
Investigative cases closed.....	232
Investigative cases referred for prosecution.....	151
Investigative cases referred for administrative/civil action.....	80
Indictments	228
Convictions	238
Debarments	24
Audit and other reports issued.....	30
Total questioned costs	\$14.7 million
Outstanding questioned costs resolved during this period.....	\$3.7 million
Allowed ²	\$3.4 million
Disallowed ³	\$0.3 million

- 1 These monetary accomplishments include a \$25 million court-ordered Forfeiture Money Judgment filed against the defendant in *U.S. v. Eston Clare*. In this multi-agency task force investigation of employee benefit plan violations involving unionized oil truck drivers, evidence was uncovered related to a scheme to embezzle interstate shipments of heating oil. The \$25 million forfeiture represents proceeds of the sale of stolen oil.
- 2 *Allowed* means a questioned cost that DOL has not sustained.
- 3 *Disallowed* means a questioned cost that DOL has sustained or has agreed should not be charged to the government.

Significant Concerns

The OIG provides information and assistance to the Department and Congress in achieving efficient and effective management of DOL programs. As part of our effort to focus attention on mission-critical management problems and their resolution, the OIG has identified the following areas of significant concern.

- Ensuring Accountability in Recovery Act spending
- Protecting the Health and Safety of Workers
- Improving the Effectiveness of the Job Corps Program
- Strengthening Procurement Integrity
- Maintaining the Integrity of Foreign Labor Certification Programs
- Securing Information Systems and Protecting Related Information Assets

Ensuring Accountability in Recovery Act Spending

The American Recovery and Reinvestment Act of 2009 will provide an unprecedented influx of government funding while at the same time mandating that these funds are spent expeditiously to spur jobs and economic growth. The Department will be receiving more than \$40 billion in funding, in addition to its annual appropriation, in the areas of employment and training, Job Corps, and unemployment benefits. Much of this funding will be expended through non-Federal entities, rather than directly by the Department. The Department will be challenged in ensuring the oversight, accountability, and appropriate controls for Recovery Act funds, particularly involving grants.

One area of particular concern to the OIG is the Department's ability to ensure that discretionary grants are properly awarded and that the investments yield the outcomes that meet the employment and training needs of citizens. To achieve this, DOL must select the best service providers, make expectations clear to grantees, ensure that success can be measured, provide active oversight, evaluate outcomes, and disseminate and replicate proven strategies and programs.

The OIG has developed a three-phase plan to conduct oversight over the period during which the Department will expend Recovery Act funds. Phase one will address the Department's plan for administration and oversight of funds; phase two will focus on how DOL awards funds to contractors and grantees; and phase three will assess the performance of grantees and contractors to determine their accomplishments.

"One area of particular concern to the OIG is the Department's ability to ensure that discretionary grants are properly awarded and that the investments yield the outcomes that meet the employment and training needs of citizens."

Protecting the Health and Safety of Workers

A core mission of the Department is to “promote the safety and health of America’s working men and women.” The Department does this through both OSHA and Mine Safety and Health Administration (MSHA). Ensuring that OSHA is effectively fulfilling this mission is of concern. For example, our recent audit of OSHA’s Enhanced Enforcement Program, which was designed to identify high-risk employers indifferent to their obligations under the Occupational Safety and Health Act and then subject their worksites to additional enforcement, found significant shortcomings. For example, OSHA did not properly designate employers as enhanced enforcement cases; did not inspect related worksites for employers cited for dangerous conditions; and did not conduct follow-up inspections of employers targeted for enhanced enforcement. While we cannot conclude that enhanced enforcement would have prevented

subsequent fatalities, full and proper application of enhanced enforcement actions may have deterred and abated workplace hazards at worksites of 45 employers where 58 subsequent fatalities occurred.

These shortcomings occurred because OSHA did not place sufficient emphasis on compliance, commit necessary resources, or provide clear policy guidance. It is critical that OSHA direct its resources to inspect workplaces with the highest risk of hazardous conditions for workers.

Also of concern is MSHA’s ability to protect the health and safety of the more than 300,000 men and women working in our nation’s coal mines. In audits issued over the past several years, we have repeatedly found a pattern of weak oversight, inadequate policies, and poor accountability. While many changes have been initiated, it is imperative that vigilance and priority be given to strengthen MSHA’s ability to effectively carry out its mission.

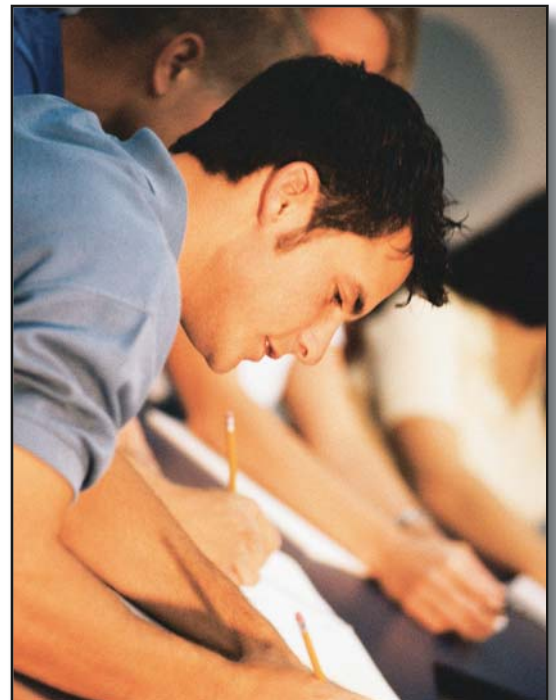
“...our recent audit of OSHA’s Enhanced Enforcement Program, which was designed to identify high-risk employers indifferent to their obligations under the Occupational Safety and Health Act and then subject their worksites to additional enforcement, found significant shortcomings.”

Improving the Effectiveness of the Job Corps Program

Job Corps operates 122 Centers throughout the United States and Puerto Rico to provide occupational skills, academic training, job placement services, and other support services, such as housing and transportation, to tens of thousands of students each year. The OIG is statutorily required to audit Job Corps Centers every three years.

Inaccurate reporting of performance data continues to present a significant concern. This inaccurate reporting impacts management decision-making, incentive payments, and option years awarded to center operators under contract to Job Corps. The two centers we audited during this semiannual period overstated their performance in the areas of the number of students completing vocational program and on-board strength.

It is also essential for Job Corps to ensure that students are safe at centers. Over the past few years, our work has documented a number of safety issues. Our audits of two centers during this reporting period identified safety concerns including insufficient monitoring to ensure that required safety inspections were performed and that emergency exit doors were not locked.



Strengthening Procurement Integrity

Integrity in the Department's procurement activities is an area of long-standing concern. Our work continues to disclose violations of Federal procurement regulations, preferential treatment in awards, and procurement actions that are not in the government's best interest. With the increased contracting activities that will occur to award funding under the Recovery Act, it is imperative for the Department to ensure integrity in its procurement decisions. During this reporting period, we found that OSHA violated procurement requirements in its administration of a Blanket Purchase Agreement and related task orders when it approved a position that was not within the scope of the agreement; could not demonstrate that it received any work products for nearly \$700,000 paid to a consultant; and did not ensure the time that was invoiced accurately represented work performed under the task orders. We will continue to work with the Department in making recommendations to assist its compliance with procurement laws and regulations.

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Maintaining the Integrity of Foreign Labor Certification Programs

The integrity of the Department's foreign labor certification (FLC) programs is a major concern, and OIG investigations continue to uncover and address fraud in these areas. During this reporting period, for example, our investigations resulted in indictments and convictions for individuals who knowingly filed fraudulent documents to obtain labor visas for undocumented workers. A portion of our efforts targeted company officials who intentionally defrauded the Department's FLC programs by filing fraudulent petitions for H-1B, H-2A, H-2B, and permanent labor certifications. We will continue to work with the Department to identify and reduce fraud in the FLC process by providing training and instruction to Department personnel as well as support for Employment and Training Administration's (ETA's) Fraud Detection and Prevention Unit.



Securing Information Systems and Protecting Related Information Assets

It remains a challenge for the Department to ensure its information systems are secure. As required by the Federal Information Security Management Act (FISMA), the OIG conducted an audit to determine whether the Department and its component agencies were meeting requirements related to FISMA. We determined that security controls over the Department's information systems were not in full compliance with FISMA. The OIG identified pervasive and obvious weaknesses across seven information systems at seven component agencies in the areas of access controls; configuration management; certification, accreditation, and security assessment; contingency planning; and incident response. The recurring nature of the same weaknesses demonstrated that the Department had not adequately implemented and monitored information security controls and may not be able to protect the confidentiality, integrity, and availability of its information technology (IT) environment.

Worker Safety, Health, and Workplace Rights



Occupational Safety and Health Administration

OSHA Did Not Always Properly Identify and Inspect Employers with Fatalities

It is essential for the safety of American workers for OSHA to direct its enforcement resources to inspect workplaces with the highest risk of hazardous conditions for workers. In 2003, as one part of its overall enforcement strategy, OSHA established an Enhanced Enforcement Program (EEP) to target employers indifferent to their safety obligations under the Occupational Safety and Health Act (OSH Act). The program was designed to identify these employers and target them for additional enforcement in order to prevent workplace injuries and fatalities.

Four years after implementing EEP, OSHA revised the program through the issuance of Enforcement and Complaint Directive 02-00-145, Enhanced Enforcement Program. This directive became effective on January 1, 2008, and modified the criteria for enhanced enforcement case status to place more emphasis on an employer's history of violations with OSHA, especially previous willful, repeat, and failure-to-abate violations.

The objectives of our audit were to determine whether: OSHA properly identified workplaces as EEP cases and conducted inspections in accordance with applicable OSHA directives; and whether OSHA's Revised EEP Directive had an adverse impact on the program's ability to protect American workers.

We found that OSHA did not always properly identify and conduct cases according to EEP requirements. We concluded that this occurred because OSHA did

not place appropriate management emphasis on compliance, commit the necessary resources, or provide clear policy guidance. While we cannot conclude that enhanced enforcement would have prevented any subsequent fatalities, full and proper application of EEP procedures may have deterred and abated workplace hazards at the worksites of 45 employers where 58 fatalities occurred.

Specifically, for the 282 EEP-qualifying cases sampled, we found the following:

For 149 cases (53 percent), OSHA did not properly designate employers for the program. Of 75 employers with multiple EEP qualifying and/or fatality cases, 51 employers (68 percent) had at least one case that was not properly designated as EEP, and 24 of the employers (32 percent) had 33 fatalities subsequent to the case that was not properly designated.

For 226 cases (80 percent), OSHA did not conduct inspections at other worksites of the employers even though the employers had safety and health issues that indicated workers at other worksites of the employers were at risk for serious injury or death. Of sampled cases, 34 employers had 47 additional fatalities at related worksites.

For 146 cases (52 percent), OSHA did not comply with its own policy for conducting follow-up inspections. These follow-up inspections are intended to ensure abatement of previously identified hazards and determine whether employers were committing similar

violations. OSHA did not conduct proper follow-up inspections or provide a compelling reason not to perform the follow up for 54 of 75 employers with multiple EEP qualifying and/or fatality cases. Five of these employers had subsequent fatalities at the same worksite.

For 188 EEP qualifying cases in our sample that resulted in settlement agreements, 153 (81 percent) of the agreements did not contain the enhanced settlement provisions required by OSHA policy. Enhanced settlement provisions include such measures as requiring the employer to hire a safety and health consultant or to list other job worksites it operates, and are intended to maximize the deterrent value of EEP actions. Of the sampled employers with multiple EEP qualifying and/or fatality cases, 60 employers had a total of 108 settlement agreements, but OSHA did not include enhanced provision in 89 (82 percent) of those agreements. Subsequent to the dates of these settlement agreements, there were 32 work-related fatalities at employers whose agreements lacked enhanced provisions.

Moreover, for 29 employers that OSHA designated as qualifying for EEP, it did not take any of the appropriate enhanced enforcement actions. Sixteen of these employers subsequently had 20 fatalities, of which 14 fatalities were in cases that shared similar violations.

Regarding OSHA's January 2008 directive revising the EEP by modifying the criteria for enhanced enforcement case status to place more emphasis on an employer's history of violations with OSHA,

we found that the revisions significantly reduced the number of EEP cases and resulted in additional challenges in identifying indifferent employers. As a result, fewer employers may be subject to enhanced enforcement. A reduced number of EEP qualifying cases, combined with longer periods of time before employers are designated for the EEP, results in fewer employers subject to EEP activities and a greater risk of subsequent work-related fatalities.

Specifically we found that in 2008, OSHA designated 7 percent of fatality cases as qualifying for EEP, but had designated an average of 50 percent between 2003 and 2007.

Analysis of fatalities that occurred in 2008 revealed 260 employers that did not qualify for EEP using the revised criteria;

these employers would have qualified under the original criteria. As a result, the workers at these 260 employers may be at risk of injury or death before company-wide safety and health issues are addressed through OSHA enforcement.

OSHA has not placed the appropriate management emphasis on EEP to ensure employers indifferent to their safety obligations under the Occupational Health and Safety Act were properly designated for EEP and subjected to EEP actions. It is essential that OSHA target its limited resources to inspect workplaces with the highest risk of hazardous conditions that have greater potential to cause injuries and fatalities. By more effectively utilizing EEP, OSHA could reduce the risk of worker injuries, illnesses,

and deaths.

We made six recommendations to OSHA. Foremost among our recommendations was to form a task force to make recommendations to improve program efficiency and effectiveness, revise the EEP directive, and provide formal training. OSHA generally agreed with the recommendations and stated that our recommendations would allow the agency to make important improvements to the enhanced enforcement program. However, OSHA did not agree with our assertion that there may be a link between subsequent fatalities and its shortcomings in the full and proper application of enhanced enforcement provisions. (Report No. 02-09-203-10-105, March 31, 2009)

Stronger Procedures May Decrease Inconsistencies in Survey of Occupational Injuries and Illnesses Data Releases

We performed an audit of the Survey of Occupational Injuries and Illnesses (SOII) conducted by Bureau of Labor Statistics (BLS) to determine if BLS complied with OMB standards for survey development and data collection. BLS uses the survey to meet its responsibility for collecting and compiling statistics on the extent of occupational injuries and illnesses.

The survey, which collects information on the characteristics of the most serious nonfatal cases and the traits of workers sustaining such injuries and illnesses, is important as national and state policymakers use the data to make decisions involving occupational safety and health problems. OSHA also uses the data to target industries that need to improve their safety programs and to measure the effectiveness of the OSH Act in reducing work-related injuries and illnesses.

We found that BLS did address OMB requirements for survey development and data collection in the SOII, but BLS did not incorporate all of those requirements in its formal written policies and procedures. Strengthening its written policies and procedures to incorporate the requirements prescribed in OMB standards will enable BLS to mitigate the risk of inconsistencies occurring in the production of SOII data, a risk that will increase when employees with institutional knowledge of the SOII leave the agency.

We recommended that BLS ensure that formal written policies and procedures for future SOII releases fully incorporate all required OMB standards. BLS accepted our recommendation and stated that it plans to enhance the survey documentation to meet OMB standards. (Report No. 02-09-201-11-001, March 31, 2009)



Mine Safety and Health Administration

Evaluation of Complaints from American Coal Company

We conducted a review of four complaints from the American Coal Company related to the MSHA's oversight of the Galatia Mine in Illinois. These complaints alleged that MSHA personnel in District 8: (1) abused their authority and discretion; (2) breached ethical obligations; (3) violated the Federal Mine Safety and Health Act of 1977 (Mine Act), the MINER Act, and Federal regulations; and (4) took actions that were arbitrary and jeopardized the safety of miners.

Overall, we did not find any indications that MSHA personnel abused their authority, breached ethical obligations, acted arbitrarily, or took actions that jeopardized miners' safety. However, we identified statutory, regulatory, and operational issues that MSHA should resolve to ensure consistent implementation of its oversight responsibilities at all coal mines. Additionally, we found that in some instances MSHA had already taken actions to address issues raised by the Company.

