Semiannual Report to Congress

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

Volume 71

October 1, 2013 — March 31, 2014

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

A Message from the Inspector General

I am pleased to submit this *Semiannual Report* to the Department and the Congress, which highlights the most significant activities and accomplishments of the U.S. Department of Labor (DOL) – Office of Inspector General (OIG) for the six-month period ending March 31, 2014. Our audits and investigations continue to assess the effectiveness, efficiency, economy, and integrity of DOL's programs and operations. We also continue to investigate the influence of labor racketeering and organized crime with respect to internal union affairs, employee benefit plans, and labor-management relations.

During this reporting period, the OIG issued 21 audit and other reports, which among other things found the following:

- The use of an optional press lock-up to provide pre-release access for news organizations to DOL's Unemployment Insurance Claims Report may have provided a competitive trading advantage to these organizations and their clients.
- Employment and Training Administration grantees did not have proper controls in place to support payments made through On-the-Job Training National Emergency Grants, resulting in questioned costs of $362,267.
- More action is needed by the Mine Safety and Health Administration to strengthen the process for detecting and deterring underreporting of injuries and illnesses in the mining industry.
- The Occupational Safety and Health Administration could not ensure that only those employers with exemplary safety and health programs were allowed to remain in its Voluntary Protection Program.

The OIG's investigative work also yielded impressive results, with a total of 199 indictments, 234 convictions, and $33.8 million in monetary accomplishments. Highlights include the following:

- The former president of the Metal Polishers Union Local 8A-28A was sentenced to four years in prison and ordered to pay more than $800,000 in restitution for his involvement in multiple benefit plan embezzlement schemes.
- A Colorado business owner was sentenced to more than 10 years in prison for his role in an H-1B visa fraud scheme, after being found guilty of 89 counts of mail fraud, visa fraud, human trafficking, and money laundering.
- A Nevada woman was sentenced to 57 months in prison and ordered to pay more than $477,000 in restitution for stealing from the Unemployment Insurance program and other federal benefit programs.
- The former president of the Service Employees International Union Local 6434 was sentenced to 33 months in prison for stealing funds from the union.

These are some examples of the exceptional work done by our dedicated OIG staff. I would like to express my gratitude to them for their significant achievements during this reporting period.

I look forward to continuing to work constructively with the Department and the Congress on our shared goals of identifying improvements to DOL programs and operations, and protecting the rights and benefits of workers and retirees.

Scott S. Dahl
Inspector General

Contents

Selected Statistics

Investigative recoveries, cost-efficiencies, restitutions, fines and penalties, forfeitures, and civil monetary action[1]	$33.8 million
Investigative cases opened	178
Investigative cases closed	253
Investigative cases referred for prosecution	143
Investigative cases referred for administrative/civil action	89
Indictments	199
Convictions	234
Debarments	27
Audit and other reports issued	21
Total questioned costs[2]	$0.3 million
Outstanding questioned costs resolved during this period.	$11.2 million
Allowed	$6.7 million
Disallowed	$4.5 million

1 These monetary accomplishments do not include the following case, which involved the participation of DOL-OIG and other law enforcement agencies:

- The former owner of a construction company involved in a Disadvantaged Business Enterprise fraud scheme was ordered to pay criminal restitution of $119,409,724 to the U.S. Department of Transportation, jointly and severally with four other co-defendants.

2 As defined by the Inspector General Act, questioned costs include alleged violations of law, regulations, contracts, grants, or agreements; costs not supported by adequate documentation; or the expenditure of funds for an intended purpose that was unnecessary or unreasonable. Disallowed costs are costs that the OIG questioned during an audit as unsupported or unallowable and that the grant/contracting officer has determined the auditee should repay. The Department is responsible for collecting the debts established. The amount collected may be less than the amount disallowed, and monies recovered usually cannot be used to fund other program operations and are returned to the U.S. Treasury.

Significant Concerns

The Office of Inspector General (OIG) works with the Department of Labor (DOL) and Congress to provide information and recommendations that will be useful in their management or oversight of the Department. The OIG has identified the following significant concerns, which involve programs and functions that are particularly vulnerable to mismanagement, error, fraud, waste, or abuse. Most of these issues appear in our annual Top Management Challenges report required under the Reports Consolidation Act of 2000, which can be found at www.oig.dol.gov.

Protecting the Safety and Health of Workers

With more than 8 million establishments under the oversight of the Occupational Safety and Health Administration (OSHA), the OIG remains concerned with OSHA's ability to best target its compliance activities to those areas where they can have the greatest impact. OSHA carries out its enforcement responsibilities through a combination of self-initiated and complaint investigations but can reach only a fraction of the entities it regulates. Consequently, OSHA must strive to target the most egregious and persistent violators and protect the most vulnerable worker populations. We are also concerned with OSHA's ability to measure the impact of its policies and programs and those of the 21 states authorized by OSHA to operate their own safety and health programs.

Protecting the Safety and Health of Miners

The ability of the Mine Safety and Health Administration (MSHA) to effectively manage its resources to meet statutory mine inspection requirements while successfully administering other enforcement responsibilities is a concern for the OIG. Our audits have also shown that MSHA remains challenged in maintaining a cadre of experienced and properly trained enforcement staff to meet its statutory enforcement obligations. MSHA also faces challenges in attracting senior leadership as more top managers increasingly become eligible for retirement.

Improving Performance Accountability of Workforce Investment Act Grants

Another area of concern for the OIG is the Department's ability to ensure that Workforce Investment Act (WIA) grant programs are successful in training and placing workers in suitable employment in order to reduce chronic unemployment, underemployment, and reliance on social payments for the population it serves. Critical to this task is the Department's ability to obtain accurate and reliable data by which to measure, assess, and make decisions regarding the performance of grantees and states in meeting the programs' goals. In addition, our audit work over several decades, primarily as it relates to discretionary grants, has documented the difficulties encountered by the Department in obtaining quality employment and training providers; ensuring that performance expectations are clear to grantees and sub-grantees; providing

active oversight of the grant-making and grant execution process; disseminating proven strategies and programs for replication; and importantly, ensuring that training provided by grantees leads to placement in training-related jobs that reduce participants' reliance on social programs.

Ensuring the Effectiveness of the Job Corps Program

The OIG remains concerned with Job Corps' ability to provide safe residential and nonresidential education and training programs that truly assist at-risk, disadvantaged youth (ages 16 to 24) in turning their lives around. Our audits have demonstrated the challenge the program faces in obtaining and documenting desired program outcomes, to include placing students in training-related employment. Also of concern for the OIG are administrative and financial management weaknesses and, in particular, recent budget overruns that affected Job Corps program operations. Finally, we remain concerned with Job Corps' ability to provide rigorous oversight of contractors at all centers to ensure they provide a safe environment that is conducive to learning, improve the transparency and reliability of performance metrics and outcomes, and ensure that center operators and other service providers comply with applicable procurement requirements and provide the best value to the government.

Reducing Improper Payments

The Department's ability to identify and reduce the rate of improper payments in the Unemployment Insurance (UI), Federal Employees Compensation Act (FECA), and WIA programs continues to be a concern for the OIG. Notably, the Office of Management and Budget (OMB) has designated the UI and WIA programs as being at risk for improper payments. For fiscal year (FY) 2013, the Department reported improper payments totaling approximately $7.68 billion for the UI program, which are mainly the result of claimants who have returned to work and continue to claim UI benefits. OIG investigations also continue to uncover fraud committed by individual UI recipients who do not report or who underreport earnings, as well as fraud related to fictitious employer schemes. Similarly, we remain concerned with the Department's ability to identify the full extent of improper payments in the FECA and WIA programs. Our reviews of the Department's annual reporting on improper payments have noted limitations of the methodologies used to estimate improper payments in these programs.

Maintaining the Integrity of Foreign Labor Certification Programs

The Department's administration of the foreign labor certification process, which permits U.S. businesses access to foreign workers to meet their workforce needs while protecting the jobs and wages of U.S. workers, has been a concern the OIG has raised since the mid-1990s. Among our concerns is that DOL is statutorily required to certify H-1B applications unless it determines them to be "incomplete or obviously inaccurate." In addition, OIG investigations have shown the H-1B program to be susceptible to significant fraud and abuse, particularly by immigration attorneys, labor brokers, dishonest employers, and transnational organized crime groups. Our investigations have revealed schemes in which fraudulent applications were filed with DOL on behalf of fictitious companies, individuals, and unscrupulous businesses seeking to acquire foreign workers. In the H-2B program, we remain concerned about the sufficiency of recruitment efforts for U.S. workers before positions are filled by foreign workers,

as well as the need for the Department to move from the current attestation-based application process to a more compliance-based approach.

Ensuring the Security of Employee Benefit Plan Assets

The OIG remains concerned with DOL's ability to administer and enforce Employee Retirement Income Security Act (ERISA) requirements that protect benefit plans for approximately 141 million plan participants and beneficiaries. Among the Employee Benefits Security Administration's (EBSA's) challenges over the past couple of decades has been the fact that billions in pension assets held in otherwise regulated entities, such as banks, escape full audit scrutiny. These concerns were renewed by recent audit findings that as much as $3.3 trillion in pension assets received limited-scope audits, providing few assurances to participants as to the financial health of their plans. In addition, given the number of benefit plans that the agency oversees relative to the number of investigators, EBSA has to focus its available resources on investigations that it believes will most likely result in the deterrence, detection, and correction of ERISA violations. EBSA is further challenged by the many changes that have taken place in the employee benefit plan community since ERISA was enacted in 1974, such as the shift from defined-benefit retirement plans to defined-contribution retirement plans, as well as the large increase in the types and complexity of investment products available to pension plans. In particular, employee benefit plans have been investing more assets in hard-to-value alternative investments, such as real estate investment trusts and hedge funds. With the lack of formal regulatory guidance, as well as the prevalence of limited-scope audits, retirement plan administrators may not always have reliable information on the value of those investments. Finally, beginning in FY 2014, key provisions of the Affordable Care Act (ACA) will come into effect, and EBSA will be responsible for ensuring plan sponsors and their benefit plans comply with the new law.

Securing and Protecting Information Management Systems

Safeguarding data and information systems is a continuing challenge for all federal agencies, including DOL. Recent OIG audits have identified deficiencies in configuration management, account management, and vulnerability management, as well as security and access control weaknesses in key departmental financial and support systems. These deficiencies can pose an increased risk to the security of data and information maintained in DOL systems.

Ensuring the Effectiveness of Veterans' Employment and Training Services Programs

Providing meaningful employment and training services to military veterans and members transitioning to civilian employment remains a challenge for the Department. The Veterans' Employment and Training Service (VETS) issues grants to State Workforce Agencies to assist veterans in obtaining and maintaining gainful employment. Our audits have found that VETS needs to do a better job of ensuring that states are accurately assessing veterans' needs and documenting intensive service activities.

Significant Concerns

Improving IT Investment Management

Ensuring the proper management over new multimillion-dollar information technology (IT) systems is also of concern to the OIG. For example, our reviews of the Department's implementation of cloud e-mail services and the migration of its human resources services identified several system readiness, vendor contract compliance, and information security issues that needed to be addressed before final implementation.

We are also concerned that other significant IT investments were not always properly categorized to ensure they received the level of oversight that projects of their estimated cost should receive. The Department has several significant system development projects planned, including replacing its accounting system. In addition to proper and timely project management, having a separately designated Chief Acquisition Officer whose primary responsibility is acquisition management would help ensure issues involving contract planning and compliance are properly and promptly addressed.

Employment and Training Programs

Employment and Training Administration Programs

The Department's Employment and Training Administration (ETA) provides employment assistance, labor market information, and job training through the administration of programs authorized by the Workforce Investment Act of 1998 (WIA) for adults, youth, dislocated workers, and other targeted populations. WIA grant funds are allocated to state and local areas based on a formula distribution and through competitive grant awards to governmental and private entities.

