



# Semiannual Report to Congress

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





# A Message from the Inspector General

I proudly submit to Congress and the Department this *Semiannual Report*, 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 September 30, 2017. Our audits and investigations continue to assess the effectiveness, efficiency, economy, and integrity of DOL's programs and operations, including those performed by its contractors and grantees. We also continue to investigate the influence of labor racketeering and organized crime in internal union affairs, employee benefit plans, and labor-management relations, and have partnered with other law-enforcement agencies on human trafficking matters.

During this reporting period, the OIG issued 11 audits and other reports that, among other things, recommended that more than \$11.2 million in funds be put to better use. Among our many significant findings, we reported the following:

- The Office of Workers' Compensation Programs (OWCP) needed better controls over compounded prescription drugs. OWCP was not effectively managing the use and cost of compounded pharmaceuticals in the Federal Employees' Compensation Act (FECA) program.
- The Employment and Training Administration violated the bona fide needs rule by using \$22.1 million of Job Corps funds for program years 2012 and 2013 for services actually provided in program years 2013 and 2014.
- The Occupational Safety and Health Administration lacked adequate contractor information to ensure it followed up on all contract-worker fatalities and catastrophes at employers participating in its Voluntary Protection Programs.
- Adding 3 judges in the Office of Administrative Law Judges would reduce the time required to eliminate the current backlog of black lung case appeals by 21 percent; adding 6 judges would reduce the time by 28 percent.

We continue to work on many important audits. For more details, I invite you to review our recently issued audit work plan for FY 2018, which can be found in the appendix of this report.

The OIG's investigative work also yielded impressive results, with a total of 126 indictments, 135 convictions, and more than \$67.2 million in monetary accomplishments. Highlights of this work include the following:

- Two Texas executives were sentenced to 300 months and 120 months in prison, respectively, and were ordered to pay more than \$26 million in restitution to OWCP for FECA fraud for billing fraudulent claims.

- An immigration consultant was sentenced to 36 months in prison and ordered to pay more than \$200,000 in fines and forfeiture for smuggling more than 100 foreign nationals into the United States with a scheme to defraud DOL's H-2A visa program.
- Three former nonprofit executives in Los Angeles pled guilty to stealing millions of dollars in public funding and another pled no contest to embezzlement charges involving a Workforce Innovation Act grantee nonprofit organization.
- A Chicago-area woman was sentenced to 48 months in prison and ordered to pay more than \$6.8 million in restitution for an unemployment insurance fraud scheme.

These are just a few 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.

In addition, in August 2017, the OIG and DOL's Employment and Training Administration, Wage and Hour Division, and Office of the Solicitor developed protocols regarding the referral of criminal fraud matters in the Foreign Labor Certification (FLC) Program to the OIG in such a way as to avoid duplication of effort and ensure efficiency in combating fraud in the FLC Program.

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 interests and benefits of workers and retirees.



Scott S. Dahl  
Inspector General

# OIG FY 2015–2019 Strategic Plan

## OIG Mission

We serve the American workforce, the Department of Labor, and the Congress by providing independent and objective oversight of departmental programs through audits and investigations, and by combating the influence of labor racketeering in the workplace.

## OIG Core Values

### **Excellence**

We deliver relevant, quality, timely, high-impact products and services through a workforce committed to accountability and the highest professional standards.

### **Integrity**

We adhere to the highest ethical principles and perform our work in an honest and trustworthy manner.

### **Independence**

We are committed to being free of conflicts of interest through objectivity and impartiality.

### **Service**

We are a unified team, vigilant to duty through dedicated public service.

### **Transparency**

We promote an environment of open communication through information sharing, accountability, and accurate reporting.

## OIG Strategic Goals

**Goal 1:** Deliver timely, relevant, and high-impact results.

**Goal 2:** Combat the influence of transnational and national organized criminal enterprises, labor racketeering, and workforce exploitation in the American workplace.