We identified several issues that MSHA should address to ensure consistent implementation of its coal mine oversight responsibilities. For example, in response to the Company's complaint that MSHA did not review and approve its mine plans in a timely manner, MSHA informed us that as of June 2, 2008, there were 442 plans with overdue reviews. MSHA acknowledged that limits on the number of qualified inspectors and emphasis on completing mandatory safety inspections slowed its review and approval of mine plans.

The Company's complaint stated that MSHA had incorrectly issued verbal closure orders (i.e., by telephone) even though statutory language states that an inspector may issue such order "when present." MSHA confirmed that it does not have a written policy addressing the issuance of verbal closure orders, but added that verbal closure orders are issued when warranted by specific circumstances and committed in writing when an inspector arrives on site. We recommended that MSHA take immediate action, to include seeking legislative changes if necessary, to resolve the conflict between its existing practice and the language in Section 103(k) of the Mine Act that requires an inspector to be present to issue a closure order.

In another example, our evaluation of the Company's complaint that MSHA personnel violated the MINER Act by refusing to comply with underground tracking requirements determined that MSHA's policy regarding mine inspectors' compliance with these requirements was unclear.

We made five recommendations to MSHA including that it establish a written plan for eliminating the current backlog of overdue mine plan reviews and maintaining timely reviews in the future, and that it issue a written policy or pursue legislation to establish the basis for and circumstances under which inspectors are not required to comply with tracking requirements of emergency response plans during an inspection. (Report No. 05-09-002-06-001, January 9, 2009)

Employment and Training Programs



Workforce Investment Act

The goal of the Workforce Investment Act (WIA) is to increase employment, retention, and earnings of program participants. The OIG has conducted numerous audits of the WIA program and its grantees since WIA's enactment, including audits of state WIA expenditures, training and educational services provided to dislocated workers, and state-report performance data. The Department has implemented many of our recommendations to improve WIA program administration and performance. OIG investigations have resulted in the prosecution of individuals who illegally obtained WIA funds, thereby denying eligible persons the benefit of employment services. Our investigations have also documented conflict-of-interest issues involving program administrators.

Conflict of Interest in Contract Procurement and Administration Involving Workforce Investment Act Funds

We conducted an audit in response to a hotline complaint alleging that a conflict of interest existed in the Indiana Department of Workforce Development's (IDWD) award of a \$2.8 million contract for a new statewide WIA case management system to @Work Solutions, Inc. A WIA grant funded this contract. When we conducted the audit, IDWD had expended \$1.8 million of the grant funds and the project was ongoing.

Our audit substantiated the allegation, finding that the former IT director at the IDWD had a conflict of interest which violated procurement requirements for the use of WIA grant funds. As a result, IDWD may not have fairly awarded or properly managed the contract of the new case management system.

Although the former IT director informed the IDWD Workforce Commissioner that a corporation he was selling would be a bidder for the case management system contract, we found that the former IT director did not disclose that he would receive monthly payments from this sale. In addition, the former IT director participated directly in the development of the Request for Proposal and the bidder evaluation criteria; and in the review and acceptance of contract deliverables as part

of the process to approve contractor invoices from @Work Solutions, Inc. Furthermore, we found that, while the former IT director was not a member of the proposal evaluation committee, he was the supervisor for two committee members and reviewer of the committee's selection recommendation, and thus was in a position to influence vendor selection.

Finally, we found that IDWD had insufficient internal controls to prevent or detect conflicts of interest. Specifically, IDWD did not require employees to attend ethics training, and did not have procedures requiring all state employees involved in procurement actions or contract administration to disclose personal financial interests.

We recommended that ETA review the costs claimed by IDWD related to the contract with @Work Solutions, Inc. and recover any unreasonable costs; and ensure that IDWD strengthens its internal controls to prevent and detect conflicts of interest. IDWD responded that it takes allegations of conflicts of interest seriously and agreed to take all necessary steps to rectify the situation we identified in our report. The recommendations will be resolved as part of ETA's audit resolution process. (Report No. 05-09-001-03-390, December 17, 2008)

“ . . . the former IT director at the Indiana Department of Workforce Development had a conflict of interest which violated procurement requirements for the use of WIA grant funds.”

Earmarked Grants Awarded to the West Virginia High Technology Consortium Foundation Did Not Meet Training Goals

We conducted an audit of three earmarked WIA grants totaling \$1,891,450 awarded to the West Virginia High Technology Consortium Foundation (WVHTCF). The purpose of the grants was to train workers for IT jobs; to provide training for workers to advance in their IT careers or to enter new IT careers; and to provide workers with “portable” credentials tied to either national skill standards or industry certifications. Our audit objectives were to determine whether WVHTCF accomplished the grants’ objectives and charged costs to the grants that were reasonable, allowable, and allocable.

We found that the consortium could not demonstrate that it accomplished the grants’ objectives for delivering training. The first two grants were designed to develop a web-based training system and to enroll 50 companies into the system. WVHTCF could not substantiate that it had enrolled some of the companies it claimed

in its reports. For example, WVHTCF either did not have any contact information, or had incorrect or incomplete contact information for 36 companies sampled. Three companies WVHTCF claimed were enrolled informed us that they were not enrolled. This occurred because WVHTCF did not implement an effective reporting system to provide accurate and reliable data. As a result, WVHTCF could not demonstrate that the training system achieved its objectives to meet the demand for IT workers in West Virginia and to provide workers short-term training to help them advance in their careers; to prepare them for new IT careers; or to obtain “portable” skill credentials.

In addition, WVHTCF did not have a plan on how to report performance outcomes for employment retention and wage gains for the third grant because it had not established procedures to ensure that reliable data were collected.

We questioned \$829,890 in costs charged to the grants that were not reasonable or allowable. Specifically, the consortium: did not adequately justify the award of sole source contracts totaling \$748,549; charged \$41,498 in excessive costs; and did not obtain required approval for \$39,843 in costs.

We made six recommendations to ETA. Foremost among our recommendations was to require WVHTCF to develop and implement policies and procedures for a reporting system that will provide accurate and reliable performance and outcome data. We also recommended that ETA recover the \$829,890 in questioned costs. WVHTCF officials disagreed with the audit findings; however, they agreed to take steps to improve their performance reporting system, which they stated will be responsive to our findings and recommendations. (Report No. 03-09-001-03-390, March 31, 2009)



Enhanced Oversight Will Improve State Workforce Agencies' Use of the National Directory of New Hires to Prevent and Detect Unemployment Compensation Overpayments

We conducted an audit of ETA's oversight of State Workforce Agencies' (SWA) use of the National Directory of New Hires (NDNH). The NDNH is a comprehensive database that includes information on new hires by the Federal government, state, military, and multi-state employers. The NDNH is one of the Benefit Payment Control tools for states to use to prevent and detect unemployment compensation overpayments. Our audit objective was to determine whether ETA exercised sufficient oversight to ensure that SWAs utilized information from the NDNH to prevent and detect unemployment compensation overpayments.

We found that ETA could not demonstrate it exercised sufficient oversight to ensure SWAs utilized information from the NDNH to prevent and detect unemployment compensation overpayments. ETA program oversight was insufficient because it lacked policies and procedures to perform timely and proper SWA on-site reviews. Without effective reviews of SWAs' use of the NDNH for the cross-match process, ETA cannot ensure the reliability of

the data provided by the states, and the dollar value of detected or possible undetected overpayments is unknown or cannot be validated.

We also found that 4 of the 53 SWAs were not using the NDNH to detect unemployment compensation overpayments. It is important to note that California, the SWA with the highest number of estimated claims in the country (approximately 15 percent of all claims), was not using the NDNH. Indiana, the District of Columbia, and Puerto Rico were also not using the NDNH.

We made four recommendations to ETA to improve its oversight of SWAs' use of the NDNH, including to revise its guidance to include specific review steps addressing the states' use of NDNH, and to increase the frequency of on-site reviews to more than once every four years. ETA agreed with our recommendations and also noted that it has provided ongoing technical assistance to the SWAs since the NDNH became available to states. (Report No. 06-09-002-03-315, March 31, 2009)



Police Chief Indicted for Embezzlement

The police chief of a major Michigan city was indicted for embezzlement from Career Alliance, an organization that receives funding for job training through WIA. In the alleged no-show job scheme, the defendant, through a security company run by the defendant's father, fraudulently billed Career Alliance for security services during times when the defendant was taking college classes or working as a police inspector. Invoices and timesheets submitted by the security company to Career Alliance list the defendant as an employee who worked an average of 35 hours per week at Career Alliance locations between 2005 and 2007. During this period, the defendant was paid over \$46,000 by the security guard company for his services, which were billed to Career Alliance. This is a joint investigation with the FBI.

Five Sentenced for Conspiracy to Obtain Government Funds

Five defendants were sentenced between December 2008 and February 2009 for their involvement in a conspiracy to obtain WIA funds and pay about \$1.8 million in excessive salaries and bonuses to executives of the now defunct Central Iowa Employment and Training Consortium (CIETC) between 2003 and 2006. Those sentenced were: Ramona Cunningham, CIETC's former CEO; Joseph "Archie" Brooks, former Des Moines, Iowa city councilman and CIETC chairperson; John Bargman, former CIETC chief operating officer; Karen Tesdell, former CIETC accountant; and Jane Barto, former deputy director for the Iowa Workforce Development.

The defendants received sentences ranging from 36 months of probation to 84 months of incarceration, with fines totaling \$14,150 and restitution totaling \$2.6 million. CIETC received millions of dollars in WIA and H-1B Technical Grant funds. The excessive salaries were approved by Brooks, who pled guilty to misapplication of funds in October 2007. This was a joint investigation with the FBI, the Iowa State Auditor's Office, the Iowa Department of Public Safety, the Iowa Division of Criminal Investigation, and the U.S. Department of Health and Human Services (HHS)-OIG. *United States v. Cunningham, et al.* (S.D. Iowa)

" . . . a conspiracy to obtain WIA funds and pay about \$1.8 million in excessive salaries and bonuses to executives of the now defunct Central Iowa Employment and Training Consortium . . . "

Four Sentenced In Workforce Investment Act Fraud

Lafete Tucker and Janice Fultz-Gardner, former managers at the Louisiana Workforce Investment Act - District 20 (LWIA), and Shirley Freeman, owner of Cribs to Crayons Early Learning Center, were sentenced between November 2008 and January 2009 for conspiracy to defraud the government. The final defendant, Gregory Vernon, an independent contractor who provided services to Tucker, was sentenced on March 5, 2009, after pleading guilty in January 2009 to conspiracy charges.

Tucker received 15 months' imprisonment followed by 3 years' supervised release, and was ordered to pay restitution of \$155,022. Gardner received 12 months' incarceration, 3 years' supervised release, and was ordered to pay restitution of \$78,486, and a \$3,000 fine. Freeman received 5 years' probation and was ordered to pay \$60,055 in restitution, and a \$1,000 fine. Vernon was sentenced to 5 years' probation and was ordered to pay restitution of \$28,903.

Between 2002 and 2005, Tucker submitted false vouchers to DOL for services not rendered and expenses not incurred. Tucker unlawfully received approximately \$104,000 from DOL and \$10,200 from HHS. Gardner submitted fraudulent vouchers

for reimbursement for the lease of office equipment, resulting in her unlawful receipt of approximately \$55,636. Gardner also submitted vouchers for payment regarding social services not rendered, resulting in unlawful receipt of approximately \$22,850 from DOL. Vernon was entrusted with verifying and approving payment of child-care vouchers submitted by a child-care facility owned by Shirley Freeman. Vernon authorized reimbursement for the vouchers submitted by Freeman to LWIA knowing they were false and, in exchange, Vernon received several thousand dollars in kickbacks. Additionally, Vernon received approximately \$44,500 through fraudulent vouchers he submitted for payment to HHS for counseling services he never rendered.

Freeman, the owner of a child-care facility, submitted vouchers to DOL and HHS attesting that she provided care for the same children at the same time, thereby unlawfully obtaining approximately \$60,000 in duplicate child-care reimbursement from DOL. This case was investigated by the FBI, HHS-OIG; IRS-CID; Louisiana Department of Social Services, Office of Family Support - Fraud and Recovery Section; and auditors for the Louisiana Workforce Investment Board. *United States v. Lafete Tucker, et al.* (E.D. Louisiana)

Job Corps

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

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

Performance Audit of Gary and Charleston Job Corps Centers Operated by the Management and Training Corporation

We conducted a performance audit of the Management and Training Corporation (MTC) which is under contract with Job Corps to operate 25 Job Corps centers. Our audit covered the Gary Job Corps Center in San Marcos, Texas, and the Charleston, West Virginia Center. Our objectives were to determine whether MTC ensured compliance with Job Corps requirements for managing center safety and health programs; reporting performance; and managing and reporting financial activity.

We found that MTC did not always ensure compliance with Job Corps requirements for managing safety and health programs. Specifically, the Charleston center could not prove that it had conducted all required safety and health program activities. In addition, MTC did not provide adequate monitoring to ensure that required safety program activities were conducted at the center.

It is important to note that prior to our audit, Job Corps' 2007 annual review at Charleston had identified safety and health deficiencies similar to those we found. While Job Corps' subsequent 2008 review showed Charleston was maintaining documentation to support that it had conducted required safety program activities, Job Corps identified unsafe conditions. This indicated that Charleston was not performing safety program activities effectively. MTC concurred with the deficiencies Job Corps noted, as

well as the importance of controls, but pointed to a shortage of responsible staff at Charleston as a contributing factor.

These problems occurred, in part, because MTC did not ensure that Charleston had established the necessary Standard Operating Procedures, and did not provide adequate monitoring. It is critical for MTC to ensure that students and staff are protected through timely identification and correction of unsafe or unhealthy conditions.

We also found that reported performance data at the Gary and Charleston centers was inaccurate. Specifically, we found that both Gary and Charleston overstated student vocational completions and student on-board strength. The overstatements occurred because MTC had not established effective controls to ensure center compliance with Job Corps requirements for reporting performance. MTC officials stated that its controls were operating effectively and that the vast majority of issues we identified at the Gary and Charleston centers were a combination of isolated instances and unavoidable human error. We disagreed with MTC's assessment and believe that the high number of incomplete vocational completions and separation violations we noted indicate a systemic problem. Furthermore, it is MTC's corporate responsibility to ensure the reliability of its student performance data.

"We found that MTC did not always ensure compliance with Job Corps requirements for managing safety and health programs."

Inaccurate performance reporting impacts management decision-making, incentive payments, and option years awarded to center operators under contract to Job Corps. Job Corps requires the assessment of liquidated damages for failure to comply with regulations for separating students. Therefore, as a result of the overstated performance data we found, MTC owes DOL liquidated damages of more than \$63,000.

We made six recommendations to Job Corps. Our primary recommendations were to require MTC to: improve corporate-level controls and monitoring

over all centers; to identify and correct any non-compliance with Job Corps safety and health program and performance requirements; and to pay the Department liquidated damages for performance overstatements identified in our report or by Job Corps during follow-up reviews. Job Corps generally agreed with our recommendations; however, Job Corps Regional Offices will determine the extent of overstatements to determine and resolve identified liquidated damages. (Report No. 26-09-001-01-370, March 31, 2009)



Job Corps' Reported Performance Measures Did Not Comply with All Legislative Reporting Requirements

We conducted a performance audit of the Office of Job Corps' performance measurement reporting system to determine whether Job Corps' reported performance measures complied with all legislative reporting requirements. We found that Job Corps did not comply with all legislative reporting requirements for reporting performance outcomes.

Although Job Corps collected the necessary data for the reports, it did not prepare annually a report for Congress that included performance measures as required by WIA in a number of areas, including the number of graduates, average wages of graduates, number of graduates entering unsubsidized jobs, and the number of dropouts from the Job Corps program.

Further, Job Corps did not provide sufficient data to fully comply with OMB's reporting requirement for job placement outcomes. Instead of including placement data for all enrolled students, Job Corps only

reported placement outcomes for students enrolled at least 60 days. Since Job Corps did not comply with legislative reporting requirements, Congress, OMB, and other decision makers may have lacked critical data for making informed decisions regarding the Job Corps program.