Recovery Act: Outcomes from On-the-Job Training National Emergency Grants

In our audit of the use of American Recovery and Reinvestment Act of 2009 (Recovery Act) On-the-Job Training (OJT) National Emergency Grant (NEG) funds, we found that grantees had sufficient internal controls in place to ensure that sub-grantees and service providers enrolled only eligible participants, and the entered employment and retention percentages achieved for the long-term unemployed exceeded the agency's expectations. However, we identified improvements that ETA needs to make to better ensure that grantees comply with policy requirements and obtain adequate documentation to support payments to OJT employers. The grants allowed for sub-grantees and service providers to develop and implement their own contracts with employers, but these contracts were not consistently designed and implemented according to guidelines established by ETA. This resulted in questioned costs totaling $86,754. In addition, service providers did not have proper controls in place to ensure that reimbursements were made in accordance with the grant requirements and based on actual wages paid to participants. These instances of improper payments resulted in questioned costs of $275,513.

We recommended that ETA require grantees to follow ETA guidance and ensure that OJT contracts are designed in compliance with the terms and conditions of the grant, including documentation requirements. We also recommended that ETA recover $362,267 in questioned costs, as appropriate. ETA agreed with the recommendations. To view the report, including the scope, methodology, and full agency response, go to http://www.oig.dol.gov/public/reports/oa/2014/18-14-001-03-390.pdf (Report Number 18-14-001-03-390, March 25, 2014).

Michigan Trio Sentenced for Misuse of WIA Funding

Pamela Loving, former director of Career Alliance, was sentenced on December 3, 2013, to five years' probation for fraudulent use of WIA funds. QB Pittman, former chief financial officer of Career Alliance, was sentenced on October 24, 2013, to one year of probation for her role in the scheme. Helen Williams, former executive director of Flint Family Road, was sentenced on October 17, 2013, to two years' probation. Loving, Pittman, and Williams previously pled guilty to one count of misapplication of WIA funding. Loving was ordered to pay more than $586,000 in restitution to Genesee/Shiawassee Michigan Works. Of the $586,000, Loving was

ordered to pay more than $240,000 jointly and severally with Williams and more than $91,000 jointly and severally with Pittman.

Under the direction of Loving, Career Alliance, a Michigan Works agency receiving WIA funding, distributed funds to programs not sanctioned by ETA. Between July 2006 and May 2007, Loving directed Pittman to misapply WIA funds for training costs for individuals not associated with Career Alliance and used WIA funds for her personal expenses. Loving also devised a scheme with Williams to provide funding to Flint Family Road, an entity not eligible for WIA funding.

This was a joint investigation with the Federal Bureau of Investigation. *United States v. Pamela Loving* (E.D. Michigan)

Ohio Man Sentenced to 42 Months in Prison for Identity Theft and Bank Fraud Scheme

Ovell Harrison, former director of educational services at the Columbus Urban League, was sentenced on January 17, 2014, to three and a half years in prison and ordered to pay $85,181 in restitution for his involvement in a scheme to defraud the Columbus Urban League, a recipient of WIA and other federal grant funds. Harrison previously pled guilty to one count of bank fraud and one count of aggravated identity theft.

From 2004 until December 2010, Harrison used the personally identifiable information of unsuspecting contractors to prepare and submit false invoices to the Columbus Urban League. The Columbus Urban League processed the invoices and generated checks totaling $85,181 for payment of services, which were either left for pick-up by Harrison or mailed to an address controlled by him. Harrison would then forge the name of the payee, co-endorse the check, and deposit it into accounts under his control.

This was a joint investigation with the U.S. Department of Housing and Urban Development-OIG and the Columbus Police Department. *United States v. Ovell Harrison* (S.D. Ohio)

Foreign Labor Certification Programs

The Employment and Training Administration (ETA) administers a number of foreign labor certification programs that allow U.S. employers to employ foreign workers to meet American worker shortages. The H-1B visa specialty workers' program requires employers that 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 that workplace guidelines will be followed. The H-2B program establishes a means for U.S. nonagricultural employers to bring foreign workers into the United States to meet temporary worker shortages. The Permanent Foreign Labor Certification program allows an employer to hire a foreign worker to work permanently in the United States.

Colorado Business Owner Sentenced to More Than 10 Years in Prison for Human Trafficking and Foreign Labor Visa Fraud

Kizzy Kalu, a Colorado business owner, was sentenced on February 11, 2014, to more than 10 years in prison for his role in an H-1B visa fraud scheme, after having been found guilty of 89 counts of mail fraud, visa fraud, human trafficking, and money laundering. Kalu's co-defendant, Philip Langerman, who previously pled guilty for his role in the scheme, was sentenced to 3 years' probation. Kalu and Langerman were both also ordered to pay, jointly and severally, more than $3.7 million in restitution to 27 victims.

From 2008 through 2010, Kalu recruited foreign nationals to serve as nursing instructors/supervisors at a local university through his companies Foreign Healthcare Professional Group and Advanced Education and Training for Foreign Healthcare Professionals Group, LLC. Langerman then filed labor condition applications with DOL on their behalf so the foreign nationals could obtain H-1B visas. Kalu told the foreign nationals that they would be working as nursing instructors/supervisors for a local university, which existed largely in name only. In reality, the workers were subcontracted by Kalu's company to work as nurses at long-term care facilities.

Kalu also required the foreign nationals to sign a contract that imposed a $25,000 penalty if they ceased working for his company, and he threatened them with cancellation of their H-1B visas if they stopped working.

This was a joint investigation with the U.S. Department of State Diplomatic Security Service (DSS) and Immigration and Customs Enforcement Homeland Security Investigations (ICE-HSI). *United States v. Kizzy Kalu et al.* (D. Colorado)

North Carolina Businessman Sentenced to Prison for H-1B Visa Fraud

Phani Raju Bhima Raju, president of iFuturistics, was sentenced on March 20, 2014, to four years in prison for his participation in a scheme to obtain fraudulent H-1B visas for foreign workers. Raju was also ordered to forfeit $1.5 million in criminal proceeds.

From 2006 to November 2012, Raju conspired with others to fraudulently submit documents to DOL and the United States Citizenship and Immigration Services (USCIS) that falsely represented a need to hire H-1B workers. Once the foreign nationals were granted H-1B visas, they were either assigned to work with various other companies throughout the country or had to find their own employment. Some of the foreign nationals were also "benched" while waiting for another job assignment.

This was a joint investigation with ICE-HSI and USCIS Fraud Detection and National Security. Assistance was also provided by the DOL Wage and Hour Division. *United States v. Phani Raju Bhima Raju* (W.D. North Carolina)

Texas CEO Sentenced for H-2B Visa Fraud Scheme

Devin Finke, former CEO of American International Labor Services (AILS), was sentenced on October 25, 2013, to 18 months in prison and 2 years of supervised release for his involvement in a foreign labor visa fraud scheme. Finke previously pled guilty to conspiracy to encourage and induce illegal immigration.

From August 2006 through November 2009, Finke operated AILS, a Houston-based company that advertised itself as primarily engaged in the procurement of visas for U.S. companies seeking to hire foreign workers. Finke conspired with multiple companies seeking foreign labor and advised them to request more workers than needed. On behalf of these companies, Finke submitted fraudulent petitions inflating the number of foreign workers needed under the H-2B visa program. With the assistance of recruiters in Mexico, Fink also charged each foreign national up to $2,500 for the H-2B visa and transportation to the United States.

A total of 298 H-2B visas were issued to these applicants, even though a very small percentage of them actually worked in their intended occupation.

This was a joint investigation with DSS and ICE-HSI. *United States v. Devin Finke* (S.D. Texas)

New York Immigration Attorney Found Guilty of Visa Fraud at Trial

Anna Tsirlina, an immigration attorney who operated the Law Office of Anna Tsirlina in New York, was found guilty on February 28, 2014, of visa fraud and conspiracy to commit visa fraud for her role in a scheme to fraudulently obtain temporary and permanent work visas for her clients. Co-conspirators Aleksandr Shusterman and Andrei Kurakin, who both worked with Tsirlina, pled guilty on February 18, 2014, for their roles in the scheme.

From January 2005 until September 2012, Tsirlina and her co-conspirators engaged in a scheme to fraudulently obtain H-1B and permanent employment-based visas for her clients by submitting false documents to ETA and USCIS. Tsirlina helped prepare and submit applications and supporting paperwork that falsely represented that certain U.S. employers were seeking to fill specialty jobs when no such employment existed. Several of the applications submitted by Tsirlina also contained altered dates of entry into the United States for the clients, falsely representing them as being in status at the time the applications were submitted.

This was a joint investigation with ICE-HSI. *United States v. Anna Tsirlina et al.* (E.D. New York)

Maryland Man Pleads Guilty to Visa Fraud

Milen Radomirski, the employee of a pool service company in Maryland, pled guilty on February 19, 2014, to one count of visa fraud for his role in a scheme that spanned almost five years and involved foreign nationals' acquiring H-2B visas.

Radomirski worked for a pool service company that provided lifeguards and pool maintenance services in the Washington, D.C., metropolitan area. Radomirski's responsibilities included finding foreign workers the pool service company could sponsor to work in the United States on H-2B visas. Radomirski would charge foreign nationals a fee in exchange for including them on the company's petitions for H-2B visas. Additionally, it was understood between Radomirski and many of the foreign nationals that some of them would not work at the pool company, would work for only a short period of time, or would not work exclusively for the company.

This was a joint investigation with ICE-HSI and DSS. *United States v. Milen Radomirski* (D. Maryland)

Veterans' Employment and Training Service

The mission of the Veterans' Employment and Training Service (VETS) is to provide veterans with the resources and services to succeed in the 21st-century workforce by maximizing their employment opportunities, protecting their employment rights, and meeting labor market demands with qualified veterans. VETS offers employment and training services to eligible veterans through its Jobs for Veterans State Grants (JVSG) program. Under this grant program, funds are allocated to State Workforce Agencies in direct proportion to the number of veterans seeking employment within their states. The grants support two principal staff positions: Disabled Veterans Outreach Program (DVOP) specialists and local veterans employment representatives (LVERs). DVOP specialists primarily provide services to meet the employment needs of disabled veterans and other veterans prioritized by the Secretary of Labor. LVERs conduct outreach to employers and engage in advocacy efforts with hiring executives to increase employment opportunities for all veterans.

VETS's Oversight of Florida's Jobs for Veterans State Grants Program Needs to Be Strengthened

During our audit of the JVSG program operated by Florida's Department of Economic Opportunity (DEO), we found that VETS did not ensure that DEO's JVSG staff adequately provided intensive services to meet the employment and training needs of eligible veterans, or that program measures were accurately reported. Florida DEO's JVSG program did not maintain adequate documentation to support the services it provided, in part because VETS's policies provided conflicting guidance on what constituted the provision of intensive services and did not define barriers to employment or specify documentation requirements. We also found that VETS's monitoring did not include verifying the Florida DEO's reported information regarding services it provided, but instead relied on JVSG staff self-assessments, staff interviews during on-site reviews, and summary activity data. These guidance and monitoring issues impeded VETS's ability to ensure that the JVSG program in Florida was operating as intended.

We recommended that VETS develop new JVSG guidance requiring program specialists to identify and document the veterans' barriers and to use the case management approach when providing intensive services. We also recommended that VETS develop new procedures requiring the review of case notes and supporting intensive services documentation as part of monitoring activities and verification of state JVSG performance data. VETS agreed with the recommendations. To view the report, including the scope, methodology, and full agency response, go to http://www.oig.dol.gov/public/reports/oa/2014/06-14-001-02-001.pdf (Report Number 06-14-001-02-001, March 27, 2014).