**Goal 3:** Foster an internal OIG culture that drives high performance and engagement.

**Goal 4:** Promote responsible stewardship of OIG's financial and nonfinancial resources.





# Contents

<b>Selected Statistics</b> .....	<b>2</b>	<b>OIG Whistleblower Activities</b> .....	<b>50</b>
<b>Significant Concerns</b> .....	<b>3</b>	<b>OIG Congressional Testimony</b> .....	<b>52</b>
<b>Employment and Training Programs</b>		<b>Legislative Recommendations</b> .....	<b>54</b>
Foreign Labor Certification Programs .....	10	<b>Appendices</b>	
Job Corps .....	15	Reporting Requirements .....	60
Employment and Training Administration Programs ..	17	Funds Recommended for Better Use .....	62
Veterans Employment and Training Service .....	18	Questioned Costs .....	63
Bureau of Labor Statistics .....	19	Final Audit Reports Issued .....	64
<b>Worker and Retiree Benefit Programs</b>		Other Reports .....	65
Office of Workers' Compensation Programs .....	22	Single Audit Reports Processed .....	66
Unemployment Insurance Programs .....	26	Unresolved Audit Reports over 6 Months Old .....	68
<b>Worker Safety, Health, and Workplace Rights</b>		Corrective Actions Taken by The Department .....	70
Occupational Safety and Health Administration .....	32	Unimplemented Recommendations .....	73
Wage and Hour Programs .....	34	Investigative Statistics .....	84
<b>Labor Racketeering</b> .....	<b>36</b>	Peer Review Reporting .....	85
<b>Departmental Management</b> .....	<b>42</b>	<b>OIG Hotline</b> .....	<b>86</b>
Single Audits .....	45	<b>Fiscal Year 2018 Audit Work Plan</b> .....	<b>87</b>
Employee Integrity Investigations .....	46		

## Selected Statistics

Investigative recoveries, cost-efficiencies, restitutions, fines and penalties, forfeitures, and civil monetary action .....	\$67.2 million
Investigative cases opened .....	155
Investigative cases closed/reports issued .....	113
Investigative cases referred for prosecution.....	100
Investigative cases referred for administrative/civil action.....	36
Indictments .....	126
Convictions .....	135
Statutory debarments .....	8
Audit and other reports issued.....	11
Funds put to better use.....	\$11.2 million



# Significant Concerns

*The OIG has identified the following areas of significant concern that cause the Department to be at particular risk of fraud, mismanagement, waste, deficiencies, or abuse. Most of these issues appear in our annual Top Management and Performance Challenges report, which can be found in its entirety at [www.oig.dol.gov](http://www.oig.dol.gov).*

## Ensuring the Safety of Students and Staff at Job Corps Centers

The OIG remains concerned about the ability of the Job Corps program to provide a safe environment for its students and staff. Job Corps centers have been challenged by violence and other criminal behavior for years, because some center operators have not enforced disciplinary policies. OIG audits from 2015 and 2017 disclosed that some Job Corps centers failed to report and investigate serious misconduct, such as drug abuse and assaults, or downgraded incidents of violence to lesser infractions, creating an unsafe environment for students and staff. Furthermore, the OIG found problems with centers' not contacting law enforcement to report serious, potentially criminal misconduct incidents, as well as continuing problems with centers' not reporting such incidents to Job Corps. We observed physical security weaknesses, such as inoperable closed-circuit television cameras and damaged or absent fencing along center perimeters. Finally, Job Corps required pre-employment background checks for only a few center positions. OIG reports from 2015 and 2017 contain 15 recommendations for improving security and safety at Job Corps centers. Job Corps initiated or proposed corrective actions for 13 recommendations and completed actions for 2 recommendations. The OIG continues to monitor Job Corps' progress on the 13 recommendations that it has not yet fully implemented.

## Monitoring and Managing Pharmaceuticals in the FECA Program, Particularly Compounded Drugs and Opioids

The OIG is concerned about the Department's ability to effectively manage the use and cost of pharmaceuticals in its workers' compensation programs, especially the cost of compounded medications, an area in which costs and fraud have rapidly escalated. The cost of prescription drugs in the Federal Employees' Compensation Act (FECA) program rose from a reported \$183 million in FY 2011 to \$477 million in FY 2016, an increase of 161 percent. This dramatic increase was almost exclusively due to the rise in reported costs for compounded drugs, which jumped from approximately \$2 million in FY 2011 to \$263 million in FY 2016, more than a hundredfold increase. While the Department has begun requiring letters of medical necessity for compounded medications, billings for pharmaceuticals remain highly susceptible to fraud. Our current investigations are focusing on collusion between prescribing physicians and dispensing pharmacies. In one case alone, the OIG has identified potential fraud involving nearly \$158 million. The results of our improper payment work show that the Department's lack of comprehensive analysis of medical benefit payments in the FECA program allowed these increases to go undetected and could overlook

## Significant Concerns

other problems, such as the overuse of opioids. It is critical that the Department's oversight ensure that prescription drugs reimbursed by the program are medically necessary, safe, effective, and obtained at a fair price. Finally, the Department must continue its efforts to identify and refer allegations involving potential fraud in the FECA program to the OIG for further investigation.