We recommended that Job Corps comply with all WIA and OMB reporting requirements and annually prepare the performance report required by WIA for the Secretary to submit to Congress. In its response to our audit report, Job Corps asserted that it publishes all required information on program performance and outcomes, providing Congress and OMB with information necessary for decision-making. Job Corps has developed an alternate method that it believes would more accurately report its placement results, but is awaiting guidance from OMB on the appropriateness of this method. (Report No. 04-09-003-01-370, March 23, 2009)

Foreign Labor Certification Program

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

OIG investigations have revealed that the foreign labor certification process continues to be abused by unscrupulous attorneys, labor brokers, employers, and others.

DHS Official and Wife Indicted for Filing Fraudulent Labor Certifications

A former Assistant Chief Counsel for ICE and his wife were indicted for allegedly conspiring to defraud the FLC process. In a separate scheme, the couple was charged with making false statements to obtain Federal Employee Compensation Act (FECA) benefits.

In the FLC scheme, the couple accepted payments to illegally adjust the immigration status of foreign nationals. They took two inactive companies and used them to falsely petition ETA on behalf of the foreign nationals for employment-based visas. From 2004 to 2008, the defendants filed several false applications with ETA and DHS Citizenship and Immigration Services (USCIS) on behalf of their clients, charging between \$16,000 and \$20,000 per petition. The couple had knowingly assisted at least six clients who had a history of criminal activity related to drug trafficking and other major crimes. Six clients have been identified as known members of the Colombian Cartel.

In the FECA scheme, the husband purportedly filed workers' compensation claims for two separate work-related injuries with the DOL's Office of Workers' Compensation Programs and received full disability benefits for both claims. While under oath during a November 2007 DOL hearing regarding the husband's worker compensation claims, the husband testified that he and his wife were unemployed and



that their only source of income was his monthly workers' compensation benefits. The husband made these declarations despite allegedly receiving hundreds of thousands of dollars from clients during the contemporaneous FLC scheme. This is a joint investigation with the FBI, ICE's Office of Professional Responsibility, and the IRS-CID.

Twenty-Two Indicted for Visa Fraud Scheme

Twenty-two foreign nationals and U.S. citizens were indicted in January 2009 for their roles in a massive visa-related fraud scheme. Among the charges were that they carried out a conspiracy involving visa fraud, making fraudulent statements under oath, and filing fraudulent documents to obtain foreign labor visas for hundreds of undocumented workers. Some visa petitions allegedly were submitted to bring in substantially more workers than what clients had contracted, and most of the workers were contracted to businesses not listed on their visas and were working in states other than the states listed on the petitions. The undocumented workers were allegedly encouraged or induced to reside in the United States, and were transported and shielded from detection for commercial advantage and private financial gain. This is a joint investigation with ICE; the U.S. State Department - Bureau of Diplomatic Security (DOS-DS); IRS; the U.S. Postal Inspection Service (USPIS); FBI; the Naval Criminal Investigative Service; and the Virginia Beach Police Department.

Officials and Employers of Two IT Companies Indicted on Mail and Visa Fraud

Three company officials and 11 employees of an IT company, which had locations in Iowa, Texas, and California, were indicted in December 2008 on conspiracy to commit visa fraud and mail fraud. In January 2009, an affiliated IT company with locations in New Jersey and Iowa was also indicted on conspiracy to commit visa fraud, mail fraud, and forfeiture. These companies sponsored primarily H-1B temporary workers in specialty occupations that require particular expertise. From 2005 until 2008, associates involved in this investigation have allegedly asserted that the foreign workers have been brought to the United States to fill existing IT vacancies. However, the companies did not always have jobs available for these workers, so they placed

them in non-pay status upon arrival to the United States. Occasionally, the foreign workers have alleged, they were placed in jobs and locations not previously certified by DOL, thereby displacing qualified American workers and violating prevailing wage laws. The companies and foreign workers have allegedly submitted false statements and documents in support of their visa petitions that include their current place of employment and the location of their residence. The false statements and documents were mailed or wired to state and Federal agencies in support of the visa applications. This is an ongoing investigation with ICE, USPIS, DOS, and the Social Security Administration-OIG.

Two of Three Indicted in Major Florida Driver's License Scheme Plead Guilty

Wesley Philamar, a business associate of the owner of an immigration consulting business, and Carmino Rossini Santos, Jr., a paid recruiter, pled guilty in March 2009 to charges of conspiracy to knowingly produce fraudulent identification documents. Philamar, Santos, and the business owner were indicted in February 2009. The defendants sold fraudulent employment documents for fees ranging from \$500 to \$1,500 each to more than 500 undocumented workers, who used the documents to obtain Florida drivers' licenses. Philamar also submitted fraudulent employment visa petitions to USCIS claiming that the workers with the fraudulently obtained drivers' licenses were specialized employees of one of several bogus companies allegedly established by the business owner. The defendants also provided their customers with fraudulent labor certifications that purported to establish that the bogus employer and the foreign national were approved by DOL for employment. They also provided their customers with fraudulent employment verification letters. This is a joint investigation with ICE. *United States v. Wesley Philamar, and Carmino Rossini Santos, Jr., et al.* (S.D. Florida)

Labor Racketeering



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

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

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

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



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

Benefit Plan Investigations

The OIG is responsible for combating corruption involving the monies in union-sponsored benefit plans. Those pension plans and health and welfare benefit plans comprise hundreds of billions of dollars in assets. Our investigations have shown that the assets remain vulnerable to corrupt union officials and organized crime influence. Benefit plan service providers continue to be a strong focus of OIG investigations.

Several Pled Guilty for Roles Involving \$5 Million in Fraudulent Medical Claims

Six defendants, who were associated with the American Institute of Allergy (AIA), pled guilty in October 2008 for their roles in a health care fraud scheme involving the submission of approximately \$5 million in fraudulent medical claims to over 25 different Union Health & Welfare Funds and several insurance companies located in Illinois and Indiana.

John Froelich, a registered nurse and owner of AIA, pled guilty to wire fraud and to a scheme to defraud and obtain money and property by means of fraudulent misrepresentations. Paul Kocourek, a medical biller for AIA, pled guilty to conspiring to commit mail fraud, wire fraud, and health care fraud. Theodore Zegarski and Joey Reyes, pharmacy technicians; Frank Kocourek, a medical biller; and Dr. Oranu Ibekie, a medical director, pled guilty to charges of conspiring to misbrand drugs. Dr. Hartley Thomas, a medical director, was found guilty in November 2008 of wire fraud, health care fraud, and of making false statements for his part in the scheme. Dr. Thomas became a Federal fugitive for more than two months, before dying of an apparent suicide.

The conspirators' scheme defrauded hundreds of victims and several insurance companies from 2000 to early 2007. AIA patients were recruited with promises of free blood testing for allergy screenings. However, the doctors never examined the patients to determine whether the testing was medically necessary. Furthermore, patients' blood samples often were not submitted for allergy screening until their health insurance plans agreed to pay for the tests. This delay sometimes caused the blood



samples to deteriorate, thereby rendering the allergy tests unreliable. This is a joint investigation with the U.S. Food and Drug Administration-Office of Criminal Investigations, USPIS, and EBSA. *United States v. John Froelich, et al.* (N.D. Illinois)

More Than \$300,000 Embezzled from Multiemployer Employee Pension and Welfare Plans and Union Plans

Several union officials of the Waterfront Guard Association Local 1852, I.W.A. (WGA) were indicted on February 5, 2009, in an 18-count indictment on charges of theft from an employee benefit plan, embezzlement of union assets, conspiracy, and aiding and abetting for allegedly embezzling more than \$300,000 in employee benefit plan assets from the Local 1852 operating account. As part of a collective bargaining agreement with the Steamship Trade Association of Baltimore, which represents both participating Port of Baltimore employers and union management, the WGA maintained both a multiemployer employee pension benefit plan and separate multiemployer employee welfare plans (WGA Plans).

From 2002 through 2005, more than \$300,000 was purportedly embezzled from the WGA Plans and transferred into the union operating account. It is alleged that the WGA union president and other former WGA union employees received improper personal disbursements through checks written from the WGA union operating account using the embezzled WGA Plan assets, which served as the funding mechanism for the disbursements. The embezzled monies were used to purchase, among other things, cars and boarding costs for horses. In furtherance of the conspiracy, the WGA union president allegedly prepared, signed, and submitted to DOL official forms which falsely represented that he and the other defendants did not receive any disbursements from the union from 2001 to 2002. This is a joint investigation with EBSA.

"The embezzled monies were used to purchase, among other things, cars and boarding costs for horses."

\$25 Million Forfeiture Judgment Ordered in Heating Oil Embezzlement Case

Eston Clare, the former manager of a heating oil delivery firm, pled guilty on December 5, 2008, to the embezzlement of interstate and foreign shipments of heating oil and conspiring to launder money while aiding and abetting theft of union benefit funds by paying employees cash off the books and not forwarding the contributions to the Teamsters Local Union 282 Benefit Funds.

Clare, along with other defendants, conducted a scheme in which they embezzled the shipments. Truck drivers for Clare's firm picked up loads of oil from the refinery terminals and made deliveries to customers of retailers. These same truck drivers engaged in a practice of "shorting" or "skimming" the retailers' customers. This involved diverting a portion of the order while submitting an invoice, and receiving payment, as if the full order had been delivered. Clare and his co-conspirators then offered the

heating oil for sale at below-market value prices, primarily for sales paid in cash.

He was ordered to forfeit \$25 million to the United States pursuant to a judicial order, and agreed to an immediate forfeiture of assets worth \$170,000 in partial satisfaction.

Clare agreed that the forfeiture judgment represented monies involved in his knowing and intentional embezzlement of interstate and foreign shipments of heating oil, theft, or embezzlement from employee benefit plans, and laundering the proceeds of those thefts. Clare agreed to the terms of the forfeiture money judgment as set forth in the Consent Order of Forfeiture signed by the defendants and ordered by the U.S. District Judge. This is a joint investigation with the IRS and the FBI. *United States v. Eston Clare* (E.D. New York)

"...aiding and abetting theft of union benefit funds by paying employees cash off the books and not forwarding the contributions..."

Former Senior Manager Pleads Guilty to Defrauding Company's Group Health and Welfare Plan of \$6.1 Million

Dennis M. Dowd, the former senior manager of human resources of Hitachi America Ltd., pled guilty in March 2009 to charges regarding his scheme to defraud the Hitachi America Ltd. Group Health and Welfare Plan of approximately \$6.1 million. Hitachi America maintained the Plan to provide health benefits to eligible employees and certain corporate affiliates. Dowd managed various aspects of the company's employee benefit programs, including the Plan. In January 1997, he opened a bank account in the name "Hitachi Group Insurance Health and Welfare Trust," an account whose creation was not authorized by Hitachi America. Between 2000 and 2008, Dowd deposited approximately \$8 million into

that account that belonged to the plan, including \$4.9 million from an excess insurer and approximately \$2.9 million from other entities, including insurance companies and health care providers.

Dowd used the account to pay for personal and family expenses, including consumer goods, a luxury vehicle, and a home in Florida. Of the approximately \$8 million, he remitted approximately \$1.9 million to the company. He will forfeit \$6.1 million, a luxury vehicle, and real estate located in New York and Florida. This was a joint investigation with EBSA and the IRS-CID. *United States v. Dennis M. Dowd* (S.D. New York)



Employee Sentenced to Incarceration for Stealing \$829,000 in Union Funds and Benefit Plan Funds

John DaBronzo, a former business agent of the International Association of Heat and Frost Insulators and Asbestos Workers (HFIA) Local 89 and a former administrator for the Local 89's Joint Apprenticeship and Training Committee (JATC) Fund, was sentenced on November 14, 2008, to 30 months' incarceration, 36 months' probation, and ordered to pay \$829,763 in restitution to Local 89 and the JATC. He was also barred from acting in any official capacity or exercising discretionary control of the assets of any labor organization or employee benefit plan for a period of 13 years.

Between 2002 and 2007, DaBronzo wrote approximately \$829,000 in checks out of the JATC

checking account that were payable to himself or to cash. He used the proceeds solely for his personal gain, rather than for the benefit of the JATC. Approximately \$433,300 of the money that DaBronzo improperly withdrew from the JATC account represented remittance checks that he stole from the Local 89 office and deposited directly into the JATC account. In June 2008, DaBronzo pled guilty to embezzling approximately \$829,000 from both a labor organization and an employee benefit fund. This was a joint investigation with DOL's Office of Labor-Management Standards, EBSA, and the FBI. *United States v. John DaBronzo* (D. New Jersey)

Ex-State Official Indicted for Defrauding Citizens of the Right to Honest Services

The former Majority Leader of the New York State Senate was indicted in January 2009 for allegedly defrauding the State of New York and its citizens of the right to his honest services by soliciting private business from persons or entities that were pursuing interests before the New York State Legislature or other state agencies. The defendant allegedly concealed and failed to disclose the existence and nature of such financial relationships and the resulting conflicts of interest, while taking discretionary official actions benefited parties with whom he had those relationships.

The charges arise from the defendant's purported receipt of almost \$3.2 million from five groups of individuals and related entities, either directly or through so-called consulting companies. Between 1993 and 2006, approximately \$2 million came from two financial services firms, and approximately \$1.2 million from "consulting." It is believed that the defendant used his powerful position improperly to induce union officials to invest their organizations' benefit plan funds through several investment companies with whom the defendant had business relationships. This is a joint investigation with the FBI and IRS-CID.

"Between 1993 and 2006, approximately \$2 million came from two financial services firms, and approximately \$1.2 million from 'consulting.'"



Physician Indicted for Submitting False Health Insurance Claims

A general practice physician, who owned a medical clinic, was charged in February 2009 with health care fraud for his role in a scheme in which he allegedly created hundreds of bills falsely identifying visits and treatments that never occurred. Between 2003 and 2007, the defendant allegedly submitted false health insurance claims totaling approximately \$500,000 to Blue Cross Blue Shield of Illinois and other private medical insurance

providers, including several Union Health and Welfare Funds. The defendant did not collect deductibles and co-payments from patients, and instead submitted fraudulent insurance claims to insurers for services and treatments that he did not actually provide. The insurers allegedly paid the defendant approximately \$373,000 based on the false claims. This is a joint investigation with the FBI.

Union Plan Administrator Charged with Embezzling \$273,836

The Plan Administrator to the Georgia Plumbers Trade Association (GPTA) Health Benefits Plan was indicted on February 10, 2009, on charges of mail fraud for allegedly embezzling Plan assets totaling approximately \$273,836 between 2001 and 2004. GPTA is the largest plumbers' training association in Georgia, representing over 2,000 plumbers. The defendant, whose company provided self-funded health care benefits for Plan members,

allegedly systematically disguised additional fees that he charged to the Plan participants in monthly billing statements. The defendant concealed his scheme by refusing to provide the GPTA access to financial records and failing to file the ERISA-required documentation. The Plan had more than \$237,000 in unpaid claims through January 1, 2004. This is a joint investigation with the USPIIS, FBI, EBSA, and the Georgia Department of Insurance Fraud Unit.

Cardiologist Charged in Approximately \$13.4 Million in Health Care Fraud

A cardiologist was charged with health care fraud for his role in a fraudulent reimbursement scheme. Between 2002 and 2007, the defendant allegedly received approximately \$13.4 million from Medicare and other health care insurers in fraudulent reimbursements, including several Union Health and Welfare Funds, for cardiac care when those services were not performed. He then used the proceeds for his own benefit. The defendant is charged with using his hospital privileges to access and obtain information about

patients without their knowledge or consent. The cardiologist then hired individuals to bill Medicare and other insurance providers for medical services that he purportedly rendered to patients whom he never treated. After waiting nearly a year after the treatment was purportedly provided, the defendant often submitted false claims for providing the highest level of cardiac care – treatment in an intensive care unit – on multiple days during the patients' hospital stays. This was a joint investigation with EBSA, FBI, HHS-OIG, and OPM-OIG.