Worker Safety, Health, and Workplace Rights

Mine Safety and Health Administration

The federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement and New Emergency Response Act of 2006 (MINER Act), charges the Mine Safety and Health Administration (MSHA) with setting standards to protect the health and safety of more than 350,000 men and women working in our nation's mines.

MSHA Has Taken Steps to Detect and Deter Underreporting of Accidents and Occupational Injuries and Illnesses, but More Action Is Still Needed

During our audit of MSHA's process for detecting and deterring underreporting of injuries and illnesses in the mining industry, we found that while MSHA has taken steps to identify underreporting through its use of audits, inspections, and other nonaudit activities, the agency could do more to strengthen this process. The agency needs to expand upon and enhance its knowledge of underreporting to better target agency efforts to identify which mines are the most likely to underreport and which types of injuries are the most likely to be underreported. To accomplish this, we recommended that MSHA derive better estimates of the overall prevalence, magnitude, and distribution of underreporting.

We also found that MSHA needs to take more action to encourage employers to create a culture of reporting injuries and illnesses, and to address retaliatory and injurious employer practices. MSHA has not issued guidance on mine operator practices that may discourage miners from reporting injuries and illnesses. Some mine operators have implemented a variety of policies and practices, such as progressive discipline measures for repeated reports of injuries, which miners may perceive as disincentives to reporting injuries and illnesses because of the potentially adverse consequences.

We recommended that MSHA develop and implement policy guidance on operator programs for reporting work-related injuries or illnesses, addressing retaliation against miners for reporting and encouraging the reporting of work-related injuries or illnesses. MSHA agreed with our recommendations. To view the report, including the scope, methodology, and full agency response, go to http://www.oig.dol.gov/public/reports/oa/2014/05-14-001-06-001.pdf (Report Number 05-14-001-06-001, March 31, 2014).

Occupational Safety and Health Administration

The Occupational Safety and Health Administration (OSHA) was established by the Occupational Safety and Health Act of 1970 (OSH Act). OSHA's mission is to ensure that every working man and woman in the American has safe and healthy working conditions. OSHA does this by setting and enforcing workplace safety and health standards; providing training, outreach, and education; and encouraging continuous improvement in workplace safety and health.

Voluntary Protection Program: Controls Are Not Sufficient to Ensure That Only Worksites with Exemplary Safety and Health Systems Remain in the Program

OSHA's evaluation processes and monitoring controls could not ensure that its Voluntary Protection Program (VPP) consists of only employers with exemplary safety and health systems. Once approved for the VPP, employers are exempt from OSHA's programmed inspections as long as they comply with program requirements and maintain exemplary systems.

Our analysis of 1,834 employers found that 13 percent had injury and illness rates above industry averages or were cited with violations of safety and health standards, but most of these employers were allowed to remain in the VPP. OSHA policy currently allows employers with such records to remain in the program for up to 6 additional years, raising serious questions as to whether the companies were fully protecting their workers. We recommended that OSHA reevaluate the policy, ensure that all VPP employers are reevaluated timely, and monitor sites with injury and illness rates that are higher than industry average or those with fatalities or enforcement actions to ensure that such employers qualify for VPP status.

We also found that OSHA had data reliability issues that impacted its tracking of employers entering and leaving the program as well as its determinations of when to reevaluate employers. OSHA could not identify the universe of employers or applicants because it tracked VPP data in at least 11 different databases that were not reconciled. OSHA also did not ensure that the injury and illness data it used for reevaluating VPP eligibility and reporting on overall program successes were reliable. Finally, OSHA did not use inspections as an opportunity to identify potential weaknesses in VPP operations and policies in order to make program improvements.

We recommended that OSHA use a single database of VPP employers or ensure that VPP databases are reconciled, adopt procedures to ensure the reliability of injury and illness data, and establish a system to analyze inspection information for continuous program improvement. OSHA agreed to take action on the recommendations and acknowledged that there remain some deficiencies and inconsistencies in the management of the VPP program. However, OSHA emphasized that it followed its policies and procedures for implementing VPP and that the vast majority of the sites in the program have exemplary safety and health management systems. OSHA also disagreed with the 13 percent statistic. To view the report, including the scope, methodology, and full agency response, go to http://www.oig.dol.gov/public/reports/oa/2014/02-14-201-10-105.pdf (Report Number 02-14-201-10-105, December 16, 2013).

Wage and Hour Programs

The Wage and Hour Division (WHD) is responsible for enforcing labor laws, such as those that cover minimum wage and overtime pay, child labor, record keeping, family and medical leave, and migrant workers, among others. Additionally, WHD administers and enforces the prevailing wage requirements of the Davis-Bacon Act and other statutes applicable to federal contracts for construction and the provision of goods and services. The Davis-Bacon Act and related acts require the payment of prevailing wage rates and fringe benefits on federally financed or assisted construction.

Two Defendants Found Guilty of Falsifying Payroll Records

Jover Naranjo, the owner and president of Enviro & Demo Masters, Inc., and Luperio Naranjo Sr., a foreman for Enviro & Demo Masters, Inc., were found guilty on November 22, 2013, for their roles in falsifying certified payroll records on a federally funded contract. Specifically, they were found guilty of mail fraud, conspiracy to commit mail fraud, witness tampering, conspiracy to commit witness tampering, and aggravated identity theft. Jover Naranjo was also found guilty of making false statements.

In August 2009, Enviro & Demo Masters, Inc., a demolition company, was awarded a subcontract to demolish five buildings in the New York City area. From August 2009 until February 2010, both defendants participated in a scheme to submit 30 weekly certified payroll reports fraudulently claiming that their workers were paid prevailing wage rates as stipulated in the contract, when in reality the workers were paid far less. To cover up the scheme, the defendants hid workers from investigators and told some to lie about their identities, work schedules, and pay rates if questioned by investigators. As a result of their scheme, Jover Naranjo and Luperio Naranjo Sr. derpaid their employees by more than $650,000.

This was a joint investigation with the U.S. Environmental Protection Agency – Criminal Investigation Division and New York City Housing and Preservation Development. *United States v. Naranjo et al.* (S.D. New York)

Illinois Trucking Company Owner Sentenced for Making False Statements on Payroll Certifications

William Clark, owner of Clark Trucking and Excavation, LLC, was sentenced on January 24, 2014, to 33 months in prison for making false statements on certified payrolls after being convicted by a jury of 10 counts of making false statements on certified payrolls. Clark was also ordered to pay more than $273,000 in restitution to his truck drivers.

Clark Trucking received $1.6 million to provide hauling services on a federally funded construction project. As a subcontractor, Clark Trucking was required to comply with the provisions of the Davis-Bacon and related acts and to pay its employees the prevailing wage rate. Our investigation revealed that from August to October 2009, Clark paid employees anywhere from $13 to $15 per hour, rather than the required prevailing wage of $35.45 per hour. Clark also signed a sworn affidavit falsely claiming that Clark Trucking had complied with labor laws regarding payment of prevailing wages. *United States v. William Clark* (S.D. Illinois)

Worker and Retiree Benefit Programs

Unemployment Insurance Programs

Enacted more than 80 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 are unemployed due to lack of suitable work. While the framework of the program is determined by federal law, the benefits for individuals are dependent on state law and are administered by State Workforce Agencies (SWAs) in 53 jurisdictions covering the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, under the oversight of the Employment and Training Administration (ETA).

Controls over the Release of the UI Weekly Claims Report Need Improvement

During an audit to determine whether ETA adequately protected the UI Weekly Claims Report (Claims Report) from premature release, we found that ETA's use of an optional press lock-up to provide pre-release access to news organizations may have provided a competitive advantage to them and/or their clients. The Claims Report is embargoed until its scheduled release time of 8:30 a.m. every Thursday. ETA uses a press lock-up to provide news organizations an opportunity to review the report and prepare their news stories 30 minutes immediately prior to the report's release time. News organizations also use this time to prepare the embargoed data for transmission directly to their clients (who use this information for securities trading) once the embargo is lifted. However, the process of uploading the data to the Department's public websites can take up to five minutes to complete after the embargo is lifted. Those news organizations with pre-release access can get the data to their clients instantaneously, enabling them to make market trading decisions sooner than the general public.

We recommended that ETA consult with OMB and other federal agencies that provide pre-release access via press lock-ups to develop and implement a strategy to achieve an equitable release of the Claims Report and eliminate any competitive advantage that news organizations inside the lock-up and their clients may have or, absent a viable solution, consider discontinuing the use of the press lock-up to provide news organizations pre-release access to the Claims Report. We made the same recommendation to the Commissioner of the Bureau of Labor Statistics (BLS), as that agency also uses a lock-up to disseminate embargoed economic data, such as the Consumer Price Index.

We also found other areas where ETA needs to improve controls to adequately protect the Claims Report during the embargo. Specifically, ETA needs to strengthen (and in some cases develop) written policies and procedures for the Claims Report release process, including testing the file delivery system and posting the data to the Internet, encrypting the data, strengthening the agency's confidentiality policy to cover unauthorized use, requiring all personnel with pre-release access to sign confidentiality affidavits, and periodically reviewing affidavits to ensure that the agency's records are current and accurate. ETA and BLS generally agreed with our recommendations. To view the report, including the scope, methodology, and full agency response, go to http://www.oig.dol.gov/public/reports/oa/2014/17-14-001-03-315.pdf (Report Number 17-14-001-03-315, January 2, 2014).

Nevada Woman Sentenced for Fictitious Employer Scheme

Teresa Towns was sentenced on January 27, 2014, to 57 months in prison and ordered to pay more than $477,000 in restitution for stealing from the UI system, the public housing authority, and the Social Security Administration (SSA). Towns previously pled guilty to theft of government money.

Between 2005 and 2013, Towns established multiple business entities in Nevada and submitted false wage reports for fictitious employees to the Nevada Department of Employment, Training and Rehabilitation (DETR). Towns filed fictitious UI claims with DETR using aliases. UI benefits were disbursed on debit cards in the names of the fictitious employees and sent to addresses accessible to Towns. Towns then used the debit cards to obtain cash from ATMs. As a result, Towns received more than $322,000 in fraudulent UI benefits, of which at least $170,000 was federally funded.

This was a joint investigation with SSA-OIG, the U.S. Department of Housing and Urban Development–OIG, and DETR. *United States v. Teresa Towns* (D. Nevada)

Texas Man Pleads Guilty to $1 Million Fictitious Employer Scheme

Sergio Hinojosa pled guilty on November 19, 2013, to mail fraud and aiding and abetting for his involvement in a fictitious employer scheme to fraudulently obtain approximately $1 million in UI benefits.

From August 2012 until May 2013, Hinojosa, along with others, carried out a fraud scheme by filing numerous fraudulent UI claims with the Texas Workforce Commission (TWC). As part of this scheme, Hinojosa would provide fictitious employer, job, employment date, and wage information to TWC. Once the UI claims were received by TWC, a Notice of Application for Unemployment Benefits was sent to the address controlled by Hinojosa to verify that the claimant actually worked for the employer. Hinojosa would then fraudulently respond as the employer. As a result, Hinojosa collected approximately $1 million in fraudulent UI benefits.

This is a joint investigation with the FBI and TWC. *United States v. Sergio Hinojosa* (S.D. Texas)

Texas Woman Pleads Guilty to Unemployment Insurance Fictitious Employer Scheme

Andrea Brooks, a hospital employee, pled guilty on November 22, 2013, to aggravated identity theft and mail fraud after orchestrating a UI fictitious employer scheme.

