

HIGHLIGHTS

October 1, 2016–March 31, 2017 Volume 77

A Message from the Inspector General

This *Highlights* edition presents a summary of selected activities, accomplishments, and concerns reported in the Office of Inspector General’s (OIG) *Semiannual Report to the Congress* for the six-month period ending March 31, 2016. During this reporting period, the OIG issued 11 audit and other reports that identified needed improvements in Department of Labor (DOL) programs and operations. The OIG’s investigative work also yielded impressive results, with a total of 45 indictments, 116 convictions, and more than \$41 million in monetary accomplishments.

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

Scott S. Dahl, Inspector General

Selected Statistics

Investigative monetary accomplishments	\$41 million
Investigative cases closed/reports issued	139
Investigative cases opened	126
Investigative cases referred for prosecution	119
Investigative cases referred for administrative/civil action	42
Indictments	45
Convictions	116
Statutory debarments	12
Audit and other reports issued	11
Other monetary impact	\$26 million

Employment and Training Programs

Job Corps

The Job Corps program provides education, training, and support services to more than 60,000 disadvantaged, at-risk youths, ages 16–24, at 125 Job Corps centers nationwide, both residential and nonresidential. Highlights of our work in this area includes the following:

- In response to two student homicides at Job Corps centers in 2015, and as follow-on to a prior audit, the OIG's Office of Audit and Office of Investigations conducted a joint review of Job Corps' actions in response to potentially serious criminal misconduct, center physical security, and efforts to mitigate center violence and other serious crimes. Our review found problems with centers not contacting law enforcement to report serious, potentially criminal incidents (40 percent not reported), and continuing problems with centers not reporting such incidents to Job Corps. We also observed physical security weaknesses at some centers. In addition, Job Corps required pre-employment background checks for only a few center positions.

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. Highlights of our work in this area include the following:

- Our audit of Recovery Act funds that ETA awarded to postsecondary schools to train participants for jobs in health care and other high-growth and emerging industries found more than half the participants gained employment in training-related fields. Due to difficulties in following up with participants, grantees may have underreported how many entered employment after exiting the program. ETA could expand to its other grant programs the best practices we identified some grantees had used to track participants.
- The U.S. Department of Justice, on behalf of DOL, entered into a \$1.86 million settlement agreement with the City of Atlanta to resolve allegations that the Atlanta Workforce Development Agency (AWDA) made false certifications to DOL in relation to its expenditure of WIA funds in connection with a local AWDA on-the-job training program.

Foreign Labor Certification Programs

DOL's ETA administers a number of foreign labor certification programs that allow U.S. employers to employ foreign workers to meet American worker shortages. Our investigative work in this area included the following:

- Virginia attorney and New Jersey man pled guilty to charges that they engaged in an H-1B visa fraud conspiracy and then obstructed justice in an effort to cover up their wrongdoing. The conspiracy included the submission of false labor condition applications to DOL and the falsification of payroll records.
- International conspirators were sentenced for their involvement in a scheme affecting DOL's H-2B visa program. The ringleader was sentenced to 78 months in prison, fined \$25,000, and ordered to forfeit more than \$3.1 million in cash and real property.
- Minnesota labor recruiter was sentenced to 60 months in prison and ordered to pay more than \$260,000 in restitution for her role in an H-2A visa fraud scheme.

Worker and Retiree Benefit Programs

During this reporting period, we issued several audits and investigations involving worker and retiree benefit programs, including the Department's Unemployment Insurance (UI) program, the Federal Employees' Compensation Act (FECA) benefit program, and the Employee Benefits Security (EBSA) Administration. Highlights of our work in these areas include the following:

Unemployment Insurance Program

- In an audit of five state workforce agencies' (SWA) use of the State Information Data Exchange System (SIDES) to facilitate their timely receipt of UI claimants' job separation information, we found SIDES contributed to a reduction in related UI improper payment rates. However, SWAs needed to deploy more effective strategies for using SIDES marketing funds to increase employer participation, and ETA needed to resolve the technical issues that SWAs and employers were experiencing.
- New Jersey woman was sentenced to 84 months in prison and ordered to pay more than \$314,000 in restitution for defrauding the New Jersey Department of Labor and Workforce Development.