"The cardiologist then hired individuals to bill Medicare and other insurance providers for medical services that he purportedly rendered to patients whom he never treated."

Company President Sentenced to Prison for Benefit Plan Theft

Peggy Kaye Witts, former president of Voorwood Company, Inc. (VCI), was sentenced on November 3, 2008, to 46 months in prison. She was also ordered to pay restitution of \$824,333 to the victims of her embezzlement scheme and \$199,858 to the IRS. Witts pled guilty in July 2008 to wire fraud and tax evasion, arising from her embezzlement from VCI's ERISA-covered Employee Stock Ownership Plan (ESOP) and failing to report the stolen money as income. In 1991, she began her employment with VCI where she later became the chief financial officer and president. Witts admitted that she issued duplicate paychecks to herself for more than a four-year period. She also issued company checks to herself, family members, and others to pay her personal expenses. Further, Witts also admitted to tax evasion consisting of her failure to report the embezzled money as income and pay the appropriate taxes owed. This is a joint investigation with the EBSA, IRS-CID, and the Anderson, California Police Department. *United States v. Peggy Kaye Witts* (E.D. California)

Former Manager of Benefit Plans Charged for Embezzling More Than \$350,000

The former administrative manager of the Pension and Health and Welfare Plans (the Plans) for the International Association of Machinist and Aerospace Workers (IAMAW) District 9, was charged by superseding indictment on February 26, 2009, for allegedly embezzling more than \$350,000 from the Plans. The former administrative manager was charged with mail fraud, wire fraud, and embezzlement from the Plans. The alleged fraud and embezzlements included: creating false invoices in order to generate payments from the Plans to his personal bank and credit card accounts; creating a fictitious company in order to generate a wire transfer from the Plans; use of Plan credit cards to make personal purchases; and payment of relocation benefits not authorized by the Plan. This is a joint investigation with EBSA.

Guilty Pleas for Individuals and Companies in Missouri Health Care Fraud Scheme

James and Wynsleen Ellegood, Rajitha Goli, and three companies all pled guilty on February 23, 2009, to charges involving conspiracy, money laundering, and making false statements regarding physician home visits that were not actually provided. Dr. James Harold Ellegood and his wife Wynsleen, a nurse, operated Missouri Physician Home Services, Inc. (PHS). Dr. Ellegood and PHS both pled guilty to conspiracy to defraud a health care program. Dr. Goli provided medical services to patients of PHS despite the fact that Goli was an excluded provider. Nonetheless, Dr. Ellegood and PHS submitted numerous reimbursement claims for services falsely representing that Dr. Ellegood had personally provided the services that Goli had actually provided. To conceal Goli's payments for her services, Dr. Ellegood and PHS funneled Goli's payments through two companies, Arogya, Inc. and Hanford Nuclear Services, Inc. Arogya, Inc. is a consulting company owned and operated by Goli's two brothers. Hanford Nuclear Services, Inc. is owned by Rengarajan Soundararajan, who is also the brother-in-law of Wynsleen Ellegood.

Wynsleen Ellegood pled guilty to making a false statement in an annual financial report Form 5500 of the Carpenters Health and Welfare Trust Fund by concealing the fact that Dr. Ellegood had not personally provided physician services to patients in the St. Louis metropolitan area; Dr. Ellegood was out of the country on the dates of service. Dr. Goli pled guilty to making a false statement to an agent of the HHS-OIG. Hanford Nuclear Services, Inc. pled guilty to money laundering by concealing payments to Dr. Goli for medical services that she provided to patients of Dr. Ellegood who were beneficiaries of the Medicare and Medicaid programs. Arogya, Inc. pled guilty to conspiracy involving that corporation's issuance of a false IRS Form 1099 to Dr. Goli indicating that Arogya, Inc. had paid her approximately \$74,208 for work done for that corporation during 2007. This was a joint investigation with HHS-OIG. *United States v. Physician Home Services, Inc., United States v. James Harold Ellegood, M.D., United States v. Wynsleen K. Ellegood, R.N., United States v. Rajitha Goli, M.D., United States v. Hanford Nuclear Services, Inc., United States v. Arogya, Inc.* (E.D. Missouri)

"Wynsleen Ellegood pled guilty to making a false statement in an annual financial report Form 5500 of the Carpenters Health and Welfare Trust Fund."

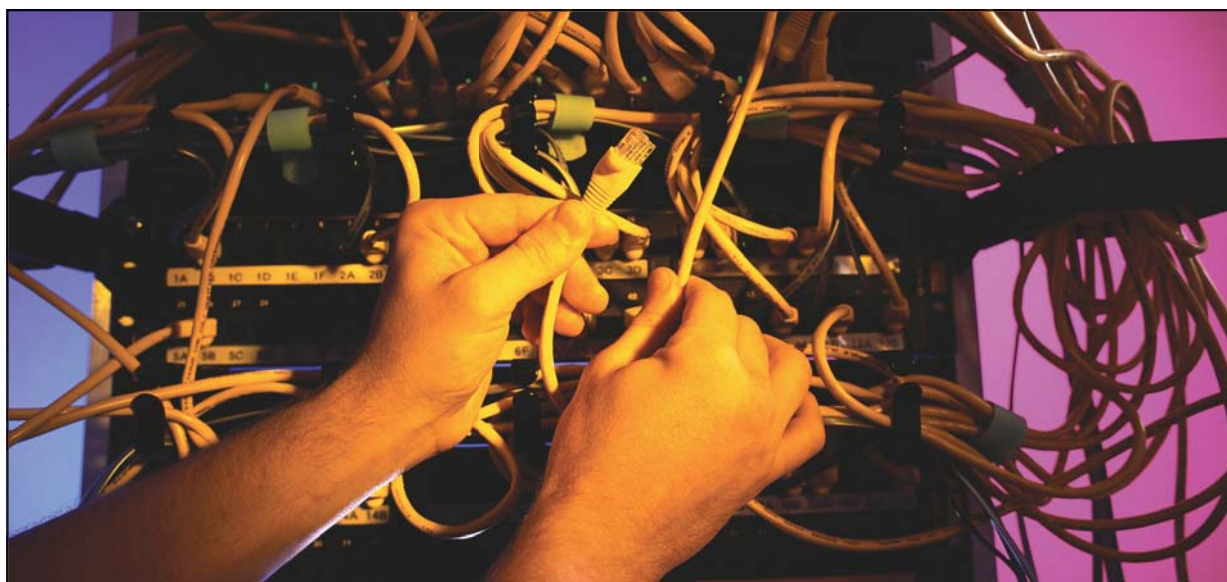
Internal Union Investigations

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

Former Company Official Sentenced for Theft of Health and Welfare Funds

Donald Dougherty, Jr., the owner of Dougherty Electric, Inc., was sentenced in December 2008 to 24 months' incarceration, 5 years' supervised release, and was ordered to pay \$673,070 to the International Brotherhood of Electrical Workers (IBEW) Local 98's Health and Welfare Fund and approximately \$2.3 million in back taxes to the IRS. Dougherty previously pled guilty to unlawful payments to a union official for performing more than \$115,000 of renovations on the personal residence of the business manager of IBEW Local 98 for which the business manager did not pay. He also pled guilty to 98 other counts, including theft of employee benefit plans, bank bribery, false statements relating to health care matters, tax evasion, and filing false and fraudulent tax returns.

Between 2001 and 2005, Dougherty stole more than \$869,000 from Local 98's employee benefit plans while maintaining an "under the table" cash payroll of more than \$2.6 million for himself and his employees. By operating a cash payroll, he avoided paying more than \$1.6 million in Federal, state, and local payroll taxes and the required employer contributions to Local 98's benefit plans. This was a joint investigation with the FBI, IRS, and EBSA. *United States v. Donald Dougherty, Jr.* (E.D. Pennsylvania)



Captain of Genovese Family Indicted on Racketeering Charges

A captain in the Genovese LCN Organized Crime Family was indicted on November 3, 2008, on racketeering and racketeering conspiracy charges. The predicate acts include a 1977 murder, extortion, and conspiracy to extort members of International Longshoremen's Association (ILA) Local 1235, wire fraud, and conspiracy to commit identification document fraud. In addition to the murder charges, the defendant is also charged in a three-decade conspiracy to extort ILA Local 1235, a union that represents port workers in New Jersey. The defendant allegedly admitted in an intercepted telephone conversation organized crime's control over the leadership of Local 1235 since the 1970s. The son of ILA Local 1235's then-president allegedly informed the defendant that tribute payments to the Genovese family had recently "almost doubled." This is a joint investigation with the FBI and the New Jersey Division of Criminal Justice.

"In addition to the murder charges, the defendant is also charged in a three-decade conspiracy to extort ILA Local 1235, a union that represents port workers in New Jersey."

Ex-Police Department Lieutenant Pleads Guilty for Embezzling Union Funds

Calvin Edward Hullett, a former police department lieutenant and International Brotherhood of Teamsters (IBT) employee, pled guilty on January 6, 2009, to charges in connection with illegal surveillance activities at a Fraternal Order of Police (FOP) summer youth camp in Tennessee. He was responsible for organizing law enforcement organizations under the IBT at the same time FOP was seeking to organize these law enforcement agencies. In 2007, Hullett allegedly conspired with others to embezzle IBT Local 327 funds to purchase and install video surveillance equipment in order to

spy on the FOP youth camp. He also used another individual's name to gain access to the FOP youth camp and to purchase more equipment. In 2006, the IBT became the collective bargaining unit for Metropolitan Nashville-Davidson County Police Department, replacing the FOP. The FOP wanted to return as the collective bargaining unit and started to campaign against the IBT. This is an ongoing investigation with the FBI and the Tennessee Bureau of Investigation. *United States v. Calvin Edward Hullett* (M.D. Tennessee)



Labor-Management Investigations

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

Three Charged in Attempting to Gain Unlawful Advantage in Construction Projects

The director of the Laborers New England Region Organizing Fund (NEROF), a former NEROF organizer, and one construction contractor were indicted in November 2008 for their roles in a conspiracy scheme to make and receive unlawful payments from employers to labor union officials. Between 2002 and 2005, the three individuals allegedly conspired to generate illicit payments from persons affiliated with two construction companies, one of which was an undercover company created by investigators, to officials of the Laborers’ International Union of North America in order to gain an unlawful advantage in bidding on construction projects. This is a joint investigation with the FBI, EBSA, the Rhode Island State Police, and the Providence, Rhode Island Police Department.

Former Business Manager Sentenced for Embezzlement and Taking Bribes

Kenneth P. Campbell, the former business manager of Local 825 of the International Union of Operating Engineers, was sentenced on January 27, 2009, to 46 months in prison for embezzling funds from Local 825 and taking bribes from contractors. He was also fined \$40,000 and ordered to pay \$247,655 in restitution to Local 825. Campbell pled guilty in October 2008 to stealing at least \$50,000 from the union to purchase electronics equipment and a luxury car and to taking cash payments from contractors which Campbell shared with his co-conspirators. Campbell ran the Local 825’s day-to-day operations, including representing all of the union’s members.

Campbell conspired with Peter O. Strannemar,

Local 825’s president at the time; Craig Wask, a business agent; Anthony Mann, a lead engineer; and others to demand approximately \$156,000 in cash and other things of value from companies between 2001 and 2003. Campbell and his co-conspirators also received approximately \$100,000 in bribes from George Coyne, a contractor at a golf course and construction project in New Jersey. Coyne was sentenced on February 24, 2009, to 12 months of home incarceration. Coyne was also fined \$40,000 and ordered to pay restitution to the Local 825 benefit funds in the amount of \$217,728. This was a joint investigation with the FBI, IRS-CID, and EBSA. *United States v. Kenneth P. Campbell* (D. New Jersey)

“Campbell pled guilty in October 2008 to stealing at least \$50,000 from the union to purchase electronics equipment and a luxury car . . .”

Worker Benefits Programs



EBSA Could More Effectively Evaluate Enforcement Project Results

We conducted a performance audit of the Department's EBSA's Office of Enforcement. Our audit objective was to determine whether EBSA is effectively evaluating its civil enforcement project results and directing its resources to enforcement issues that have a significant impact on American workers' health, pension, and other employee benefits.

We found that EBSA could not effectively measure outcomes of its civil enforcement projects. EBSA implements its civil enforcement program through a number of national and regional projects. Our audit focused on the five national civil enforcement projects in which all regions participate, including the Employee Stock Ownership Plan and Multiple Employer Welfare Arrangements projects. We found that EBSA could not determine whether these civil enforcement projects were increasing compliance with the Employee Retirement Income Security Act (ERISA), which was enacted to protect workers pension, health and other benefit plans, and decreasing the risk that workers will lose benefits.

We also found that EBSA could not clearly

demonstrate it was directing its resources to the enforcement areas with the most impact on its mission to "deter and correct ERISA violations." Each EBSA regional office differed in its interpretation of enforcement program impact and desired outcomes because EBSA headquarters did not provide clear guidance on intended enforcement outcomes. As a result, the allocation of resources differed among the regional offices, and agency resources may not have been directed at areas with the most impact.

We made three recommendations to EBSA: clearly define the objective of each of its civil enforcement projects; establish performance measures that evaluate each civil enforcement project's outcomes versus the stated objective; and develop guidance for allocating enforcement resources based on intended outcomes and actual performance results. EBSA agreed that objectives for national enforcement projects could be clearer; however, it disagreed with the recommendations regarding performance measures and allocations of enforcement resources. (Report No. 05-09-003-12-001, March 31, 2009)



"We also found that EBSA could not clearly demonstrate it was directing its resources to the enforcement areas with the most impact on its mission to 'deter and correct ERISA violations.'"

Unemployment Insurance Programs

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

OIG audits conducted after the 2005 hurricanes demonstrated the importance of effective controls to ensure that unemployment benefits reach only eligible persons. Following these hurricanes in 2005, the OIG focused attention on administration of the Disaster Unemployment Assistance (DUA) program. In addition to our audit work, the OIG actively performs criminal investigations and refers for prosecution cases that involve individuals who defraud unemployment benefit programs. Recent investigations have documented the manner in which criminals steal identities to file for fraudulent UI benefits.

Unemployment Insurance Systems' Information Technology Contingency Plans Need Improvement

We conducted an audit at the request of the Assistant Secretary of Employment and Training to determine whether ETA has ensured that SWA partners have established and maintained required IT contingency plans vital for Unemployment Insurance services to continue reliably in the event of a disaster or system interruption.

We found that ETA had not ensured that SWA partners had established and maintained required IT contingency plans. Specifically, 50 out of 51 plans lacked critical elements to ensure continued availability of the unemployment insurance systems. This situation existed because ETA did not verify that plans existed or that plans contained critical elements.

Without adequate IT contingency plans, critical support services provided by the SWAs' UI systems may not be available during a disaster or disruption. As a result, ETA cannot be certain that these SWAs will be able to provide Unemployment Insurance benefits to eligible claimants in the event of a disaster or service disruption.

We recommended that ETA conduct annual verification of SWAs' IT contingency plans for existence and reliability using risk-based approaches that consider the SWAs' contingency planning maturity and likelihood of disasters. ETA generally agreed with our recommendations. (Report No. 23-09-001-03-315, March 31, 2009)

"Without adequate IT contingency plans, critical support services provided by the SWAs' UI systems may not be available during a disaster or disruption."