While employed at a hospital in San Antonio, Texas, Brooks fraudulently obtained the personally identifiable information of certain patients. Brooks and others then submitted numerous fraudulent UI claims to the TWC. Brooks and her co-conspirators received and used numerous preloaded UI debit cards to collect the benefits. As a result of the scheme, the TWC paid approximately $265,000 in fraudulent UI benefits.

This is a joint investigation with the United States Postal Inspection Service and the San Antonio Police Department. *United States v. Andrea Brooks* (W.D. Texas)

North Carolina State Employee Pleads Guilty to Theft of Federal Funds

Sheila Lee, a former state tax auditor in North Carolina, pled guilty on February 6, 2014, to theft or bribery concerning programs receiving federal funds, after embezzling more than $18,000 in UI tax payments.

From October 2010 through May 2011, Lee used her position as a tax auditor with the Employment Security Commission of North Carolina (ESCNC) to take more than $18,000 in cash payments from employers seeking to pay their UI taxes to the state. Lee also issued the employers false receipts for payment and failed to report the payments in the state tax accounting system.

This was a joint investigation with ESCNC. *United States v. Sheila Lee* (M.D. North Carolina)

Employee Benefit Plans

The Department's Employee Benefits Security Administration (EBSA) is responsible for protecting the security of retirement, health, and other private-sector employer-sponsored benefit plans for America's workers' and retirees, and their families. EBSA is charged with protecting about 141 million workers, retirees, and who family members are covered by nearly 684,000 private retirement plans, 2.4 million health plans, and similar numbers of other welfare benefit plans that together hold estimated assets of $7.8 trillion.

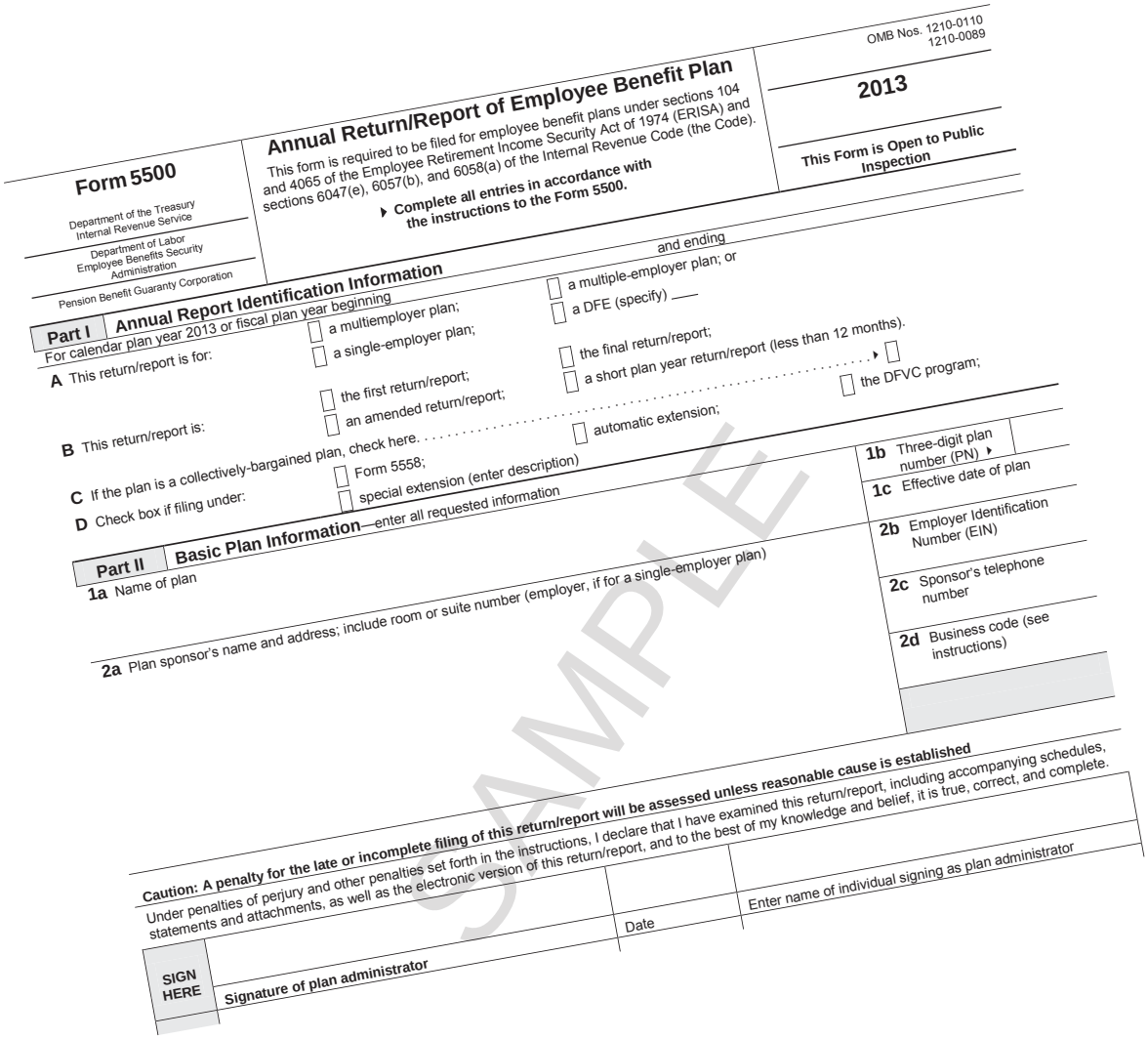
EBSA Could Improve Its Use of Form 5500 Data

Employee benefit plans use the Form 5500 Series forms to satisfy annual reporting requirements under Title I and Title IV of the Employee Retirement Income Security Act of 1974 (ERISA) and under the Internal Revenue Code. The Form 5500 Series is part of ERISA's overall reporting and disclosure framework, which is intended to ensure that employee benefit plans are operated and managed in accordance with certain prescribed standards and that participants and beneficiaries, as well as regulators, have access to sufficient information to protect the rights and benefits of participants and beneficiaries under employee benefit plans.

In our audit of EBSA's administration of Form 5500 we found that the agency's compliance activities related to Form 5500 generally ensured that plan administrators met ERISA reporting requirements.

Our audit identified areas where EBSA could improve its Form 5500 enforcement activities. Specifically, EBSA's Office of the Chief Accountant (OCA), which enforces ERISA's reporting and disclosure provisions by targeting deficient Form 5500 filings and initiating cases against plan administrators to make corrections, could supplement its current targeting strategies with analysis of changing violation patterns. In addition, EBSA's Office of Enforcement could improve the targeting of its ERISA investigative activities with increased access to certain data elements in Form 5500.

We recommended that EBSA include deficiency trends identified by Form 5500 data as a component of a multipronged approach to determining OCA's case mix; determine which Form 5500 data items are not currently searchable and add appropriate data fields to allow mining of this data; maintain a form for tracking change proposals for Form 5500, along with their ultimate disposition; and improve the ERISA Filing Acceptance System's public search function by making searches more user friendly and by building logic into the search algorithms. EBSA generally agreed with the recommendations. To view the report, including the scope, methodology, and full agency response, go to http://www.oig.dol.gov/public/reports/oa/2014/05-14-003-12-121.pdf (Report Number 05-14-003-12-121, March 31, 2014).



Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code).

▶ **Complete all entries in accordance with the instructions to the Form 5500.**

OMB Nos. 1210-0110
1210-0089

2013

This Form is Open to Public Inspection

Part I **Annual Report Identification Information**

For calendar plan year 2013 or fiscal plan year beginning _____ and ending _____

A This return/report is for: ☐ a multiemployer plan; ☐ a multiple-employer plan; or ☐ a single-employer plan; ☐ a DFE (specify) ____

B This return/report is: ☐ the first return/report; ☐ the final return/report; ☐ an amended return/report; ☐ a short plan year return/report (less than 12 months). ▶ ☐

C If the plan is a collectively-bargained plan, check here. . . . . ☐ the DFVC program;

D Check box if filing under: ☐ Form 5558; ☐ automatic extension; ☐ special extension (enter description)

Part II **Basic Plan Information**—enter all requested information

1a Name of plan

1b Three-digit plan number (PN) ▶

1c Effective date of plan

2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan)

2b Employer Identification Number (EIN)

2c Sponsor's telephone number

2d Business code (see instructions)

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE **Signature of plan administrator** Date Enter name of individual signing as plan administrator

SAMPLE

Office of Workers' Compensation Programs

The Office of Workers' Compensation Programs (OWCP) administers four workers' compensation programs: the Energy Employees Occupational Illness Compensation Program , the Federal Employees' Compensation Act (FECA) program, the Longshore and Harbor Workers' Compensation Act program, and the Coal Mine Workers' Compensation program.

Federal Employees' Compensation Act Program

The FECA program provides workers' compensation coverage to approximately 2.8 million federal, postal, and certain other employees for work-related injuries and illnesses. Benefits include wage loss benefits, medical benefits, vocational rehabilitation benefits, and survivors' benefits for covered employees' employment-related deaths. In FY 2013, the FECA program made nearly $3 billion in wage loss compensation payments to claimants and processed approximately 18,000 initial wage loss claims. At the end of FY 2013, nearly 50,000 claimants were receiving regular monthly wage loss compensation payments.

Military Nurse Sentenced after Falsifying FECA Forms

Nancy Threatt-Leonardo, a former United States Army military nurse, was sentenced on March 12, 2014, to one year in prison after defrauding OWCP for nearly 11 years. She was also ordered to pay restitution of more than $192,000 to OWCP.

After sustaining an on-the-job injury in 1998, Threatt-Leonardo began receiving FECA benefits from OWCP. From June 2000 through October 2011, Threatt-Leonardo continually submitted false claims for medical and travel costs that she never incurred. Threatt-Leonardo also provided OWCP with fraudulent medical documents that contained forged signatures describing medical treatments she never received. As a result, she collected more than $192,000 in FECA benefits to which she was not entitled.

United States v. Nancy Threatt-Leonardo (E.D. North Carolina)

Former Chicago TSA Employee Sentenced after Defrauding OWCP for Travel Costs to Medical Appointments

Donald Bayless, a former security officer with the Transportation Security Administration (TSA), was sentenced on November 7, 2013, to 15 months in prison and ordered to pay restitution of more than $73,000 to OWCP for submitting fraudulent medical travel refund requests. Bayless previously pled guilty to 1 count of mail fraud.

Bayless fraudulently claimed reimbursement for transportation costs that he did not incur for medical and rehabilitation appointments he did not attend. He also claimed reimbursement for inflated travel costs for appointments that he actually attended. From August 2005 through April 2009, Bayless submitted approximately 160 fraudulent medical travel refund requests, falsely claiming he had incurred more than $73,000 in medically related travel expenses. This was a joint investigation with TSA. *United States v. Donald Bayless* (N.D. Illinois)

Dallas Psychologist Pleads Guilty to FECA Overbilling Scheme

Texas psychologist Michael Wolf pled guilty on January 22, 2014, to health care fraud for fraudulently billing OWCP more than $1 million. From January 2008 through mid-2013, Wolf filed claims to receive payment for services never rendered on behalf of an injured federal worker covered under FECA. Wolf claimed he provided psychotherapy to this patient seven days a week, when he actually saw the patient only once or twice a week. He also submitted false reimbursement claims for therapy sessions lasting almost eight hours, and for therapy given on Christmas, Thanksgiving, and Sundays.

This was a joint investigation with USPS-OIG. *United States v. Michael Wolf* (N.D. Texas)

Texas Nurse Pleads Guilty to False Statements

Shirley Lankford, a licensed vocational nurse with the Veterans Affairs Medical Center, pled guilty on February 11, 2014, to making false statements to OWCP for failing to disclose her outside employment while receiving FECA benefits.