Employees' Benefit Plans

- In an audit to determine EBSA's ability to protect the estimated 79 million participants in self-insured health plans from improper claim denials, we found the agency was not able to do so because it has collected no information about denials of health benefit claims by these plans. Moreover, Form 5500, EBSA's primary information collection tool, did not capture this information. So even plans required to report to EBSA did not have to provide information on their denials of health benefit claims.

FECA Program

- Texas pharmacy owners pled guilty for their roles in a scheme to pay more than \$17.9 million in illegal kickbacks to a Texas chiropractor in exchange for referrals of federally insured patients covered under FECA. As part of the broader scheme, prescribers were encouraged to prescribe compounded medications, due to the high reimbursement rates offered by DOL's Office of Workers' Compensation Programs (OWCP) for such medications.
- Texas chief executive officer of a medical clinic, chief financial officer, and vice president of clinic operations were convicted of conspiracy to commit health care fraud, health care fraud, and wire fraud, for their roles in a scheme to bill OWCP more than \$9.5 million for physical therapy services that they knew the clinic had not provided.

Labor Racketeering

The OIG conducts investigations into labor racketeering activities involving labor unions, employee benefit plans, and labor-management relations. During this reporting period, we completed labor racketeering investigations that yielded impressive results. Examples include the following:

- Owner and chief executive officer of a construction company based in Greenbelt, Maryland, was found guilty of stealing \$1.7 million from Local 657 of the Laborers' International Union of North America, conspiracy to make unlawful labor payments, conspiracy to commit wire and honest services fraud, and money laundering.
- A New York union contractor and employer trustee for a union welfare fund were sentenced to 3 years' probation and ordered to pay jointly and severally pay \$1 million to the International Brotherhood of Teamsters Local 282 Health Care Plan for conspiracy to embezzle from Local 282 benefits plans.
- New York company owner was sentenced to 8 months' incarceration and 12 months' supervised release and was ordered to pay more than \$740,000 in restitution following his convictions for money laundering, conspiracy, and receiving kickbacks to influence operations of an employee benefit plan.

Worker Safety, Health, and Workplace Rights

During this reporting period, we issued audits involving the Department's Mine Safety and Health Administration (MSHA) and Occupational Safety and Health Administration (OSHA) programs. Highlights of our work in these areas include the following:

Mine Safety and Health Administration

- In our audit of MSHA's oversight of emergency response plans (ERP), we found all the ERPs we reviewed contained inaccuracies or omissions, which placed miners at unnecessarily increased risk during an emergency. Further, MSHA's review processes were inconsistent among its districts, and its ERP guidance had gaps, which made it unclear when new mines were required to submit ERPs and whether they could exclude certain information.

Occupational Safety and Health Administration

- In our audit to determine whether OSHA ensured employers took adequate and timely abatement action in response to violations cited during inspections, we estimated OSHA did not do so for 12,808, or 16 percent, of the safety or health violations it cited in fiscal year 2015. Hazards were not abated for an average of 86 days after the inspection date, during which time workers may have faced continued exposure to hazards or unhealthful conditions.

Legislative Recommendations

The OIG believes that the following legislative actions are necessary to increase the efficiency and integrity of departmental programs and functions:

- Allow the OIG direct access to National Directory of New Hires records to better detect overpayments to Unemployment Insurance claimants who have returned to work but continue to collect UI benefits.
- Amend pension protection laws by expanding the authority of the Employee Benefits Security Administration to require the correction of substandard benefit plan audits; repealing the Employee Retirement Income Security Act's (ERISA's) limited-scope audit exemption, which prevents public accountants who audit pension plans from rendering an opinion on the plans' financial statements; requiring direct reporting of ERISA violations to DOL; and strengthening the criminal penalties in Title 18 of the U.S. Code.
- Provide DOL with the authority to ensure the integrity of the foreign labor certification process, including the ability to verify the accuracy of information provided on labor condition applications.
- Improve the integrity of the Federal Employees' Compensation Act program by allowing DOL statutory access to Social Security wage records and the National Directory of New Hires, and instituting a three-day waiting period before filing a claim for an employment-related injury for all federal workers.
- Clarify the Mine Safety and Health Administration's authority to issue mine closure orders.

OIG Hotline

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 DOL programs and operations.

Phone: 202.693.6999 or 800.347.3756

Fax: 202.693.7020

Website: www.oig.dol.gov