Individual Sentenced in Scheme to Defraud Various Federal, State, and Private Loans

Prudence Jeffers was sentenced on February 13, 2009, for her role in a scheme in which she and her counterpart, Anthony Hicks, used the Social Security numbers of a living person and a deceased individual to defraud multiple Federal, state, and private funds, including UI benefits from the State of New York, Federal student loans and grants, Medicaid benefits, and Chase Manhattan Bank. Jeffers was found guilty in December 2007, and Hicks pled guilty in January 2007 for his role in the scheme. Jeffers was sentenced to 2 months' of community confinement with 3 years' supervised release and was ordered to pay \$114,018 in restitution and a \$900 assessment fee. This was a joint investigation with the Department of Education-OIG, SSA-OIG, and USFIS. *United States v. Prudence Carmen Jeffers* (E.D. New York)

New Jersey Man Pleads Guilty to Unemployment Benefits Scheme Involving Over 70 Individuals and \$425,000 in Benefits

Charles C. Palmer, Jr., a resident of Newark, New Jersey, pled guilty on December 2, 2008, to charges of mail fraud for his role in a scheme to defraud the New Jersey Department of Labor and Workforce Development (NJDOL). Palmer obtained unemployment benefits for himself and others that they were not entitled to by submitting fraudulent applications for UI benefits to the NJDOL. The fraud committed by Palmer included fictitious claims that he was employed by a Newark company. From 2006 to 2007, Palmer and three other co-conspirators recruited approximately 78 individuals into the

scheme resulting in the overall receipt of more than \$425,000 in benefits. The co-conspirators allowed their names to be used to file bogus unemployment insurance claims on their behalf that falsely reported employment with a Newark, New Jersey company. The conspirators also agreed to recruit members of the community into the scam. In return for filing the claims and creating and submitting false documentation to NJDOL, the conspirators and recruits shared in the proceeds of each UI check. *United States v. Quentin Campbell, Thomas Cooper, and Charles Palmer* (D. New Jersey)

“ . . . Palmer and three other co-conspirators recruited approximately 78 individuals into the scheme resulting in the overall receipt of more than \$425,000 in benefits.”

Operator of Temporary Employment Agency Sentenced to 70 months in Prison in Connection with Activities that Garnered Over \$12 million

Jimmy Nguyen, who operated a temporary employment agency, H & T Staffing, was sentenced to 70 months in Federal prison February 17, 2009, for his role in a conspiracy to commit money laundering and conspiracy to defraud state and Federal governments. He previously pled guilty on November 13, 2008. From 2002 to 2007, H & T Staffing made more than \$12 million using undocumented workers to supply laborers to various companies within Pennsylvania. H & T failed to make payments of \$213,833 to the Pennsylvania

Unemployment Compensation Program and \$345,172 to the U.S. Medicare Trust Fund for the workers. Nguyen was ordered to repay the monies owed to the state and Federal governments and be placed on supervised release for three years after serving his prison sentence. In addition, he is the subject of several government actions to forfeit his property. This was a joint investigation with ICE, HHS-OIG, and the Pennsylvania State Police. *United States v. Jimmy Nguyen* (M.D. Pennsylvania)

Two Individuals Sentenced to Prison and Ordered to Pay Restitution for a UI Benefits Fraud Scheme

Brian Goodlow and Lonnie Oliver, Jr., were sentenced in October 2008 and January 2009, respectively, for their roles in a UI and identity theft fraud scheme. Goodlow received 15 months' incarceration, 3 years' supervised release, and was ordered to pay \$2,912 in restitution. Oliver was sentenced to a total of 139 months' incarceration, 3 years' supervised release, and ordered to pay \$119,236 in restitution. Oliver, Goodlow, and other conspirators who were previously sentenced illegally obtained UI benefits from the Texas Workforce Commission (TWC) by stealing the identities of several victims and filing fraudulent UI claims using the stolen identities. They used the money from the UI benefits to pay for goods and services for themselves. This was a joint investigation with TWC and USPIS. *United States v. Lonnie Oliver, Jr., et al.* (N.D. Texas)



Several Individuals Charged and Sentenced in Hurricane Katrina Related Fraud

Two individuals were sentenced, five pled guilty, and three were indicted for their roles in a scheme to defraud the Louisiana Department of Labor (LDOL) relating to Hurricane Katrina relief payments.

Quentin Dunn, a/k/a Carnel Whitfield, and Wayne Peter Lawless were sentenced on October 30, 2008, and November 5, 2008, respectively. Dunn was sentenced to 36 months' probation and ordered to pay restitution. Lawless received 18 months' imprisonment and 3 years' supervised release. Lawless, a former contractor for the Louisiana National Guard at the Baton Rouge Career and Job Center, previously pled guilty on July 17, 2006, to charges of extortion under color of official right for his role in filing approximately 80 fraudulent DUA and UI claims with LDOL. Lawless assisted in the filing and processing of DUA and UI claims for people he knew were not qualified to receive such assistance. Due to the scheme, debit cards totaling more than \$141,942 were mailed to unqualified claimants.

The scheme had the potential to defraud LDOL of \$305,760.

Ray Lucas, Lakresha Pierce, Shalithia Dunn, Jimmy Whitfield, and Tonya Faye Jarrell pled guilty to access device fraud. The defendants profited from the filing of fraudulent claims for DUA through a co-conspirator, Latasha Whitfield, whose home computer was used to file many of the claims. Latasha Whitfield was sentenced in April 2008 for her role in the scheme.

Indictments were handed down to three individuals also involved in the fraud scheme. Charges include mail fraud, wire fraud, access device fraud, and illegal use of Social Security numbers. The fraudulent claims totaled over \$37,000. This is a joint investigation with the SSA-OIG, USPIS, and the FBI. *U.S. v. Wayne P. Lawless, United States v. Quentin C. Dunn, United States v. Shalithia Lakale Dunn, United States v. Ray Lawrence Lucas, Jr., United States v. Jimmy Ray Whitfield, and United States v. Lakresha Shatell Pierce* (M.D. Louisiana)

"The scheme had the potential to defraud LDOL of \$305,760."

State Agency Employee Ordered to Pay over \$600,000 in Restitution

Pedro Zeno, a claims processor at the Illinois Department of Employment Security (IDES), was sentenced on March 19, 2009, for his role in a scheme to defraud IDES. He accepted bribes to file false claims for UI benefits using fictitious identities and Social Security numbers that were fictitious or assigned to other individuals. Zeno was sentenced to 48 months' incarceration, 24 months' supervised release, and ordered to pay restitution to the IDES of \$626,747. Zeno's co-conspirator, Braulio Escobar, who pled guilty to mail fraud on October 24, 2008, was sentenced on March 25, 2009, to 6 months'

incarceration, 9 months' community confinement (work release), followed by 36 months' supervised release, and was ordered to pay restitution to the IDES of \$626,747.

Zeno accepted \$500 in bribes to process more than 130 fraudulent UI claims. The scheme resulted in benefit checks totaling more than \$626,747 to be generated and mailed to numerous addresses controlled by Escobar. This is a joint investigation with the USPIS and Illinois OIG. *United States v. Pedro Zeno* and *United States v. Braulio Escobar* (N.D. Illinois)



California Man Sentenced to 46 Months in Prison for UI Check Counterfeiting Conspiracy

Edgar Preciado was sentenced on January 21, 2009, to 46 months' imprisonment, 3 years' supervised release, and was ordered to pay \$127,636 in restitution for his role in a counterfeit UI check scheme. Preciado conspired with others to create more than 240 counterfeit U.S. Treasury checks, California UI checks, and disability insurance checks that were cashed at 66 different businesses. Methamphetamine addicts throughout the Los Angeles and Orange County, California area were recruited by the conspirators to cash the checks. The check cashers, who split

the proceeds of the checks with the counterfeiters, initially cashed the counterfeit checks by using their actual names, addresses, and driver's licenses. After a few of the check cashers were arrested by local police departments, the counterfeiter made fake driver's licenses, using names and addresses taken from stolen mortgage applications. This was a joint investigation with USPIS, SSA-OIG, and the California Employment Development Department. *United States v. Edgar Preciado, James Ernest Moya, and Rosemary Almad* (C.D. California)

Wage and Hour Programs

The Davis-Bacon Act and related acts, such as the Copeland “Anti-Kickback” Act, require the payment of prevailing wage rates and fringe benefits on federally financed or assisted construction. The McNamara-O’Hara Service Contract Act requires the payment of prevailing wage rates and fringe benefits to service employees on federally financed service contracts. The OIG selectively focuses on investigating violations by contractors engaged in Federal construction projects who submit falsified certified payroll records in violation of the Copeland Act.

Military Contractor Fined \$1.51 Million and Ordered to Pay Restitution of \$460,000 for Unpaid Employee Overtime

Michael Bianco, Inc. (MBI), a New Bedford, Massachusetts manufacturing company which was awarded almost \$230 million in military contracts between 2004 and 2009, was sentenced in January 2009 along with its president and principal shareholder, Francesco Insolia, for various charges alleging that they hired undocumented workers, helped to shield them from detection, failed to pay them full overtime, and fraudulently misled the government, all in an effort to maximize profits on a series of lucrative military contracts.

MBI was ordered to pay a fine of \$1.51 million and restitution of \$460,000 for overtime owed to employees. Insolia was sentenced to 12 months’ imprisonment, 3 years’ supervised release and ordered to pay a \$30,000 fine. In January 2009, MBI’s production manager, Dilia Costa, and MBI’s contracts administrator, Gloria Melo, were sentenced to 2 years’ supervised release and time served, respectively, for their roles in the conspiracy. MBI’s former Payroll Manager, Ana Figueroa, pled

guilty in January 2009 to harboring and concealing undocumented workers, transfer of false identification documents, and conspiracy to hire undocumented workers.

MBI knowingly hired undocumented workers between 2004 and 2006, and failed to pay many employees overtime from 2005 to 2007. MBI and Insolia fraudulently misrepresented Social Security numbers and committed mail fraud when it submitted those Social Security numbers to the IRS and SSA. Furthermore, in an effort to avoid paying overtime and paying additional employee benefits, MBI ran a second payroll for a separate company for their employees to report their additional work hours.

This was a joint investigation with ICE, SSA-OIG, Department of Defense’s Criminal Investigative Service, WHD, Insurance Fraud Bureau of Massachusetts, and the USPIS. *United States v. Insolia, et al.*, *United States v. Michael Bianco, Inc.*, and *United States v. Figueroa* (D. Massachusetts)

“ . . . various charges alleging that they hired undocumented workers, helped to shield them from detection, failed to pay them full overtime, and fraudulently misled the government, all in an effort to maximize profits on a series of lucrative military contracts.”

Hospital Ordered to Pay \$2.3 Million in Restitution for Scheme Involving Embezzlement from an Employee Benefit Plan

Mercy Regional Health Systems, Ltd. (Mercy) was sentenced on December 5, 2008, to 5 years' probation and ordered to jointly and severally pay restitution of \$2,283,118. Mercy pled guilty in August 2008 to false statements relating to embezzlement from an employee benefit plan, health care fraud, and mail fraud. On that same date, Clayton W. Hobbs, who operated Mercy from 2002 to 2008, was sentenced to 57 months' imprisonment followed by three years' supervised release and ordered to jointly and severally pay restitution of \$2,283,118. Hobbs previously pled guilty to failure to pay Federal employment taxes.

Hobbs and Mercy contracted with the U.S. Department of Veterans Affairs (VA) to provide ambulance and hired car services based out of a VA hospital in Illinois. Mercy's contract with the VA required the payment of prevailing wage and fringe benefits as mandated by the Service Contract Act. Hobbs and Mercy failed to pay the prevailing wage and fringe benefits required by the contract. They also failed to make contributions to employees' benefit plans as required. In addition, false statements made by Hobbs regarding health insurance premiums caused employees to file medical claims of more than \$100,000.

The sentencing for both Hobbs and Mercy required restitution to be paid for the employees'

unpaid medical insurance claims in the amount of \$127,668, unfunded 401(k) contributions of \$1,415, unpaid prevailing wages to employees in the amount of \$40,557, fraudulent billings to Medicare in the amount of \$24,734 and Medicaid of \$69,815, fraudulent billings to U.S. Railroad Retirement Medicare of \$10,965, and unpaid Federal payroll taxes to the IRS in the amount of \$2,007,962.

This case was investigated by members of the Health Care Taskforce for the Southern District of Illinois, including IRS-CID, HHS-OIG, EBSA, FBI, USPIS, the Franklin County, Illinois Sheriff's Department, and the Illinois State Police. *United States v. Clayton W. Hobbs* and *United States v. Mercy Regional Health Systems, Ltd.* (S.D. Illinois)



Attorney and His Clients Defraud Government of Over \$10 Million

Steven Coren, an attorney, pled guilty on March 20, 2009, to a 16-count indictment charging him with scheming to defraud government agencies in connection with his clients' construction contracts with those agencies, conspiring to launder the funds wrongfully obtained from those agencies, and obstructing a Federal grand jury investigation by directing one of his clients to destroy documents related to the scheme.

From 2000 through 2006, Coren and several of his clients defrauded government agencies of more than \$10 million in contract payments by falsely representing that the contractors' workers were being paid the prevailing wage as required by the Federal Davis-Bacon Act and New York State Labor Law.

Coren executed the scheme by creating the Contractors Benefit Trust (CBT), a multiemployer entity for which he acted as the trustee. Coren instructed the contractors to deposit the fringe benefit portion of the prevailing wage into the CBT, making it appear that they had complied with Davis-Bacon and New York State law. Thereafter, he advised the contractors that they could use the funds for purposes other than providing benefits to the employees on whose behalf the contributions were made. When Coren learned that one of the contractors was under investigation, he directed the contractor to destroy documents that revealed transfers of funds out of the CBT for expenses unrelated to the employees' benefits. This is a joint investigation with the U.S. Department of Transportation-OIG and IRS-CID. *United States v. Steven Coren* (E.D. New York)

Office of Workers' Compensation Programs

The Employment and Standards Administration's (ESA's) Office of Workers' Compensation Programs (OWCP) administers the Federal Employees' Compensation Act (FECA) program and three other disability compensation programs, which provide wage replacement benefits, medical treatment, vocational rehabilitation, and other benefits to certain workers for work-related injuries or occupational disease. The FECA benefits are charged to the employing Federal agencies that rely upon OWCP to adjudicate claims eligibility and to pay compensation benefits and medical expenses. OWCP has similar responsibilities for Black Lung, Longshore and Harbor Workers, and Energy Employees Occupational Illness Compensation programs financed by a combination of Federal and industry funds.

Former Security Guard Sentenced For Making False Statements to Receive Disability Benefits

Charles E. Ingram, a former Smithsonian Institution museum security guard, was sentenced in January 2009 to 6 months in a half-way house, 5 years' probation, and ordered to pay DOL \$87,151 in restitution. Ingram previously pled guilty to making a false statement to obtain Federal disability compensation. In May 2001, Ingram reported an on-the-job injury that, based upon the records he submitted, rendered him disabled. Due to his disability, in September 2001, Ingram began receiving compensation benefits from OWCP. In

order to continue to receive these benefits, Ingram was required to annually submit forms certifying that he was unable to work and disclosing any work-related income. From 2003 to 2008, Ingram failed to disclose that he was able to work and that he had in fact had income from employment as an armed security guard for private security firms during that time. This was a joint investigation with the Smithsonian Institution-OIG. *United States v. Charles E. Ingram* (D. District of Columbia)

Bar Owner Pleads Guilty to Scheme to Defraud OWCP of \$175,000

Noah Monty Wheeler pled guilty on February 2, 2009, to conspiracy to commit FECA fraud and mail fraud for his scheme to defraud the OWCP of approximately \$175,000. Wheeler was employed as a painter at Marine Corps Air Station in Cherry Point, North Carolina when he sustained an injury in October 1973. Since his injury, he had been receiving compensation of approximately \$30,000 a year, tax-free, since being placed on the periodic rolls, and he continually denied any work activity on his annual form submitted to OWCP. However, Wheeler had been gainfully employed; he owned and operated a bar and had previously owned and serviced video poker machines before such gaming activities became illegal in North Carolina. This was a joint investigation with NCIS and the Morehead City, North Carolina Police Department. *United States v. Noah Monty Wheeler, Sr.* (E.D. North Carolina)

Son Sentenced for Claiming Deceased Father's FECA Benefits

Dirulislam Bilal Abdullah was sentenced on January 21, 2009, to 12 months' imprisonment, 3 years' supervised release, and ordered to pay \$144,336 in restitution to DOL. Abdullah pled guilty in August 2008 to theft of government property and making a false statement to obtain Federal employees' compensation. Following the death of his father, who was a FECA recipient, Abdullah forged his father's signature on DOL forms in order to continue to receive approximately \$2,500 per month in benefits. He used the funds to pay his mother's mortgage, life

insurance premiums, daily living expenses, credit card bills, health club dues, and car repairs. Abdullah also paid his wife \$800 for care that she provided to his mother. His mother passed away in February 2003, and after her death, Abdullah again forged and submitted an additional DOL form stating that his father was alive and entitled to workers' compensation benefits. Abdullah continued to use his father's workers' compensation payments to make the mortgage payments on his late parents' home. *United States v. Dirulislam Bilal Abdullah* (N.D. California)

Individual Pleads Guilty for Unlawful Receipt of Black Lung Benefits on Behalf of Former Dependent

Judy Fox pled guilty on January 27, 2009, to theft of government funds for her unlawful receipt of Black Lung benefits. Fox became the representative payee for a surviving coal miner dependent in 1982. The dependent was eligible for Black Lung benefits up through May 1994, when she graduated from high school. Fox continued to receive benefits, on behalf of the dependent, for 11 years after the dependent's graduation, resulting

in the fraudulent collection of \$65,306. Neither Fox nor the dependent would have been entitled to any benefits after the dependent's graduation date. Furthermore, had the dependent been entitled to those funds, she did not receive any of those funds from Fox. Additionally, Fox failed to properly notify the DOL-Black Lung District Office of the status of the dependent, and, as a result, continued to receive black lung benefits. *United States v. Judy Fox* (D. Arizona)

"Fox continued to receive benefits, on behalf of the dependent, for 11 years after the dependent's graduation, resulting in the fraudulent collection of \$65,306."