Lankford began receiving federal employees' compensation in November 2007, after an on-the-job injury. From November 2007 through April 2011, Lankford failed to disclose to OWCP that she earned income working for several health care providers. As a result, Lankford received more than $98,000 in FECA benefits to which she was not entitled.

This was a joint investigation with the Department of Veterans Affairs (VA)–OIG. *United States v. Shirley Lankford* (N.D. Texas)

VA Employee Pleads Guilty to Defrauding OWCP

Loretta Smith, a former VA employee, pled guilty on February 26, 2014, to two counts of mail fraud after fraudulently obtaining more than $460,000 in FECA benefits. In July 2009, after an on-the-job injury, Smith began receiving federal employees' compensation for lost wages and medical and mileage expenses. From July 2009 through February 2013, Smith submitted nearly 200 false worker's compensation claims to OWCP for travel and medical costs that she did not incur. As a result of this scheme, Smith received more than $460,000 to which she was not entitled. This was a joint investigation with VA-OIG. *United States v. Loretta Smith* (S.D. Georgia)

Maryland Physician Pleads Guilty to Health Care Fraud

Maryland physician George Mathews, M.D., pled guilty on February 7, 2014, to distribution of controlled dangerous substances and health care fraud for fraudulently billing OWCP and other health care programs. From January 2007 through July 2011, Mathews devised a scheme to defraud OWCP and other health care providers by billing for services that were not rendered or medically necessary, including prescribing schedule II controlled substances to patients who did not need them. Mathews typically inflated the amount of time he spent with a patient to indicate that he conducted a 25-minute physical exam when the visit lasted no more than 5 minutes and did not involve a physical exam. As a result of this scheme, Mathews defrauded OWCP and other health care programs of at least $615,000.

This was a joint investigation with the Drug Enforcement Administration and the United States Postal Service (USPS)–OIG. *United States v. George Mathews, M.D.* (D. Maryland)

Labor Racketeering

Labor Racketeering

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

Labor racketeering relates to the infiltration, exploitation, and/or control of a union, employee benefit plan, employer entity, or workforce. It is carried out through illegal, violent, or fraudulent means for profit or personal benefit. Labor racketeering and 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 involving service providers are particularly egregious due to their potential for large dollar losses and because the schemes often affect several plans simultaneously.

The OIG is committed to safeguarding American workers from being victimized through labor racketeering and/or organized crime schemes. 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.

Labor racketeering impacts American workers, employers, and the public through reduced wages and benefits, diminished competitive business opportunities, and increased costs for goods and services.

Benefit Plan Investigations

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

Illinois Pharmacist Sentenced for Defrauding Health Insurers of $1.7 Million

Ronald Keilar, an Illinois pharmacist, was sentenced on February 21, 2014, to seven years in prison after being convicted of submitting more than $1.7 million in fraudulent claims for prescription drugs he falsely reported having dispensed.

As part of the scheme, Keilar stole the identities and insurance information of unsuspecting pharmacy customers to bill for medication that was never prescribed. Keilar also forged prescriptions, patient receipts, and invoices to make the false insurance claims appear legitimate. As a result, between November 2004 and August 2010, Keilar submitted a total of 603 false claims to Blue Cross and Blue Shield of Illinois and to the United Food and Commercial Workers Unions and Employers Midwest Health Benefit Fund, receiving more than $1.7 million in fraudulent payments.

This was a joint investigation with the FBI and the Food and Drug Administration–Office of Criminal Investigations. *United States v. Ronald Keilar* (N.D. Illinois)

Former Union President Sentenced for Benefit Plan Embezzlement

Hector Lopez, the former president of the Metal Polishers Union Local 8A-28A and chairman of the board of trustees of the Local 8A-28A welfare fund, was sentenced to a prison term of four years for his involvement in multiple benefit plan embezzlement schemes. Lopez was also ordered to pay more than $800,000 in restitution and forfeit more than $370,000 to the federal government. He was also barred from holding a position in a labor organization.

Lopez engaged in several schemes to steal from the Local 8A-28A welfare fund, including accepting approximately $740,000 in kickbacks from the plan's third-party administrator in exchange for ensuring the retention of that administrator. In addition, Lopez accepted approximately $127,000 in kickbacks from the employer trustee of the local's welfare fund in exchange for authorizing the welfare fund to pay inflated invoices for a union hall renovation. He also admitted to accepting a kickback from the trustee in exchange for rigging the bidding process to ensure that a sprinkler installation job was awarded to a company the trustee controlled. As a result of these schemes, Lopez received more than $860,000 in illegal kickbacks.

This was a joint investigation with the Internal Revenue Service (IRS), the Office of Labor-Management Standards (OLMS), and the Employee Benefits Security Administration (EBSA). *United States v. Hector Lopez* (E.D. New York)

New York Business Owners and Union Steward Sentenced for Embezzlement Scheme

Gerardo and Vincent Fusella, co-owners of Fusella Groups, Inc., were sentenced to 46 months and 2 months in prison, respectively, on October 15, 2013, for embezzling money from the International Brotherhood of Teamsters (IBT) Local 282 Trust Funds. The court ordered Gerardo to forfeit more than $970,000 he obtained as a direct result of the conspiracy and pay more than $627,000 in restitution to his victims. Vincent was also ordered to pay more than $161,000 in restitution. Additionally, Willie Spikes, former IBT Local 282 steward, was sentenced on January 31, 2014, to time served, and ordered to pay restitution of approximately $226,000 for his role in the scheme.

Gerardo and Vincent Fusella co-owned and operated the union-organized trucking company the Fusella Group, Inc., and the nonunion trucking company Alpine Investment Group, Inc. (Alpine). In May 2007, the brothers entered the Fusella Group into a collective bargaining agreement (CBA) with IBT Local 282. In addition to paying each represented driver the prescribed hourly rate as required by the CBA, the Fusella Group was obligated to make payments to multiple Local 282 Employee Retirement Income Security Act (ERISA)–covered benefit funds on behalf of its drivers. The Fusella Group, however, failed to pay the appropriate hourly wages or to make the required union benefit fund contributions.

To help avoid detection and cover up the scheme, Spikes underreported Fusella Group drivers' working hours, a substantial portion of which were improperly worked under the nonunion trucking company, Alpine. To further conceal the scheme, Fusella Group payroll certifications were falsified to indicate that the company had made, or would make its CBA-required contributions to the benefit funds.

Vincent Fusella admitted that he fraudulently classified Fusella Group truck drivers, who were IBT Local 282 members, as subcontractors as an additional deception to avoid paying Federal Insurance Contributions Act (FICA) taxes.

This was a joint investigation with the U.S. Department of Transportation (DOT)–OIG, the IRS Criminal Investigation Division (CID), and the Port Authority of New York and New Jersey. *United States v. Gerardo and Vincent Fusella* (E.D. New York)

Fictitious Produce Company Sentenced and Union Business Agent Pleads Guilty to Bribery Charges

On February 11, 2014, Sam LaGrasso Produce was sentenced to pay a $530,400 fine for making and agreeing to make prohibited payments to a labor union official in violation of the Taft-Hartley Act. In addition, on December 23, 2013, Michael Townsend, the former business agent and trustee of IBT, Local Union 337, entered a guilty plea to unlawfully and willfully receiving payments in violation of the Taft-Hartley Act.

From June 2005 through mid-July 2008, Towsend participated in a bribery scheme involving Local 337 and LaGrasso Brothers Produce, Inc.

(LBP), whereby he received illegal quarterly payments of approximately $1,500 from LBP. The payments were provided to Townsend as bribes to influence his actions and decisions as a Local 337 business agent, including impeding the local's organizing efforts regarding LBP. LBP officials created the defendant company, Sam LaGrasso Produce (SLP), as a subsidiary that was used to divert attention from Local 337 efforts to unionize LBP. Throughout the scheme, Local 337 business agents represented SLP as a legitimately unionized company with collective bargaining authority, although it had none. To add to the deception, LaGrasso family members were falsely represented as employees of SLP subject to collective bargaining.

Over the course of the scheme Townsend was paid approximately $18,000 in bribes, and LBP avoided union organization and having to pay an estimated $4.6 million in potential union, health, welfare, and pension remittances.

This was a joint investigation with EBSA. *United States v. Sam LaGrasso Produce, Inc.,* and *United States v. Michael Towsend* (E.D. Michigan)

Massachusetts Construction Company Sentenced after Defrauding Union Benefit Funds

Juan Alonso, owner of Aguila Construction Company, was sentenced on November 7, 2013, to one year and one day in prison for stealing from an ERISA benefit plan, falsifying ERISA documents, and making false statements. The company, Aguila Construction, was also separately sentenced to five years' probation and ordered to forfeit more than $752,000 and to pay more than $782,000 in restitution to the defrauded benefit funds. Both Alonso and Aguila Construction Company had previously pled guilty to the charges.

Between 2008 and 2011, Aguila Construction, a unionized construction company located in Fitchburg, Massachusetts, secured a contract covering several publicly funded projects, including 12 projects funded by the Department of Transportation (DOT) pursuant to the American Recovery and Reinvestment Act of 2009. As part of the scheme, Alonso executed a portion of this contract using workers from his nonunion company, Alonso Construction, rather than from Aguila Construction, the contract signatory. Aguila Construction also completed and sent to the Massachusetts DOT certified payroll records falsely stating the identities of Aguila Construction employees, the number of hours they worked, and wages paid to them. By running this scheme, which included paying employees in cash, the defendants avoided making approximately $782,824 in employee benefit contributions.

This was a joint investigation with DOT-OIG and EBSA. *United States v. Juan J. Alonso and Aguila Construction Company, Inc.* (D. Massachusetts)

Former Benefit Plan Employee Sentenced for Embezzlement in Kansas

Angela Heninger, a former employee of the Mobilization, Optimization, and Training Trust (MOST), was sentenced on January 15, 2014, to 30 months in prison for stealing from an ERISA-covered plan. Heninger was also ordered to pay more than $640,000 in restitution.

From 2006 through 2012, Heninger had access to a joint labor trust fund of the National Association of Construction Boilermaker Employees and the International Brotherhood of Boilermakers. Using this access, Heninger wrote checks against the fund to pay charges incurred on two personal credit cards in her name as well as a credit card and loan in the name of her son. Heninger also made unauthorized personal charges using a credit card issued to her by MOST and, using her position, arranged to have the charges paid with benefit plan funds. As a result, Heninger embezzled more than $400,000 from the Boilermaker Joint Labor Trust Fund.

This was a joint investigation with EBSA. *United States v. Angela Heninger* (D. Kansas)

Illinois Chiropractor Pleads Guilty to Health Care Fraud

Andrew Carr, an Illinois licensed chiropractor, pled guilty on February 18, 2014, to health care fraud after defrauding multiple health care benefit plans, some of which were union sponsored, of more than $800,000.

From 2005 through February 2011, Carr used his patients' sensitive medical and insurance information to submit reimbursement claims for services that were never performed. Much of the compromised information belonged to patients who were participants in and covered by union sponsored benefit plans. As a result of the scheme, Carr received more than $800,000 in reimbursements to which he was not entitled.

This was a joint investigation with the FBI and EBSA. *United States v. Andrew Carr* (N.D. Illinois)

Union Corruption and Fraud Investigations

Subjects of our internal union corruption investigations include officers who abuse their positions of authority in labor organizations to embezzle money from union and member benefit plan accounts, and those who defraud hardworking members of their right to honest services. Investigations in this area also focus on fraud against labor unions, as well as 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 President of SEIU California Local Sentenced for Stealing Tens of Thousands of Dollars from Union

Tyrone Ricky Freeman, the former president of the Service Employees International Union (SEIU) Local 6434, was sentenced to 33 months in prison for embezzling thousands of dollars in union assets. As part of his sentencing, he was also ordered to pay more than $123,000 in restitution and was prohibited from holding a position in a labor organization for a period of 13 years.

From the beginning of 2007 through the summer of 2008, Freeman intercepted salary reimbursements paid on his behalf by the California United Homecare Workers (CUHW) to SEIU Local 6434 for time he spent helping organize the CUHW. The CUHW is a public-sector union established by the SEIU and the American Federation of State, County, and Municipal Employees to represent public-sector employees working in the California home care industry. Freeman concealed the CUHW salary reimbursements from the Local 6434 executive board. He simultaneously concealed from the CUHW executive board that Local 6434 was still paying him his regular salary.

Freeman also stole nearly $17,000 from Local 6434 in June 2008 by convincing the Local 6434 executive board to make contributions to the Long Term Care Housing Corporation, a not-for-profit corporation that developed affordable housing for Local 6434 members, and then diverting the payments to himself. Freeman further exploited Local 6434 when, using his position as president, he directed employees to create and provide false union documentation to a federally insured financial institution, resulting in his receipt of a $695,275 home loan for which he otherwise would not have qualified.

This was a joint investigation with the FBI, IRS-CID, OLMS, and EBSA. *United States v. Tyrone Ricky Freeman* (C.D. California)

Investment Firm Officials Convicted for Fraudulent Contract with National Basketball Players Association Union

Joseph Lombardo, founder and managing director of Prim Capital Corporation, pled guilty on November 14, 2013, to mail fraud and conspiracy to obstruct justice for his role in a scheme to defraud the National Basketball Players Association (NBPA) union through a fraudulent contract.

On December 11, 2013, after an eight-day trial, Carolyn Kaufman, a Prim Capital Corporation principal, was found guilty of conspiracy to obstruct justice, obstructing justice, and perjury, for her role in the scheme.

Prim Capital Corporation performed various services for the NBPA and was the primary outside vendor entrusted with the NBPA's investments and finances. In December 2011, Lombardo attempted to defraud the NBPA of $3 million via a fraudulent contract he drafted between the NBPA and Prim Capital Corporation. To make the contract appear authentic, Lombardo forged the signatures of the NBPA's director of player programs and its former general counsel, who had died seven months earlier. Lombardo also attempted to alter or conceal the contract by withholding it from authorities despite being requested to provide it pursuant to a grand jury subpoena. To further conceal their criminal behavior, Lombardo and Kaufman conspired to develop and developed false testimony regarding the fraudulent contract and subsequently lied to the grand jury about its origins and existence.

This is a joint investigation with OLMS. *United States v. Joseph Lombardo and Carolyn Kaufman* (S.D. New York)

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.

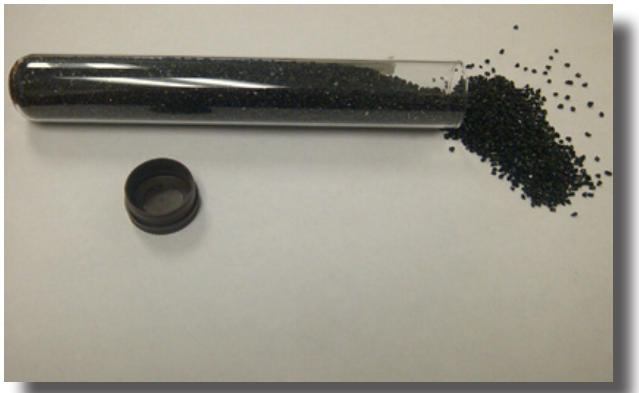
President / Business Manager of Local Engineering Union Convicted at Trial

Mark Kirsch, former president and business manager of Operating Engineers Local 17, was convicted on March 7, 2014, by a federal jury of conspiracy to commit racketeering, conspiracy to commit extortion, and attempted extortion, for his role in a criminal enterprise.

From January 1997 to December 2007, Kirsch participated in or helped direct Local 17 efforts to extort property from and influence the behavior of various construction firms throughout western New York to ensure, among other things, the payment of wages and benefits for unwanted or unnecessary labor. The Local 17 criminal enterprise used violence, threats, intimidation, and sabotage of property to interrupt and delay construction projects in order to drive up operating costs and cause economic harm to contractors that did not comply with its unlawful mandates.

This was a joint investigation with the FBI and New York State Police. *United States v. Mark Kirsch et. al.* (W.D. New York)

Stars such as this one were used to puncture the tires of nonunion contractor vehicles.



Blasting sand poured into equipment of nonunion contractors to sabotage and render it inoperable

Departmental Management

Consolidated Financial Statements Audit

The OIG contracted with an independent public accounting firm to audit the Department's annual consolidated financial statements. The Department received an unqualified opinion, meaning that DOL's FY 2013 financial statements were presented fairly, in all material respects, and in conformity with U.S. generally accepted accounting principles. The independent auditor's report identified no material weaknesses but did identify two significant deficiencies in internal controls over financial reporting: a lack of sufficient information technology (IT) security controls over key financial and support systems, and insufficient controls over grants. The independent auditor also found that DOL made improvements in FY 2013 that resulted in the elimination of the significant deficiency reported in FY 2012 related to the preparation and review of journal entries.

In a separate management advisory comments report, the OIG provided additional information to DOL management intended to improve internal controls over financial activities. For example, better reconciliation controls between the U.S. Department of Health and Human Services' Payment Management System and DOL's accounting system are needed to prevent misstatements of Job Corps contract-related expenses. By satisfactorily addressing the comments in this report, management will help ensure that these issues do not rise to the level of a significant deficiency in the future.

To view the full reports, including the scope, methodologies, and full agency response, go to http://www.oig.dol.gov/public/reports/oa/2014/22-14-002-13-001.pdf (Report Number 22-14-002-13-001, December 16, 2013) and http://www.oig.dol.gov/public/reports/oa/2014/22-14-006-13-001.pdf (Report Number 22-14-006-13-001, March 31, 2014).

Department's IT Security Program Could Be Improved

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

As part of FY 2013 Federal Information Security Management Act (FISMA) work completed during this reporting period, the OIG found that the Department's Personal Identity Verification Program was not yet in place and that programwide contingency planning did not use IT staff or include IT in the testing objectives. We also found that programwide Plans of Action and Milestones were not being properly tracked and agency report cards, used for monitoring and oversight, were not communicated to agencies on a timely basis. These deficiencies increased DOL information systems' risks of unauthorized access, data compromise, and unavailability.

To reduce these risks, we recommended that the Department's Chief Information Officer review and update its policy and procedures for the four security control areas cited above. The Department responded that it did not agree that the exceptions identified by the OIG posed a significant risk to the confidentiality,

integrity, and availability of data but stated that improvements could be made and corrective action plans have been developed (Report Number 23-14-006-07-725, November 14, 2013).

Improvements Needed to DOL's Capital Planning and Investment Controls for Managing IT Investments

In our audit of the Department's controls over the IT investment process we found that DOL needs to ensure that controls are followed and updated in a timely manner in order for DOL to have better information regarding its IT investments and to help effectively manage IT investment costs, schedules, and performance. We reviewed 15 IT investments and identified 4, totaling about $365 million, that were not properly classified as major investments and therefore not subjected to increased oversight given their significant cost and potential risk to the government. In addition, 3 of the sampled IT investments were not managed by certified project managers as required by DOL policy. Without the use of certified project managers, DOL may not be ensuring that investments are consistently monitored and that all investment risks are identified and sufficiently addressed. We recommended that the Office of the Chief Information Officer (OCIO) perform a DOL-wide review of the IT portfolio and the investment management process to verify that the classification of all IT investments conforms to DOL policy and ensure that projects are managed by certified project managers.

We also found that the DOL policy used to monitor all major investments whose value exceeded a specified dollar threshold was not aligned with updated FY 2013 OMB instructions regarding investment reporting and monitoring. Although these instructions did not require external reporting for certain activities for FY 2013 and beyond, they did not eliminate the requirement for these activities to be monitored internally. The Department's selective exclusion of some investments may have resulted in an unreliable measurement of total IT investment performance results and provided limited executive visibility into some high-risk investment activities. We recommended that OCIO update its IT capital planning and investment control policies and implement an investment management framework to strengthen the Department's approach to IT investment management. OCIO accepted the recommendations (Report Number 23-14-009-07-723, March 25, 2014).

DOL Implementation of New Systems

During this reporting period, the OIG also reviewed the Department's implementation of cloud e-mail services and the migration of its human resources systems to the Department of the Treasury's Shared Service Center. We identified several system readiness, vendor contract compliance, and information security issues that needed to be addressed before final implementation. The Department noted that it was aware of the identified risks and affirmed that adequate controls would be in place prior to deployment. (Report Numbers 23-14-010-07-727, January 31, 2014, and 23-14-011-07-727, February 10, 2014)

Single Audits

Office of Management and Budget (OMB) Circular A-133 describes audit requirements for state and local governments, colleges and universities, and nonprofit organizations receiving federal awards. Under A-133, covered entities that expend $500,000 or more per year in federal awards are required to obtain an annual organizationwide audit that includes the auditor's opinion on the entity's financial statements and compliance with federal award requirements. Nonfederal 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.

Single Audits Identify Material Weaknesses and Significant Deficiencies for 12 DOL Grantees

We reviewed 45 single audit reports this period covering DOL expenditures of about $8.4 billion. These expenditures included about $3.2 billion related to Recovery Act funding. For 12 organizations that received DOL grant funds, the auditors identified material weaknesses or significant deficiencies, indicating that improvements are needed in those organizations' management of DOL funds and/or compliance with grant requirements. We reported the findings and 27 related recommendations identified in these 12 single audit reports to the appropriate DOL funding agencies, and requested that the agencies ensure the grantees take the necessary corrective actions.

Employee Integrity Investigations

The OIG is charged with the responsibility for conducting investigations into possible misconduct or criminal activities involving DOL employees or individuals providing services to the Department. The following cases is illustrative of our efforts in this area.

Senior Executive Terminated from Federal Service for Time and Attendance and Other Violations

An OIG investigation involving allegations of misconduct against a senior executive-level Regional Director found that the employee improperly used non-contract air carriers for official travel, committed time and attendance violations, and used government resources for activities relating to outside employment activities. These findings were referred to DOL, which removed this Senior Executive Service (SES) employee from government service. The employee has filed an appeal of this termination decision with the MSPB.

Procurement and Ethics Violations by Senior Executive Substantiated

An OIG investigation involving allegations of procurement and ethics violations by an SES level employee substantiated some of the allegations but did not find any criminal violations. The OIG's findings were referred to the Department, which was unable to take any disciplinary action because the employee was no longer employed by DOL. The Department agreed to review its procurement policies to prevent similar violations in the future.

Legislative Recommendations

Legislative Recommendations

The Inspector General Act requires the OIG to review existing or proposed legislation and regulations and to make recommendations in the Semiannual Report *concerning their impact on both the economy and the efficiency of the Department's programs and on the prevention of fraud, waste, and abuse. The OIG's legislative recommendations have remained largely unchanged over the last several semiannual reports, and the OIG continues to believe that the following legislative actions are necessary to increase efficiency and protect the Department's programs.*

Allow OIG Direct Access to Wage Records

State employer quarterly contribution (tax) and wage reports are a valuable source of information for both OIG audits and investigations. For example, these records could be used by OIG auditors to verify the eligibility of Workforce Investment Act (WIA) participants and verify reported outcomes, and they could be used by OIG investigators to investigate employer fraud schemes in the Unemployment Insurance (UI) program, claimant fraud in the Federal Employees' Compensation Act (FECA) program, and prevailing wage violations by federal contractors. While the OIG can currently use its administrative subpoena authority to obtain state wage records, this process can be inefficient and time consuming.