Psychologist Bills for Undelivered Services and Defrauds OWCP

Kirtis Thomas, a licensed psychologist, was convicted on October 31, 2008, of mail fraud, conspiracy, and theft of public funds charges. From 1996 to 2006, Thomas billed OWCP for psychological treatment sessions on a weekly basis for a workers' compensation recipient. However, the treatment sessions never took place and Thomas fraudulently obtained in excess of \$58,000 from OWCP. This was a joint investigation with the U.S. Postal Service - OIG, and USPIS. *United States v. Kirtis Thomas* (E.D. Michigan)

Woman Pleads Guilty for Stealing Deceased Grandmother's Black Lung Benefits

Jacqueline Biars pled guilty on February 5, 2009, to forgery of endorsements on treasury checks in a scheme to fraudulently receive Black Lung benefits. In order to hide her grandmother's 1992 death and continue receiving her grandmother's Black Lung benefits, Biars forged her grandmother's signature on numerous forms sent to DOL's Division of Coal Mine Workers' Compensation. As a result, benefit payments continued to be mailed to a post office box under Biars' control. Biars forged her grandmother's signature on the benefit checks, cashed them, and used the funds for her own benefit. Over the course of 15 years, Jacqueline Biars received \$79,543 worth of Black Lung benefits to which she was not entitled. *United States v. Jacqueline Biars* (S.D. Ohio)

"Over the course of 15 years, Jacqueline Biars received \$79,543 worth of Black Lung benefits to which she was not entitled."

Former Border Patrol Agent Pleads Guilty to Drug, Bribery and Workers' Compensation Fraud Charges

Juan Luis Sanchez, a former U.S. Border Patrol agent who pled guilty in May 2008 to drug, bribery, and workers' compensation fraud charges, was sentenced in January 2009 to 15 years' imprisonment. Although Sanchez was sentenced separately for each count (15 years for the drug charge, 15 years for the bribery charge, and 5 years for the workers' compensation charge), the sentences will run concurrently.

Sanchez transported loads of marijuana in his Border Patrol vehicle on six separate occasions from 2002 to 2004. Sanchez estimated that he transported at least 3,000 pounds of marijuana over the course of the conspiracy and received a total of \$45,000 in bribes. He also admitted to fraud

relating to Federal workers' compensation benefits he received following an on-duty vehicle accident that occurred after the drug trafficking activities. Sanchez admitted that, by March 2008, his medical condition had improved, such that he was no longer entitled to benefits, but that he failed to notify DOL of the improvement as required by law.

This was a joint investigation with members of the Southwest Border Corruption Task Force in Tucson (comprised of law enforcement officials from the FBI, ICE-Office of Professional Responsibility, Drug Enforcement Administration, DHS-OIG, IRS-CID and the Tucson Police Department) and by the Santa Cruz Metro Task Force and U.S. Border Patrol. *United States v. Juan L. Sanchez* (D. Arizona)

The image shows a close-up of a 'Claim for Compensation' form. The form is titled 'Claim for Compensation' and is from the 'U.S. Department of Employment Standards Administration, Office of Workers' Compensation'. It is divided into two main sections: 'SECTION 1' and 'SECTION 2'. 'SECTION 1' is labeled 'EMPLOYEE PORTION' and contains fields for 'a. Name of Employee' (with sub-fields for Last, First, and Middle) and 'b. Mailing Address (Including City, State, ZIP Code)'. There is also a field for 'E-Mail Address (Optional)'. 'SECTION 2' is labeled 'Compensation is claimed for:' and contains a checkbox for 'a. Leave without pay' and a checkbox for 'b. ...'. There is also a field for 'd. Date of Injury' with sub-fields for Month, Day, and Year. The form is partially obscured by a pen and other documents.

The Department Could Do More to Assist Energy Employees Occupational Illness Compensation Program Claimants and Improve Timeliness

We conducted an evaluation of the Energy Employees Occupational Illness Compensation Program (EEOICP) in response to requests from Senator Charles Schumer and Congressman Bill Young. Our objectives were to determine whether claim decisions complied with applicable law and regulations and whether DOL ensured that claims were adjudicated promptly and claimants were kept informed.

We also reviewed allegations from a former Seattle District Office employee that claimed examiners had been directed to inappropriately deny claims and that 85 to 90 percent of claim files contained errors. We did not substantiate the allegation that claims examiners had been directed to inappropriately deny claims. Additionally, our review of claims processed by the Seattle District Office found that decisions were adequately supported with required evidence.

We found that DOL's decisions to accept or deny claims reviewed in our sample complied with applicable law and regulations. The decisions were based on evidence supplied by or obtained on behalf of claimants and followed a deliberative process with several layers of review. Furthermore, we verified that there was a deliberative process to ensure that District Office personnel thoroughly and properly developed each claim.

Although the EEOICP program has made progress in reducing the time it takes to adjudicate claims, we found that DOL can and should do more to further reduce the time it takes to process claims. Specifically, DOL should take the following steps: measure timeliness; better utilize Resource Centers; obtain claimant information earlier through comprehensive interagency agreements and better information collection; manage claims examiners' workloads; and improve communication with claimants. We also found that

DOL does not have an overall measure of how long it takes from application to final decision and payment in order to present a complete picture of how well the program is serving claimants. Finally, we believe to further reduce claim processing time DOL can and should do more to assist claimants in developing their claims and to better educate applicants on general program requirements.

We made six recommendations to ESA designed to further reduce the time required to process claims; better utilize Resource Centers; and increase contact with claimants to keep them informed of the status of their claims. ESA disagreed with our conclusions regarding the timeliness of the program in adjudicating claims, but did concur with most of the recommendations and, in some cases, already has efforts for improvement underway. (Report No. 04-09-002-04-437, November 12, 2008)

Departmental Management



OSHA Violated Procurement Requirements in its Administration of a Blanket Purchase Agreement

We conducted a performance audit concerning possible contracting improprieties in OSHA's administration of a Blanket Purchase Agreement (BPA) and related task orders between OSHA and Global Management Systems. The Department's Solicitor referred these allegations to the OIG, which concerned OSHA's use of the BPA to fulfill a request by former Assistant Secretary Edwin Foulke, Jr., to procure the services of Mr. Randy Kimlin.

Our audit objective was to determine whether there were violations or irregularities in OSHA's administration of the BPA and related task orders. The audit focused on costs totaling \$681,379 invoiced for Mr. Kimlin's time and travel from April 2006 through July 2008. We found that OSHA had used the BPA to fulfill Mr. Foulke's request to specifically procure consulting services from Mr. Kimlin. We had three specific findings.

First, we found that OSHA approved a consultant position that was not within the scope of the BPA. This occurred because OSHA wanted to expedite then Assistant Secretary Foulke's request to procure consulting services from Mr. Kimlin.

Second, we found that OSHA could not demonstrate that it received any services or work products for the \$681,379 it paid to Mr. Kimlin. OSHA could not provide evidence of any products or deliverables that Mr. Kimlin produced. Additionally, OSHA could not provide an independent record of

hours Mr. Kimlin worked. This occurred because OSHA did not ensure that the task order statement of work contained specific duties and work products expected from Mr. Kimlin. Furthermore, OSHA did not follow policies and procedures to ensure that time charged to task orders was accounted for and accurately reflected in invoices. As a result, OSHA cannot show that \$572,946 in labor hours and \$108,434 in travel expenses invoiced by Mr. Kimlin was appropriate. Finally, we found that OSHA authorized payment for charges that were not allowed under the conditions of the BPA.

We made three recommendations to OSHA to: work with Office of the Assistant Secretary for Administration and Management (OASAM) procurement officials to develop an internal policy for obtaining consulting services that complies with applicable Federal regulations and DOL policies; recover questioned costs of \$681,379; and ensure OSHA managers and supervisors do not bypass control procedures already in place for administering contracts. In addition, this matter was referred to the OIG-Office of Inspections and Special Investigations (OIG-OISI). OSHA agreed with the recommendations except for the recovery of payments for Mr. Kimlin's labor and travel costs. OSHA deferred making a final response on the recommended recovery until OIG-OISI completes its investigation of the matter. (Report No. 03-09-002-10-001, March 31, 2009)

“ . . . we found that OSHA could not demonstrate that it received any services or work products for the \$681,379 it paid to Mr. Kimlin. OSHA could not provide evidence of any products or deliverables that Mr. Kimlin produced.”

The DOL Security Program Does Not Result in Full Implementation of Minimum Security Controls

As required by the Federal Information Security Management Act (FISMA), the OIG conducted an audit to determine whether the Department and its component agencies were meeting requirements related to FISMA. We tested seven information systems across seven DOL component agencies, as well as Department-wide security controls. We found that the Department's security controls over its information systems did not comply fully with FISMA.

We determined a significant deficiency existed in the Department's full implementation of minimum security

controls. We identified pervasive and obvious weaknesses across seven information systems at seven component agencies in the areas of access controls; configuration management; certification, accreditation, and security assessment; contingency planning; and incident response. The recurring cycle of the same weaknesses, especially obvious access control vulnerabilities identified since FY 2006, demonstrated that the Department had not adequately implemented and monitored information security controls. Component agency and departmental management were unaware of the security vulnerabilities that otherwise could have been identified by an effective monitoring process. As a result, DOL may not be able to protect the confidentiality, integrity, and availability of its IT environment.

We made three recommendations to the Chief Information Officer to: develop a continuous monitoring framework for the program component agencies to mitigate existing weaknesses in the control environment; increase the depth and coverage of the Security Control Test and Evaluation risk-based monitoring process to include more testing of high-risk control families to ensure they are free from obvious errors; and provide specific IT training to cognizant officials on risk assessment, implementation, testing, and continuous monitoring of information security controls outlined in the National Institute of Standards and Technology Special Publication 800-53, Recommended Security Controls for Federal Information Systems. The Office of the Chief Information Officer agreed with the recommendations and has established corrective action plans with specific milestones to address them. (Report No. 23-09-001-07-001, November 26, 2008)



“As a result, DOL may not be able to protect the confidentiality, integrity, and availability of its IT environment.”

DOL’s National Transit Subsidy Program is at Risk for Abuse

We conducted an audit of the Department’s transit subsidy program for the period January 1, 2008, through July 31, 2008. During this time DOL distributed \$1.5 million in transit subsidy benefits to its employees in its national office. Our objective was to determine if the Department properly implemented programs internal controls prescribed by OMB.

Based on our review of 159 statistically sampled transit subsidy applications, we found that DOL had not effectively implemented 6 of the 10 minimum required internal controls prescribed by OMB. Specifically, we found that: (1) benefits were not adjusted due to travel, leave, or change of address for any employees; (2) applicants were not checked

against parking benefits records; twenty-seven employees were on both the transit subsidy and parking permit lists; (3) commuting-cost breakdowns were not done for any of the applications; (4) commuting costs were not verified by an approving official for 106, or 67 percent, of the applications; (5) eligibility was not verified by an approving official for 14, or 9 percent, of the applications; and (6) four employees who no longer worked at the Department were still authorized to receive a transit subsidy in the May 2008 Smart Benefit database.

We also identified four additional control deficiencies that put the national transit subsidy program at risk for abuse. These deficiencies

occurred because management did not enforce the suspension of transit benefits; recertify applications annually; perform automated edit checks to prevent overpayments; or have a policy to control blank SmarTrip cards. As a result, the transit subsidy program is at risk for abuse.

After we completed the audit, the Department transferred responsibility for the transit subsidy program from OASAM to the Office of the Chief Financial Officer (OCFO). We made nine recommendations to the CFO to improve internal controls related to the program. The Acting CFO generally agreed with the findings and has taken

actions or plans to take actions to address the findings and recommendations to ensure compliance with the prescribed OMB internal controls and improve other controls over the national transit subsidy program.

In addition, we forwarded our report to OASAM and BLS and recommended that they assess DOL's regional program and BLS' program for the same issues we identified at the national office. OASAM's Acting Assistant Secretary has initiated actions to strengthen internal controls and ensure the effective administration of the regional transit subsidy program in order to comply with our recommendation. (Report No. 02-09-202-13-001, March 31, 2009)



ILAB Could Further Improve Oversight of Attestation Engagements

The Bureau of International Labor Affairs (ILAB) funds technical assistance projects throughout the world. In FYs 2004 through 2008, ILAB awarded 30 cooperative agreements totaling more than \$134 million for its Child Labor Education Initiative. The Child Labor Education Initiative aims to eliminate child labor through programs that improve access to basic education in international areas with high rates of abusive and exploitative child labor.

In response to OIG's major management challenges concerning the adequacy of single audits to meet the audit coverage and financial management requirements of DOL grantor agencies, in September 2004 ILAB acquired the services of an Independent Public Accounting Firm (IPA) to review selected Education Initiative cooperative agreements. The objective of the IPA reviews, or attestation engagements, is to assess whether the cooperative agreement recipients complied with applicable financial regulations and accurately

measured program performance.

We conducted an audit to determine whether ILAB's oversight of the IPA's work was sufficient to ensure that the IPA complied with Government Auditing Standards. Compliance with Government Auditing Standards is important, as it provides ILAB with assurance that it can rely on the results reported by the IPA.

We found that ILAB could improve its oversight by ensuring that quality assurance policies and procedures are included in the IPA's contract, systematically conducting and documenting reviews of IPA working papers, and requiring the IPA to submit external peer review reports.

We made three recommendations to ILAB to improve its oversight of the IPA's work. ILAB concurred with our recommendations and stated it has initiated or planned several corrective actions. (Report No. 05-09-004-01-070, March 31, 2009)

FINANCIAL MANAGEMENT - Consolidated Financial Statement Audit

The Department received an unqualified opinion on its annual consolidated financial statements for the 12th consecutive year. OIG contracted with KPMG, LLP to audit these statements. KPMG issued an unqualified opinion and concluded that DOL's financial statements were presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Significant Deficiencies

In considering internal control over financial reporting, KPMG identified three significant deficiencies that were repeated from prior years; however, none of the significant deficiencies were believed to be material weaknesses. The three repeat significant deficiencies, as detailed below, continue to require management's attention.

1. Lack of Adequate Controls over Access to Key Financial and Support Systems

KPMG noted continuing problems with account management, configuration management, and review of system audit logs that increase the likelihood someone could gain unauthorized access to DOL's financial systems. Examples of account management weaknesses included certain terminated personnel having active system accounts, and in some cases, terminated employees had accessed systems after their termination date, and certain human resources personnel having access to both create and approve personnel action requests. Configuration management weaknesses included weak password settings that did not comply with DOL security policy and inactive accounts that were not disabled or deleted in a timely manner. KPMG also noted that system audit logs monitoring user and administrator activity and failed login attempts were not reviewed, and audit logs were not secured against editing by system administrators. These access control weaknesses could result in users having inappropriate access to financial systems; lack of completeness, accuracy or integrity of financial data, and/or undetected unusual activity within financial systems. KPMG made 14 new recommendations related to access controls and also noted that 30 prior-year, agency-specific recommendations related to access controls remained uncorrected by agency management.

2. Weakness Noted over Payroll Accounting

DOL relies on the U.S. Department of Agriculture's National Finance Center (NFC) to process its payroll and should have controls in place to ensure the accuracy and reliability of the payroll transactions processed by NFC. The OCFO implemented revised policies and procedures in October 2007 requiring agencies to review Time and Attendance Reconciliation Reports and research and resolve any differences between information sent to NFC and that received and processed by NFC. The OCFO also performed department-wide monitoring to ensure that the reviews were completed. However, KPMG noted that the policies and procedures issued and related reviews and audits appeared to reconcile and certify time and attendance records only. The lack of reconciliations for payroll-related items other than time and attendance increases the risk that payroll-related items, such as gross pay and benefit withholdings, may be misstated and go undetected. To reduce this risk, the OCFO needs to ensure that all Human Resources offices are reconciling all payroll information, not only time and attendance records, provided to the NFC to the payroll information processed by NFC for each pay period; ensure these reconciliations are documented, reviewed, and approved by an

appropriate supervisor; and update DOL's current policies and procedures to reflect these changes.

3. Lack of Segregation of Duties over Journal Entries

The OCFO did not provide documentation for 134 of 215 journal entries that KPMG selected for review to support that these journal entries were reviewed by a supervisor or someone other than the preparer before they were posted to the DOL Accounting Related Systems (DOLAR\$). Furthermore, KPMG noted that 8 journal entries were posted to DOLAR\$ prior to review and approval as evidenced by the signatures on the cover sheets of the journal entries. By allowing journal entries to be posted without proper review and approval and allowing individuals the authority to prepare and approve their own transactions in DOLAR\$, there is an increased risk that a material error would not be prevented or detected and corrected in a timely manner.

The OCFO stated that DOL's new core financial management system, to be implemented in October 2009, will require electronic approval by someone other than the preparer before journal entries are posted. Therefore, DOL did not plan to implement the recommendation to reconfigure DOLAR\$ so that journal entries entered into DOLAR\$ are approved electronically by an individual other than the preparer before posting. (Report No. 22-09-002-13-001, November 17, 2008)



Single Audits

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

Single Audits Identify Material Weaknesses and Significant Deficiencies in 56 of 90 Reports

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

the reports comply with the requirements of A-133.

In the 90 audit reports reviewed this period, covering DOL expenditures of more than \$10.2 billion during audit years 2003 through 2007, the auditors issued 36 qualified opinions on awardees' compliance with Federal grant requirements, on their financial statements, or both. In particular, the auditors identified 107 findings and more than \$5.8 million in questioned costs in 42 of the 90 reports reviewed as material weaknesses or significant deficiencies, indicating serious concerns about the auditee's ability to manage DOL funds and comply with the requirements of major grant programs. We reported these 107 findings and 188 related recommendations to DOL managers for corrective action. Furthermore, although the responsibility for oversight of subgrantees rests with the grantees, we provided DOL managers 14 advisory memoranda for subgrantees that also had material weaknesses or significant deficiencies. Not correcting these deficiencies could lead to future violations and improper charges.

The Quality of Single Audits Continues to be Deficient

During the period, we issued three reports of our reviews of auditors' reports and supporting audit documentation. The purpose of the reviews was to determine whether: (1) the audits were conducted in accordance with applicable standards and met the single audit requirements; (2) any follow-up work was needed; and (3) there were any issues that may require management's attention.

For all three audits, the audit work performed was not acceptable and did not meet the requirements of the Single Audit Act and A-133. Additional work was required to bring the audits into compliance with the requirements of the Single Audit Act. In two instances, we made recommendations that could improve the quality of future audits.

For one of the audits we reviewed, the deficiencies noted were so significant that it necessitated our office refer the audit firm to the Professional Ethics Division of the American Institute of Certified Public Accountants

and the New York, State Education Department, Office of the Professions. Specifically, the firm did not: (1) include its audits of the grantee for consideration in its 2003 peer review or make an accurate representation to the peer reviewer; (2) adequately plan and document its review of internal controls for each major program; (3) perform sufficient work to render an opinion on each major program; or (4) mention a management letter in the audit report, as required. Since the audit performed was not acceptable, additional work would be required in order for the audit to meet the requirements of the Single Audit Act and A-133. Furthermore, the issues listed above were so significant that the grantee was required to either work with the auditor on correcting the deficiencies, or procure a new audit for the same time period.

Legislative Recommendations

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

Allow DOL Access to Wage Records

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

In addition, a provision in the State Unemployment Tax Authority Dumping Prevention Act of 2004 (Public Law 108-295) enables state agencies responsible for the administration of unemployment compensation

programs to obtain access to the NDNH. By cross-matching UI claims against this new-hire data, states can better detect overpayments to UI claimants who have gone back to work but who continue to collect UI benefits. However, this law does not provide DOL nor the OIG with access to the NDNH. To make the new hire data even more useful for this purpose, legislative action is needed that requires employers to report a new hire's first day of earnings and provide a clear, consistent, nationwide definition for this date. Moreover, access to SSA and UI data would allow the Department to measure the long-term impact of employment and training services on job retention and earnings. Outcome information of this type for program participants is otherwise difficult to obtain.

Amend Pension Protection Laws

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

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

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

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

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

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

If DOL is to have a meaningful role in the H-1B specialty occupations foreign labor certification process, it must have the statutory authority to ensure the integrity of that process, including the ability to verify the accuracy of information provided on labor condition applications. Currently, DOL is statutorily required to certify such applications unless it determines them to be "incomplete or obviously inaccurate." Our

concern with the Department's limited ability to ensure the integrity of the certification process is heightened by the results of OIG analysis and investigations that show the program is susceptible to significant fraud and abuse, particularly by employers and attorneys.

The OIG also recommends that ETA should seek the authority to bar employers and others who submit fraudulent applications

to the foreign labor certification program.

The OIG recommends that DOL consider, in conjunction with U.S. Citizenship and Immigration Services (USCIS), a legislative proposal that would require foreign nationals to have their eligibility determined by USCIS before the employer's labor certification application is reviewed by DOL.



Enhance the WIA Program Through Reauthorization

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



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

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

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

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

Improve the Integrity of the FECA Program

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

Move claimants into a form of retirement after a certain age if they are still injured.

Return a three-day waiting period to the beginning of the 45-day continuation-of-pay process to require employees to use accrued sick leave or leave without pay before their benefits begin.

Grant authority to DOL to directly and routinely access Social Security wage records in order to identify claimants defrauding the program.

INDEX OF REPORTING REQUIREMENTS UNDER THE IG ACT OF 1978

REPORTING	REQUIREMENT	PAGE
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Section 5(a)(6)	List of Audit Reports	56
Section 5(a)(7)	Summary of Significant Reports	ALL
Section 5(a)(8)	Statistical Tables on Management Decisions on Questioned Costs	55
Section 5(a)(9)	Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	55
Section 5(a)(10)	Summary of Each Audit Report over Six Months Old for Which No Management Decision Has Been Made	59
Section 5(a)(11)	Description and Explanation of Any Significant Revised Management Decision	NONE
Section 5(a)(12)	Information on Any Significant Management Decisions With Which the Inspector General Disagrees	NONE

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

Funds Put to Better Use Implemented by DOL		
	Number of Reports	Dollar Value (\$ millions)
For which final action had not been taken as of the commencement of the reporting period	5	10.6
For which management or appeal decisions were made during the reporting period	0	0
Subtotal	5	10.6
For which final action was taken during the reporting period:		
• Dollar value of recommendations that were actually completed	1	5
• Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		0
For which no final action had been taken by the end of the period	4	5.6

Resolutions Activity: Questioned Costs		
	Number of Reports	Dollar Value (\$ millions)
For which no management decision had been made as of the commencement of the reporting period (as adjusted)	17	18.5
Issued during the reporting period	13	20.5
Subtotal	30	39
For which a management decision was made during the reporting period:		
• Dollar value of costs disallowed		0.3
• Dollar value of costs not disallowed		3.4
For which no management decision had been made as of the end of the reporting period	18	35.3
For which no management decision had been made within six months of issuance	4	14.7

Resolutions Activity: Disallowed Costs		
	Number of Reports	Dollar Value (\$ millions)
For which final action had not been taken as of the commencement of the reporting period (as adjusted)*	84	39.2
For which management or appeal decisions were made during the reporting period	11	0.6
Subtotal	95	39.8
For which final action was taken during the reporting period:		
• Dollar value of disallowed costs that were recovered		1.2
• Dollar value of disallowed costs that were written off by management		1.5
• Dollar value of disallowed costs that entered appeal status		0
For which no final action had been taken by the end of the reporting period	76	37.1

* These figures are provided by DOL agencies and are unaudited. Does not include \$1.8 million of disallowed costs that are under appeal. Partial recovery/write-offs are reported in the period in which they occur. Therefore, many audit reports will remain open awaiting final recoveries/write-offs to be recorded.

FINAL AUDIT REPORTS ISSUES

Program Name Report Name	# of Nonmonetary Recommendations	Questioned Costs (\$)
Employment and Training Programs		
Job Corps Program		
Job Corps' Reported Performance Measures Did Not Comply With All Legislative Reporting Requirements; Report No. 04-09-003-01-370; 03/23/09	1	0
Performance Audit of Management and Training Corporation Job Corps Centers; Report No. 26-09-001-01-370; 03/31/09	5	63,943
Welfare-to-Work		
The City of Atlanta, Georgia Did Not Adequately Manage Welfare-to-Work and Workforce Investment Act Grants; Report No. 04-09-001-03-001; 11/17/08	4	11,343,253
Workforce Investment Act		
Audit of the DOL Earmarked Grants Awarded to the West Virginia High Technology Consortium Foundation; Report No. 03-09-001-03-390; 03/31/09	5	829,890
A Conflict of Interest Existed in the Procurement and Administration of Indiana Department of Workforce Development's Workforce Investment Act Case Management System; Report No. 05-09-001-03-390; 12/17/08	2	1,800,000
Goal Totals (5 Reports)	17	14,037,086
Worker Benefit Programs		
Unemployment Insurance Service		
Enhanced Oversight Will Improve State Workforce Agencies' Use of the National Directory of New Hires to Prevent and Detect Unemployment Compensation Overpayments; Report No. 06-09-002-03-315; 03/31/09	4	0
Unemployment Insurance Systems' Information Technology Contingency Plans Need Improvement; Report No. 23-09-002-03-315; 03/31/09	1	0
Federal Employees' Compensation Act		
Special Report Relating to the Federal Employees' Compensation Act Special Benefit Fund; Report No. 22-09-001-04-431; 10/27/08	1	0
Longshore and Harbor Workers' Compensation		
Longshore and Harbor Workers' Compensation Act Special Fund Financial Statement and Independent Auditors' Report; Report No. 22-09-004-04-432; 02/20/09	0	0
District of Columbia Workmens' Compensation Act Special Fund Financial Statement and Independent Auditors' Report; Report No. 22-09-005-04-432; 02/20/09	0	0
Employee Benefits Security Program		
EBSA Could More Effectively Evaluate Enforcement Project Results; Report No. 05-09-003-12-001; 03/31/09	3	0
Goal Totals (6 Reports)	9	0
Worker Safety, Health and Workplace Rights		
International Labor Affairs		
ILAB Could Further Improve Oversight of Attestation Engagements; Report No. 05-09-004-01-070; 03/31/09	3	0
Occupational Safety and Health		
Strengthening Formal Written Procedures May Decrease the Possibility of Inconsistencies Occurring in Survey of Occupational Injuries and Illnesses Data Releases; Report No. 02-09-201-11-001; 03/31/09	1	0
Employers with Fatalities Were Not Always Properly Identified and Inspected Under OSHA's Enhanced Enforcement Program; Report No. 02-09-203-10-105; 03/31/09	6	0
Goal Totals (3 Reports)	10	0
Departmental Management		
Office of the Assistant Secretary for Administration and Management		
Findings Over General and Application Controls for Selected DOL Information Technology Systems Identified in an Audit of the Consolidated Financial Statements for the Year Ended September 30, 2008; Report No. 22-09-007-07-001; 02/09/09	39	0
The Department of Labor Security Program Does Not Result in Full Implementation of Minimum Security Controls; Report No. 23-09-001-07-001; 11/26/08	3	0
Occupational Safety and Health		
Procurement Violations and Irregularities Occurred in OSHA's Oversight of a Blanket Purchase Agreement; Report No. 03-09-002-10-001; 03/31/09	2	681,379
Office of the Chief Financial Officer		
Ineffective Implementation of OMB Internal Controls and Other Deficiencies Put the Transit Subsidy Program at Risk for Abuse; Report No. 02-09-202-13-001; 03/31/09	10	0
Independent Auditors' Report on the U.S. Department of Labor's FY 2008 Consolidated Financial Statements; Report No. 22-09-002-13-001; 11/17/08	0	0
Management Advisory Comments Identified in an Audit of the Consolidated Financial Statements for the Year Ended September 30, 2008; Report No. 22-09-006-13-001; 03/18/09	47	0
Goal Totals (6 Reports)	101	681,379
Final Audit Report Totals (20 Reports)	137	14,718,465