The National Directory of New Hires (NDNH) is a nationally consolidated database that contains UI claimant data and wage information from state and federal agencies. The NDNH cannot be used for any purpose not authorized by federal law. In 2004, the law was amended to allow the State Workforce Agencies (SWAs) to cross-match UI claims against the NDNH to better detect overpayments to UI claimants who have gone back to work but continue to collect UI benefits. However, the applicable law does not permit the OIG to obtain NDNH data, and the OIG cannot use its subpoena authority to obtain NDNH records. Granting the OIG access to NDNH data would serve the same purposes described with respect to state wage records.

Amend Pension Protection Laws

Legislative changes to the Employee Retirement Income Security Act (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 the Employee Benefits Security Administration (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 financial institutions, such as banks and savings and loans, from audits of employee benefit plans.** The limited-scope audit 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 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 auditors 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 U.S.C. 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 prohibited by Section 1954. Sections 664 and 1027 subject violators to up to 5 years' imprisonment, while Section 1954 calls for up to 3 years' imprisonment. We believe the maximum penalty should be raised to 10 years for all 3 violations to correspond with the 10-year penalty imposed by 18 U.S.C. § 669 (theft from health care benefit programs), to serve as a greater deterrent and further protect employee pension plans.

Provide Authority to Ensure the Integrity of the H-1B Program

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.

Improve the Integrity of the FECA Program

The OIG believes reforms should be considered to improve the effectiveness and integrity of the FECA program in the following areas:

- **Statutory access to Social Security wage records and the NDNH.** Currently, the Department can access Social Security wage information only if the claimant gives it permission to do so, and it has no access to the NDNH. Granting the Department routine

access to these databases would aid in the detection of fraud committed by individuals receiving FECA wage loss compensation but failing to report income they have earned.

- **Benefit rates when claimants reach normal federal or Social Security retirement age.** Alternate views have arisen as to whether and how benefit rates should be adjusted when beneficiaries reach federal or Social Security retirement age. The benefit rate structure for FECA should be reassessed to determine what an appropriate benefit should be for those beneficiaries who remain on the FECA rolls into retirement. Careful consideration is needed to ensure that the benefit rates ultimately established will have the desired effect while ensuring fairness to injured workers, especially those who have been determined to be permanently injured and thus unable to return to work.

- **Three-day waiting period.** The FECA legislation provides for a 3-day waiting period intended to discourage the filing of frivolous claims. As currently written, the legislation places the waiting period at the end of the 45-day continuation-of-pay period, thereby negating its purpose. Legislation passed in 2006 placed the waiting period immediately after an employment-related injury for postal employees. If the intent of the law is to have a true waiting period before applying for benefits, then it should likewise come immediately after an employment-related injury for all federal workers, not just postal employees.

Clarify MSHA's Authority to Issue Verbal Mine Closure Orders

The Mine Safety and Health Act of 1977 (Mine Act) charges the Secretary of Labor with protecting the lives and health of workers in coal and other mines. To that end, the Mine Act contains provisions authorizing the Secretary to issue mine closure orders. Specifically, Section 103(j) states that in the event of any accident occurring in a coal or other mine where rescue and recovery work is necessary, the Secretary or an authorized representative of the Secretary shall take whatever action he or she deems appropriate to protect the life of any person. Under Section 103(k), the Mine Act states that an authorized representative of the Secretary, when present, may issue such orders as he or she deems appropriate to ensure the safety of any person in the coal or other mine.

The primary purpose of the Mine Act is to give the Secretary the authority to take appropriate action—including ordering a mine closure—to protect lives. As such, the OIG recommends a technical review of the existing language under Section 103(k) to ensure that MSHA's long-standing and critically important authority to take whatever actions may be necessary, including issuing verbal mine closure orders, to protect miner health and safety is clear and not vulnerable to challenge.

Appendixes

Reporting Requirements Under the Following Acts:

Inspector General Act of 1978

REPORTING	REQUIREMENT	PAGE
Section 4(a)(2)	Review of Legislation and Regulation	44
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	ALL
Section 5(a)(2)	Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	ALL
Section 5(a)(3)	Prior Significant Recommendations on Which Corrective Action Has Not Been Completed	55
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	56
Section 5(a)(5) and Section 6(b)(2)	Summary of Instances Where Information Was Refused	NONE
Section 5(a)(6)	List of Audit Reports	51
Section 5(a)(7)	Summary of Significant Reports	ALL
Section 5(a)(8)	Statistical Tables on Management Decisions on Questioned Costs	50
Section 5(a)(9)	Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	49
Section 5(a)(10)	Summary of Each Audit Report over Six Months Old for Which No Management Decision Has Been Made	55
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

Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010

Section 3(d)	Peer Review Reporting	57

American Recovery and Reinvestment Act of 2010

Section 1553(b)(2)(B)(iii)	Whistleblower Reporting	58

Funds Recommended for Better Use

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	2	11.5
Issued during the reporting period	0	0.0
Subtotal	2	11.5
For which management decision was made during the reporting period:		
• Dollar value of recommendations that were agreed to by management	2	11.5
• Dollar value of recommendations that were not agreed to by management		0.0
For which no management decision had been made as of the end of the reporting period	0	0.0

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.	8	815.5
For which management or appeal decisions were made during the reporting period	2	11.5
Subtotal	10	827.0
For which final action was taken during the reporting period:		
• Dollar value of recommendations that were actually completed	2	282.2
• Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		0.0
For which no final action had been taken by the end of the period	8	544.8

* The term “recommendation that funds be put to better use” means a recommendation by the OIG that funds could be used more efficiently or achieve greater program effectiveness if management took actions to implement and complete the recommendation. This term is defined by the Inspector General Act and includes, among other things, reductions in future outlays; deobligation of funds from programs or operations; costs not incurred in the future by implementing recommended improvements related to the operations of the establishment, a contractor, or a grantee; and any other savings specifically identified, including reverting funds to the U.S. Treasury to be used for other purposes.

Questioned Costs

Resolution Activity: Questioned Costs*	Number of Reports	Questioned Costs ($ millions)
For which no management decision had been made as of the commencement of the reporting period (as adjusted)	21	22.4
Issued during the reporting period (not including single audits)	1	0.3
Single audits	0	0.0
Subtotal	22	22.7
For which a management decision was made during the reporting period:		
• Dollar value of disallowed costs		4.5
• Dollar value of costs not disallowed		6.7
For which no management decision had been made as of the end of the reporting period	5	11.5
For which no management decision had been made within six months of issuance	4	11.2

Closure Activity: Disallowed Costs	Number of Reports	Disallowed Costs ($ millions)
For which final action had not been taken as of the commencement of the reporting period (as adjusted)	54	27.1
For which management or appeal decisions were made during the reporting period	5	4.5
Subtotal	59	31.6
For which final action was taken during the reporting period:		
• Dollar value of disallowed costs that were recovered		4.5
• Dollar value of disallowed costs that were written off by management		4.0
• Dollar value of disallowed costs that entered appeal status		0.0
For which no final action had been taken by the end of the reporting period	54	23.1

* As defined by the Inspector General Act, questioned costs include alleged violations of law, regulations, contracts, grants, or agreements; costs not supported by adequate documentation; or the expenditure of funds for an intended purpose that was unnecessary or unreasonable. Disallowed costs are costs that the OIG questioned during an audit as unsupported or unallowable and the grant/contracting officer has determined the auditee should repay. The Department is responsible for collecting the debts established. The amount collected may be less than the amount disallowed, and monies recovered usually cannot be used to fund other program operations and are returned to the U.S. Treasury.

Final Audit Reports Issued

Report Name	# of Nonmonetary Recommendations	Questioned Costs ($)	Funds Put to Better Use ($)	Other Monetary Impact ($)
Veterans Employment and Training				
VETS Management				
VETS' Oversight of Florida's Jobs for Veterans State Grant Program Needs to Be Strengthened; Report No. 06-14-001-02-001; 03/27/14	3	0	0	0
Employment and Training Programs				
ETA Management				
FY 2013 Audit of Consolidated Financial Statements—Information Technology Control Deficiencies Related to the ETA E-Grants System, Unemployment Insurance Database Management System, and General Support System; Report No. 22-14-015-03-001; 03/31/14	1	0	0	0
Workforce Investment Act				
Recovery Act: Outcomes from On-the-Job Training National Emergency Grants; Report No. 18-14-001-03-390; 03/25/14	1	362,267	0	0
Goal Totals (3 Reports)	**5**	**362,267**	**0**	**0**
Worker Benefit Programs				
Unemployment Insurance				
Controls over the Release of the UI Weekly Claims Report Need Improvement; Report No. 17-14-001-03-315; 01/02/14	6	0	0	0
Office of Workers' Compensation Programs				
FY 2013 Audit of the Consolidated Financial Statements—Information Technology Control Deficiencies Related to the OWCP Automated Support Package, Energy Compensation System, Longshore Disbursement System, and Integrated Federal Employees' Compensation System; and the OASAM Division of Information Technology Management Services General Support System; Report No. 22-14-014-04-001; 03/31/14	1	0	0	0
Federal Employees' Compensation Act				
Special Report Relating to the Federal Employees' Compensation Act September 30, 2013; Report No. 22-14-001-04-431; 11/22/13	0	0	0	0
Employee Benefits Security Administration				
EBSA Could Improve Its Usage of Form 5500 Data; Report No. 05-14-003-12-121; 03/31/14	4	0	0	0
Goal Totals (4 Reports)	**11**	**0**	**0**	**0**
Worker Safety, Health, and Workplace Rights				
Mine Safety and Health				
MSHA Has Taken Steps to Detect and Deter Underreporting of Accidents and Occupational Injuries and Illnesses but More Action Is Still Needed; Report No. 05-14-001-06-001; 03/31/14	2	0	0	0
Occupational Safety and Health				
Voluntary Protection Program: Controls Are Not Sufficient to Ensure Only Worksites with Exemplary Safety and Health Systems Remain in the Program; Report No.02-14-201-10-105; 12/16/13	7	0	0	0
Goal Totals (2 Reports)	**9**	**0**	**0**	**0**

Final Audit Reports Issued, continued

Departmental Management				
OASAM Management				
FY 2013 Audit of Consolidated Financial Statements—Information Technology Control Deficiencies Related to the OASAM E-Procurement System and Employee Computer Network / Departmental Computer Network; Report No. 22-14-016-07-001; 03/31/14	1	0	0	0
OASAM Information Technology Governance				
Improvements Needed to DOL's Capital Planning and Investment Controls for Managing Information Technology Investments; Report No. 23-14-009-07-723; 03/25/14	3	0	0	0
Office of the Chief Financial Officer				
Independent Auditors' Report on the U.S. Department of Labor's FY 2013 Consolidated Financial Statements; Report No. 22-14-002-13-001; 12/16/13	11	0	0	0
Management Advisory Comments Identified in an Audit of the Consolidated Financial Statements, for the Year Ended September 30, 2013; Report No. 22-14-006-13-001; 03/31/14	29	0	0	0
FY 2013 Audit of Consolidated Financial Statements—Information Technology Control Deficiencies Related to the Office of the Chief Financial Officer New Core Financial Management System and PeoplePower; Report No. 22-14-013-13-001; 03/31/14	1	0	0	0
Goal Totals (5 Reports)	**45**	**0**	**0**	**0**
Final Audit Report Totals (14 Reports)	**70**	**362,267**	**0**	**0**

Other Reports

Report Name	# of Nonmonetary Recommendations	Questioned Costs ($)
Worker Safety, Health, and Workplace Rights		
Office of Federal Contract Compliance Programs		
Verification of OFCCP Remediation Efforts of Prior-Year Information Technology Security; Report No. 23-14-004-04-410; 03/31/14	0	0
Occupational Safety and Health		
Verification of OSHA Remediation Efforts of Prior-Year Information Technology Security Recommendations; Report No. 23-14-005-10-001; 03/31/14	0	0
Goal Totals (2 Reports)	**0**	**0**
Departmental Management		
OASAM Information Assurance		
Verification of OCIO Remediation Efforts for Prior-Year Information Technology Security Recommendations; Report No. 23-14-001-07-725; 03/31/14	0	0
Fiscal Year 2013 Federal Information Security Management Act: DOL Entity-wide Testing; Report No. 23-14-006-07-725; 11/14/13	2	0
OASAM Enterprise Services		
Verification of OASAM Remediation Efforts of Prior-Year Information Technology Security Recommendations; Report No. 23-14-002-07-727; 03/31/14	0	0
Cloud Email Services Implementation Review; Report No. 23-14-010-07-727; 01/31/14	3	0
HR Works Implementation Review; Report No. 23-14-011-07-727; 02/10/14	3	0
Goal Totals (5 Reports)	**8**	**0**
Other Report Totals (7 Reports)	**8**	**0**

Single Audit Reports Processed

Program/Report Name	# of Nonmonetary Recommendations	Questioned Costs ($)
Vermont Associates for Training and Development, Inc.; Report No. 24-14-515-03-360; 03/25/14	1	0
SE Works, Inc.; Report No. 24-14-510-03-390; 03/13/14	3	0
Northwest Energy Efficiency Council; Report No. 24-14-509-03-390; 03/12/14	3	0
Spectrum Resources, Inc.; Report No. 24-14-508-03-390; 02/27/14	3	0
Venice Community Housing Corporation; Report No. 24-14-507-03-390; 01/23/14	3	0
Inter-Tribal Council of Arizona, Inc.; Report No. 24-14-506-03-355; 01/15/14	1	0
Resource: A Nonprofit Community Enterprise, Inc.; Report No. 24-14-505-03-390; 01/15/14	3	0
The Navajo Nation; Report No. 24-14-503-03-355; 01/09/14	1	0
Youth Conservation Corps; Report No. 24-14-504-03-390; 01/02/14	2	0
Community Transportation of America; Report No. 24-14-502-03-390; 11/13/13	1	0
State of New York; Report No. 24-14-501-03-315; 11/12/13	1	0
Government of the U.S. Virgin Islands; Report No. 24-14-500-03-315; 11/12/13	5	0
Single Audit Report Totals (12 Reports)	**27**	**0**

Unresolved Audit Reports Over Six Months Old

Agency	Report Name	# of Nonmonetary Recommendations	Questioned Costs ($)
Nonmonetary Recommendations and Questioned Costs			
Status Changed to Unresolved Based on Follow-Up Work			
OWCP	Selected ESA Information Technology Systems That Support the FY 2005 Financial Statements; Report No. 23-06-003-04-001; 01/23/06	1	0
OFCCP	Notifications of Findings and Recommendations Related to the Federal Information Security Management Act Audit of the Office of Federal Contract Compliance Program's Information System; Report Number 23-10-017-04-410; 09/30/10	2	0
OSHA	Notifications of Findings and Recommendations Related to the Federal Information Security Management Act Audit of Occupational Safety and Health Administration's Technical Information Management System; Report Number: 23-10-018-10-001; 09/30/10	3	0
Final Management Decision / Final Determination Issued Did Not Resolve; OIG Negotiating with Agency			
OLMS	OIG Audit of OLMS Compliance Audit Program; Report No. 09-12-001-04-421; 09/13/12	1	0
ETA	Navajo Nation Did Not Adequately Manage Workforce Investment Act Grants and Could Serve More Participants with Available Funds; Report No. 02-13-202-03-355; 09/30/13	2	8,000,000
ETA	The U.S. Department of Labor's Employment and Training Administration Needs to Strengthen Controls over Job Corps Funds; Report No. 22-13-015-03-370; 09/20/13	1	0
ETA	Job Corps National Contracting Needs Improvement to Ensure Best Value; Report No. 26-13-004-03-370; 09/27/13	2	351,207
EBSA	Changes Are Still Needed in the ERISA Audit Process to Increase Protection for Employee Benefit Plan Participants; Report No. 09-12-002-12-121; 09/28/12	3	0
EBSA	EBSA Needs to Provide Additional Guidance and Oversight to ERISA Plans Holding Hard-to-Value Alternative Investments; Report No. 09-13-001-12-121; 09/30/13	3	0
Final Determination Not Issued by Grant/Contracting Officer by Close of Period			
ETA	Improvements Are Needed by the Northwest Pennsylvania Workforce Investment Board to Ensure Services Are Documented and Participants Find Jobs Related to the Training Received; Report No. 03-13-002-03-390; 09/30/13	4	0
ETA	Territory of American Samoa; Report No. 24-13-614-03-390; 09/12/13	4	2,538,651
ETA	State of Minnesota; 24-13-617-03-315; 09/27/13	8	315,248
OSHA	University of Illinois; Report No. 24-13-603-10-001; 07/15/12	2	0
Total Nonmonetary Recommendations, Questioned Costs		**36**	**11,205,106**

Investigative Statistics

	Division Totals	Total
Cases Opened:		178
Program Fraud Labor Racketeering	143 35	
Cases Closed:		253
Program Fraud Labor Racketeering	218 35	
Cases Referred for Prosecution:		143
Program Fraud Labor Racketeering	121 22	
Cases Referred for Administrative/Civil Action:		89
Program Fraud Labor Racketeering	75 14	
Indictments:		199
Program Fraud Labor Racketeering	139 60	
Convictions:		234
Program Fraud Labor Racketeering	169 65	
Debarments:		27
Program Fraud Labor Racketeering	4 23	
Recoveries, Cost-Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:		$33,845,739
Program Fraud Labor Racketeering	$21,295,045 $12,550,694	

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	$4,381,266
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	$4,111,492
Restitutions/Forfeitures: The dollar amount/value of restitutions and forfeitures resulting from OIG criminal investigations	$23,658,804
Fines/Penalties: The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations	$1,562,017
Civil Monetary Actions: The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, or other penalties resulting from OIG criminal investigations	$132,160
Total:	$33,845,739[1]

[1]These monetary accomplishments do not include the following case, which involved the participation of DOL-OIG and other law enforcement agencies:

- The former owner of a construction company involved in a Disadvantaged Business Enterprise fraud scheme was ordered to pay criminal restitution of $119,409,724 to the U.S. Department of Transportation, jointly and severally with four other co-defendants.

Peer Review Reporting

The following meets the requirement under Section 989C of the Dodd–Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203) that the Inspectors General include their peer review results as an appendix to each semiannual report. Federal audit functions can receive a rating of "pass," "pass with deficiencies," or "fail." Federal investigation functions can receive a rating of "compliant" or "noncompliant."

Peer Review of DOL-OIG Audit Function

The Social Security Administration–OIG conducted a peer review of the system of quality control for DOL-OIG's audit function for FY 2012. The peer review report, which was issued on March 15, 2013, resulted in an opinion that the system of quality control was suitably designed and provided reasonable assurance of DOL-OIG's conforming to professional standards in its conduct of audits. The peer review gave DOL-OIG a pass rating and made no recommendations.

Peer Review of DOL-OIG Investigative Function

In FY 2013, the Department of Homeland Security–OIG conducted a peer review of the system of internal safeguards and management procedures for DOL-OIG's investigative function for the period ending March 31, 2013. This peer review, which concluded in September 2013, found DOL-OIG to be compliant and did not identify any observations, findings, or deficiencies. This peer review recognized a best practice in case management.

DOL-OIG Peer Review of DOJ-OIG Investigative Function

DOL-OIG conducted an external peer review of the Department of Justice (DOJ)–OIG's system of internal safeguards and management procedures for the investigative function for the period ending October 31, 2012. This peer review, which concluded in April 2013, found DOJ-OIG to be compliant and did not identify any observations, findings, or deficiencies. This peer review recognized four best practices—two in computer forensics, one in case management, and one in training.

Whistleblower Reporting

Under the American Recovery and Reinvestment Act of 2009 (Recovery Act) (P.L. 111-5), an employee of any nonfederal employer receiving covered Recovery Act funds may not be discharged, demoted, or otherwise discriminated against as a reprisal for disclosing information that the employee reasonably believes is evidence of (1) gross mismanagement of an agency contract or grant relating to covered funds; (2) a gross waste of covered funds; (3) a substantial and specific danger to public health or safety related to the implementation or use of covered funds; (4) an abuse of authority related to the implementation or use of covered funds; or (5) a violation of law, rule, or regulation related to an agency contract or grant awarded or issued relating to covered funds. Further, the Recovery Act states that any person who believes he or she has been subjected to a prohibited reprisal may submit a complaint to the appropriate Office of Inspector General (OIG), and the OIG must, subject to several limited exceptions, investigate the complaint and submit a report to the agency head. The following meets the requirements under this act that the Inspectors General include in each semiannual report a list of those investigations for which the Inspector General received an extension beyond the applicable 180-day period to conduct an investigation and submit a report (Section 1553(b)(2)(B)(iii)), and a list of those investigations the Inspector General decided not to conduct or continue (Section 1553(b)(3)(C)).

During this semiannual reporting period, we reviewed three Recovery Act whistleblower complaints and after careful consideration decided that an investigation by us was not warranted because the complaints fell under the jurisdiction of other Offices of Inspectors General.

First, an individual submitted a complaint to the OIG claiming that she was retaliated against, and had her employment terminated, after she reported allegations of wrongdoing involving the use of Weatherization Assistance Program funds. The OIG determined that the Recovery Act funds in question were appropriated to the Department of Energy, and the OIG advised the individual to contact the Department of Energy–OIG about her retaliation complaint.

Second, an individual submitted a complaint to the OIG claiming that she had been retaliated against after reporting alleged abuse of Recovery Act funds. The complainant indicated that she had previously been in contact with the Department of Commerce OIG with respect to her concerns. The OIG determined that, based on the information the complainant provided, it appeared that the Recovery Act funds in question were appropriated to the Department of Commerce, and the OIG advised the individual to follow up with the Department of Commerce–OIG about her retaliation complaint.

Third, an individual submitted a complaint to the OIG claiming that she had been retaliated against after reporting concerns involving Recovery Act funds, along with other issues. The OIG determined that the subject of the individual's complaint received Recovery Actfunds appropriated to the Department of Education, and the OIG advised the individual to follow up with the Department of Education–OIG about her retaliation complaint.

The OIG also received two Recovery Act whistleblower complaints during this semiannual reporting period that are currently under review. In both cases, the complainant claimed that he or she was terminated from employment after reporting allegations of wrongdoing involving Recovery Act funds appropriated to DOL.

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, 2013, through March 31, 2014, the OIG Hotline received a total of 860 contacts. Of these, 234 were referred for further review and/or action.

Complaints Received (by Method Reported):	**Totals**
Telephone	386
E-mail/Internet	373
Mail	93
Fax	8
Walk-In	0
Total	**860**
Complaints Received (by Source):	**Totals**
Complaints from Individuals or Nongovernment Organizations	800
Complaints/Inquiries from Congress	10
Referrals from the Government Accountability Office	18
Complaints from Other DOL Agencies	15
Complaints from Other (Non-DOL) Government Agencies	17
Total	**860**
Disposition of Complaints:	**Totals**
Referred to OIG Components for Further Review and/or Action	128
Referred to DOL Program Management for Further Review and/or Action	76
Referred to Non-DOL Agencies/Organizations	30
No Referral Required / Informational Contact	642
Total	**876***

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

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

To learn more about the Office of Inspector General's current and planned work, please visit www.oig.dol.gov

Office of Inspector General
United States Department of Labor

Report Fraud, Waste, and Abuse

Call the Hotline

202.693.6999 800.347.3756

E-mail: 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