SINGLE AUDIT REPORTS PROCESSED

Program Name Report Name	# of Nonmonetary Recommendations	Questioned Costs (\$)
Employment and Training Programs		
Veterans Employment and Training Service		
Single Audit: American GI Forum National Veterans Outreach Program, Inc.; Report No. 24-09-527-02-001; 12/11/09	1	0
Employment and Training - Multiple Programs		
Single Audit: State of Alaska; Report No. 24-09-500-03-001; 10/09/08	4	0
Single Audit: State of North Carolina; Report No. 24-09-502-03-001; 10/09/08	4	164
Single Audit: State of Iowa; Report No. 24-09-504-03-001; 10/17/08	4	0
Single Audit: State of Colorado; Report No. 24-09-507-03-001; 10/09/08	4	0
Single Audit: National Able Network, Inc., and Its Subsidiary; Report No. 24-09-510-03-001; 10/16/08	3	0
Single Audit: AARP Foundation, Fiscal Year 2006; Report No. 24-09-512-03-001; 10/16/08	12	9,835
Single Audit: State of Ohio; Report No. 24-09-517-03-001; 10/21/08	30	0
Single Audit: Vermont Associates for Training and Development, Inc.; Report No. 24-09-520-03-001; 10/17/08	7	0
Single Audit: Oglala Sioux Tribe; Report No. 24-09-522-03-001; 11/20/08	15	2,495,145
Single Audit: Commonwealth of Pennsylvania; Report No. 24-09-523-03-001; 10/23/08	6	1,053,675
Single Audit: Government of the District of Columbia; Report No. 24-09-537-03-001; 01/16/09	7	2,189,160
Trade Adjustment Assistance Program		
Single Audit: State of Tennessee; Report No. 24-09-505-03-330; 10/09/08	6	0
Indian and Native American Program		
Single Audit: United Indian Nations, Inc.; Report No. 24-09-511-03-355; 10/16/08	1	0
Single Audit: American Indian Community House, Inc.; Report No. 24-09-515-03-355; 10/17/08	2	0
Older Worker Program		
Single Audit: AARP Foundation, Fiscal Year 2007; Report No. 24-09-530-03-360; 12/11/08	14	0
Single Audit: Senior Service America, Inc.; 24-09-531-03-360; 12/11/08	1	0
Seasonal Farmworker Programs		
Single Audit: Mississippi Delta Council for Farm Workers Opportunities, Inc., Fiscal Year 2006; Report No. 24-09-516-03-365; 10/17/08	1	0
Single Audit: Mississippi Delta Council for Farm Workers Opportunities, Inc., Fiscal Year 2007; Report No. 24-09-539-03-365; 02/03/09	3	0
Workforce Investment Act		
Single Audit: State of Maryland; Report No. 24-09-501-03-390; 10/09/08	2	0
Single Audit: State of Delaware; Report No. 24-09-503-03-390; 10/09/08	1	0
Single Audit: State of Indiana; Report No. 24-09-506-03-390; 10/09/08	1	0
Single Audit: The Latino Coalition for Faith and Community Initiatives; Report No. 24-09-508-03-390; 10/09/08	3	0
Single Audit: College of the Mainland; Report No. 24-09-509-03-390; 10/09/08	1	0
Single Audit: City and County of Denver; Report No. 24-09-513-03-390; 10/17/08	3	0
Single Audit: Crater Regional Workforce Investment Board and Learn to Earn, Inc.; Report No. 24-09-514-03-390; 10/17/08	1	0
Single Audit: City of Richmond; Report No. 24-09-518-03-390; 10/21/08	2	0
Single Audit: The Bridge; Report No. 24-09-521-03-390; 10/23/08	4	0
Single Audit: State of Vermont; Report No. 24-09-524-03-390; 10/24/08	3	0
Single Audit: Commonwealth of Puerto Rico Human Resources and Occupational Development Council; Report No. 24-09-525-03-390; 11/04/08	1	0
Single Audit: InterTribal Bison, Inc.; Report No. 24-09-528-03-390; 11/19/08	1	0
Single Audit: CLC, Inc.; Report No. 24-09-529-03-390; 11/19/08	6	0
Single Audit: Operation Hope, Inc.; Report No. 24-09-532-03-390; 12/11/08	2	0
Single Audit: Sisseton-Wahpeton Oyate, Fiscal Year 2006; Report No. 24-09-533-03-390; 12/11/08	1	0
Single Audit: San Carlos Apache Tribe Workforce Investment Act Program; No. 24-09-534-03-390; 12/11/08	4	0
Single Audit: Comanche Nation, Fiscal Year 2006; Report No. 24-09-535-03-390; 12/16/08	1	0
Single Audit: Comanche Nation, Fiscal Year 2007; Report No. 24-09-536-03-390; 02/19/09	2	8,169
Single Audit: Chicago Technology Park Corporation; Report No. 24-09-538-03-390; 02/03/09	3	0
Single Audit: Automotive Youth Educational Systems, Inc.; Report No. 24-09-540-03-390; 02/26/09	1	0
Single Audit: City of Detroit; Report No. 24-09-541-03-390; 02/27/09	2	41,222
Single Audit: Sisseton-Wahpeton Oyate, Fiscal Year 2007; Report No. 24-09-542-03-390; 03/17/09	0	15,438
Single Audit: San Diego Workforce Partnership, Inc.; Report No. 24-09-543-03-390; 03/31/09	5	0
Goal Totals (42 Reports)	175	5,812,808
Worker Safety, Health and Workplace Rights		
International Labor Affairs		
Single Audit: Partners of the Americas, Inc.; Report No. 24-09-519-01-070; 10/21/08	6	0
Goal Totals (1 Report)	6	0
Single Audit Report Totals (43 Reports)	181	5,812,808

OTHER AUDIT REPORTS

<u>Program Name</u> <u>Report Name</u>	# of Nonmonetary Recommendations	Questioned Costs (\$)
Employment and Training Programs		
Employment and Training - Multiple Programs		
Quality Control Review: Single Audit of the Consortium for Worker Education (CWE Financial Statements for the Years Ended December 31, 2004 and 2003; Report No. 24-09-002-03-001; 12/10/08	1	0
Senior Community Service Employment Program		
Quality Control Review: Single Audit of Experience Works, Inc., Financial Statements, Schedule of Expenditures of Federal Awards, Reports Required by Government Auditing Standards and OMB Circular A-133 for Year Ended 30, 2007; Report No. 24-09-004-03-360; 02/06/09	7	0
Senior Community Service Employment Program Antideficiency Act Violation; Report No. 25-09-001-03-360; 11/21/08	0	0
Workforce Investment Act		
Quality Control Review: Single Audit of the Job Service North Dakota Financial Report for the Years Ending June 30, 2005 and 2004; Report No. 25-09-001-03-390; 12/09/08	7	0
Goal Totals (4 Reports)	15	0
Worker Benefit Programs		
Energy Occupational Illness Compensation Program		
Energy Employees Occupational Illness Compensation Program - DOL Could Do More to Assist Claimants and Further Improve Timeliness; Report No. 04-09-002-04-437; 11/12/08	6	0
Goal Totals (1 Report)	6	0
Worker Safety, Health and Workplace Rights		
Mine Safety and Health		
Complaints Received from The American Coal Company; Report No. 05-09-002-06-001; 01/09/09	5	0
Goal Totals (1 Report)	5	0
Departmental Management		
ETA Management		
ETA Information System Recommendations Pertaining to the Financial Reporting in the Department's Performance and Accountability Report Audit; Report No. 22-09-011-03-001; 10/27/08	0	0
ESA Management		
ESA Information System Recommendations Pertaining to the Financial Reporting in the Department's Performance and Accountability Report Audit; Report No. 22-09-010-04-001; 10/27/08	0	0
Office of the Assistant Secretary for Administration and Management		
OASAM Information System Recommendations Pertaining to the Financial Reporting in the Department's Performance and Accountability Report Audit; Report No. 22-09-012-07-001; 10/28/08	0	0
Office of the Chief Financial Officer		
OCFO Information System Recommendations Pertaining to the Financial Reporting in the Department's Performance and Accountability Report Audit; Report No. 22-09-009-13-001; 10/31/08	0	0
Goal Totals (4 Reports)	0	0
Other Report Totals (10 Reports)	26	0

UNRESOLVED AUDIT REPORTS

Agency/ Program	Date Issued	Name of Audit	# of Recommendations	Questioned Costs (\$)
Nonmonetary Recommendations and Questioned Costs				
OIG Conducting Followup Work During FY 2009 Financial Statement Audits				
CFO/Admin	3/20/2008	FY 2007 Consolidated Financial Statements Management Advisory Comments: Report No. 22-08-006-13-001	3	0
Final Management Decision Issued by Agency Did Not Resolve; OIG Negotiating with Program Agency				
OSAM/DIRM	3/31/2005	Award and Management of Contracts for Encryption Software Were Significantly Flawed; Report No. 05-05-005-07-720	1	0
MSHA/Admin	10/29/2004	MSHA Procurements Showed a Pattern of Disregard for Federal and Department of Labor Acquisition Rules and Requirements; Report No. 25-05-001-06-001	1	0
MSHA/Admin	9/29/2006	Coal Mine Hazardous Condition Complaint Process Should Be Strengthened; Report No. 05-06-006-06-001	1	0
MSHA/Admin	3/31/2008	MSHA Roof Control Plan at Crandall Canyon Mine; Report No. 05-08- 003-06-001	2	0
ETA/Admin	8/29/2008	Notifications of Finding and Recommendations Related to the FISMA Audit of the Foreign Labor Certification System; Report No. 23-08-008- 03-001	3	0
ETA/WIA	4/29/2008	Selected High Growth Job Training Initiative Grants: Value Not Demonstrated; Report No. 02-08-204-03-390	6	2,557,887
Final Management Decision Not Issued by Agency by Close of Period				
OSEC/JC	9/30/2008	Performance Audit of the USDA Forest Service Job Corps Center; Report No. 26-08-004-01-370	8	0
OSEC/JC	9/30/2008	Performance Audit of Applied Technology System, Inc. Job Corps Center; Report No. 26-08-005-01-370	7	680,098
ETA/Admin	9/24/2008	Single Audit: NAF Multicultural Human Development; Report No. 24- 08-542-03-001	2	0
ETA/SFP	9/3/2008	Single Audit: Illinois Migrant Council; Report No. 24-08-540-03-365	4	0
ETA/WIA	9/3/2008	Single Audit: Chicago Technology Park Corporation; Report No. 24-08- 538-03-390	3	0
ETA/WIA	9/24/2008	Single Audit: State of West Virginia; Report No. 24-08-554-03-390	10	0
ETA/WIA	9/30/2008	Single Audit: San Carlos Apache Tribe; Report No. 24-08-560-03-390	6	0
Agency Has Requested Additional Time to Resolve				
ETA/WIA	2/29/2008	Consortium for Workers Education Earmark Grant; Report No. 02-08- 203-03-390	5	11,264,554
ETA/SCSEP	9/30/2008	National Asian Pacific Center on Aging; Report No. 09-08-001-03-360	3	182,178
Total Nonmonetary Recommendations, Questioned Costs			65	14,684,717
Cost Efficiencies				
Total Cost Efficiencies			0	0
Total Audit Exceptions and Cost Efficiencies			65	14,684,717

INVESTIGATIVE STATISTICS

	Division Totals	Total
Cases Opened:		206
Program Fraud	152	
Labor Racketeering	54	
Cases Closed:		232
Program Fraud	175	
Labor Racketeering	57	
Cases Referred for Prosecution:		151
Program Fraud	105	
Labor Racketeering	46	
Cases Referred for Administrative/Civil Action:		80
Program Fraud	63	
Labor Racketeering	17	
Indictments:		228
Program Fraud	176	
Labor Racketeering	52	
Convictions:		238
Program Fraud	161	
Labor Racketeering	77	
Debarments:		24
Program Fraud	6	
Labor Racketeering	18	
Recoveries, Cost Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:		\$79,327,921 ¹
Program Fraud	\$30,633,017	
Labor Racketeering	\$48,694,904	

Recoveries: The dollar amount/value of an agency's action to recover or to reprogram funds or to make other adjustments in response to OIG investigations	\$2,774,329
Cost-Efficiencies: The one-time or per annum dollar amount/value of management's commitment, in response to OIG investigations, to utilize the government's resources more efficiently	\$6,600,394
Restitutions/Forfeitures: The dollar amount/value of restitutions and forfeitures resulting from OIG criminal investigations	\$52,589,037
Fines/Penalties: The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations	\$5,179,775
Civil Monetary Actions: The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, or other penalties resulting from OIG civil investigations	\$12,184,386
Total	\$79,327,921

¹ These monetary accomplishments include a \$25 million court-ordered Forfeiture Money Judgment filed against the defendant in *U.S. v. Eston Clare*. In this multi-agency task force investigation of employee benefit plan violations involving unionized oil truck drivers, evidence was uncovered related to a scheme to embezzle interstate shipments of heating oil. The \$25 million forfeiture represents proceeds of the sale of stolen oil.

OIG HOTLINE

The *OIG Hotline* provides a communication link between the *OIG* and persons who want to report alleged violations of laws, rules, and regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. During the reporting period October 1, 2008, through March 31, 2009, the *OIG Hotline* received a total of 1,789 contacts. Of these, 1,348 were referred for further review and/or action.

Complaints Received (by method reported):		Totals
Telephone		1,455
E-mail/Internet		160
Mail		97
Fax		77
Walk-In		0
Total		1,789
Contacts Received (by source):		Totals
Complaints from Individuals or Nongovernmental Organizations		1,743
Complaints/Inquiries from Congress		3
Referrals from GAO		6
Complaints from Other DOL Agencies		13
Incident Reports from DOL Agencies and Grantees		3
Referrals from OIG Components		4
Complaints from Other (non-DOL) Government Agencies		17
Total		1,789
Disposition of Complaints:		Totals
Referred to OIG Components for Further Review and/or Action		99
Referred to DOL Program Management for Further Review and/or Action		573
Referred to Non-DOL Agencies/Organizations		676
No Referral Required/Informational Contact		463
Total		1,811*

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

Office of Inspector General
United States Department of Labor

Report Fraud, Waste, and Abuse



Call the Hotline

202.693.6999

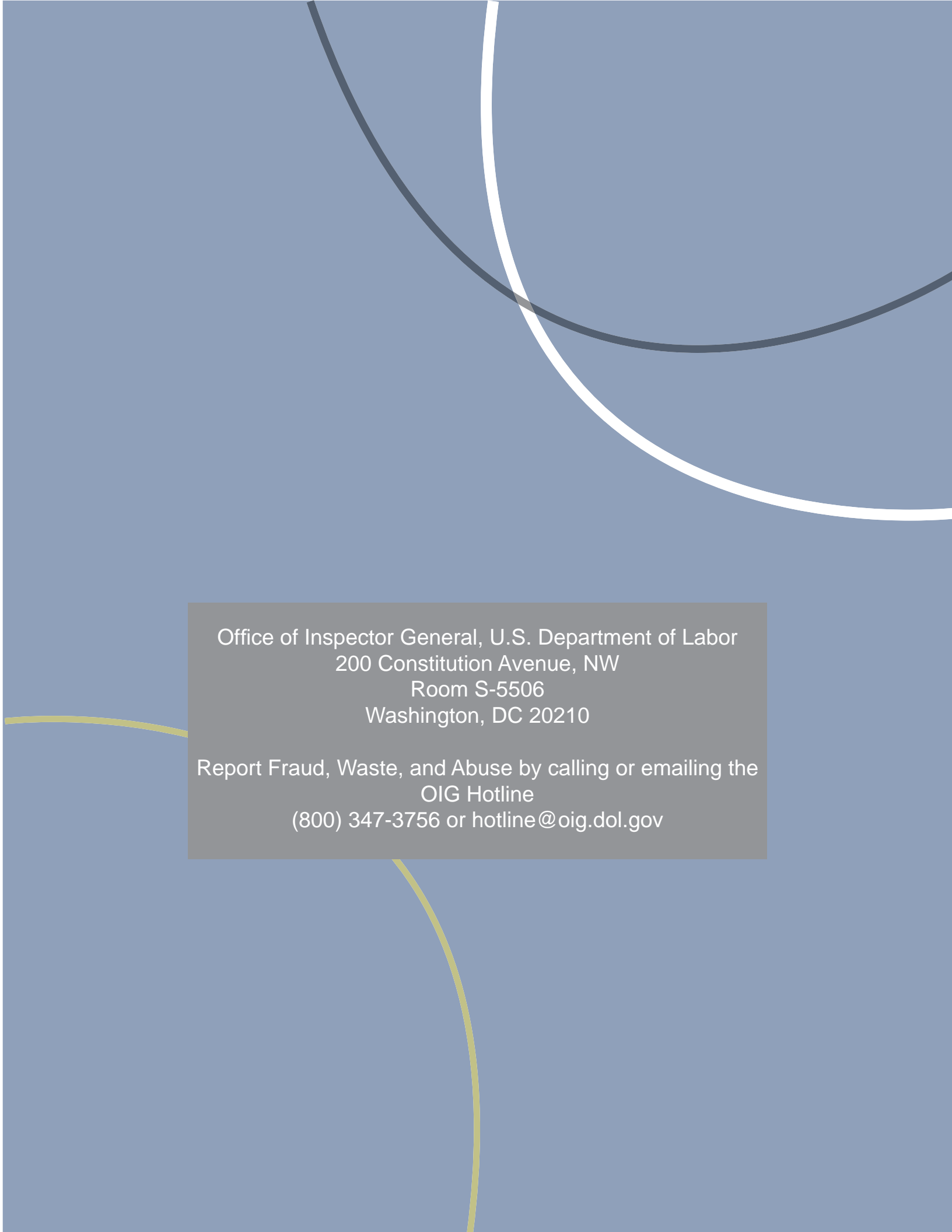
800.347.3756

Email: hotline@oig.dol.gov

Fax: 202.693.7020

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

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



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Report Fraud, Waste, and Abuse by calling or emailing the
OIG Hotline
(800) 347-3756 or hotline@oig.dol.gov