### **Maintaining the Integrity of Foreign Labor Certification Programs**

The Department's administration of the Foreign Labor Certification (FLC) programs, which are intended to permit U.S. businesses to hire foreign workers when necessary to meet their workforce needs while protecting the jobs and wages of U.S. workers, has been an ongoing concern to the OIG for decades. OIG investigations have shown these visa programs, in particular the H-1B program, to be susceptible to significant fraud and abuse, often by dishonest immigration attorneys, labor brokers, employers, and organized criminal enterprises. DOL is statutorily required to certify an H-1B application unless it determines that the application is "incomplete or obviously inaccurate." Given this fact, it is not surprising that OIG investigations have revealed schemes in which fictitious companies or dishonest businesses seeking to acquire foreign workers filed fraudulent applications with DOL. As part of our investigations, we have also uncovered numerous instances of unscrupulous employers' misusing FLC programs to engage in human trafficking, with victims often exploited for economic gain. To combat abuse of the FLC programs, we recommended that the Department determine and document the appropriateness of debarring individuals convicted of FLC violations as a result of OIG investigations, and report FLC program suspensions and debarments on the government-wide exclusion system. We also have a long-

standing legislative recommendation to provide DOL with the statutory authority to ensure the integrity of the H-1B program, including the ability to verify the accuracy of information provided on labor condition applications.

### **Protecting the Safety and Health of Workers**

With more than 9 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 compliance responsibilities through a combination of self-initiated and complaint investigations. However, the program 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. The OIG is also concerned with OSHA's ability to measure the impact of its policies and programs and those of the 28 OSHA-approved state plans for occupational safety and health. Finally, we are concerned that some employers do not take adequate and timely actions to correct hazards cited by OSHA. Our recent audit found problems related to the timeliness of abatement actions, abatement of citations in the construction industry, and OSHA's issuance of citations for repeat or willful violations.

## Significant Concerns

### Protecting the Safety and Health of Miners

The ability of the Mine Safety and Health Administration (MSHA) to effectively manage its resources to help ensure the safety and health of miners is a concern for the OIG. Given the decline in coal production and closings of coal mines in the last decade, MSHA is challenged to appropriately redeploy resources where needed. While coal production is expected to increase through 2018, the increase will vary across regions. Mine operators' underreporting of occupational injuries and illnesses also hinders MSHA's ability to focus its resources on the most dangerous mines. In addition, we are concerned that MSHA lacks a consistent approach to logging, assessing, and responding to complaints of hazardous mine conditions. Furthermore, the agency has not provided sufficient oversight to ensure that coal mine operators' emergency response plans provide the critical information needed to help miners survive a mine catastrophe.

### Improving the Performance Accountability of Job Training Programs

The Department's ability to ensure that its job training programs are successful in developing participants' skills and placing them in suitable employment is another area of concern for the OIG. 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, contractors, and states in meeting the programs' goals. The Government Accountability Office reported in March 2016 that state program officials had identified several challenges related to performance reporting

under the Workforce Innovation and Opportunity Act. The cost and complexity of integrating data systems, limited staff expertise, and antiquated information technology systems were listed among those challenges. The Department also faces challenges in assuring that the credentials participants obtain from Department of Labor-funded training programs are industry recognized and actually help participants obtain jobs in those industries. Our work in the Job Corps program has found graduates often placed in jobs unrelated to the occupational certifications and skills training they received or in jobs that required little or no training.

### Improving the Black Lung Claims Process

The Black Lung program was created to provide not only monthly compensation and medical benefits to coal miners who are totally disabled due to pneumoconiosis (black lung disease), but also monthly compensation to their eligible survivors. This debilitating condition often leads to lung impairment, disability, and premature death. The challenge for the Black Lung program centers on the quality and timeliness of the Department's disability claims decisions. Our recent review noted significant differences in the level of detail and comprehensiveness of documentation among medical reports, with the Department's claims examiners stating that medical reports obtained by the Department were generally not as detailed or clearly written as those presented by mine operator-paid physicians. Timeliness issues focused on delays in conducting hearings and issuing decisions at the Office of Administrative Law Judges (OALJ). OALJ reported that its pending Black Lung caseload declined by 447 cases from FY 2015 to FY 2016, but it still had more than 2,500 cases pending.

## Significant Concerns

### Ensuring the Solvency of the Black Lung Trust Fund

Miners and their survivors who have been awarded benefits as a result of black lung claims receive lifetime benefits. These benefits are paid by a mine operator when a responsible operator can be located or by the Black Lung Disability Trust Fund (BLDTF) when the miner's former employer does not or cannot assume liability. The BLDTF's current annual income (primarily from an excise tax on coal) is sufficient to cover its current annual obligations to pay benefits and administrative costs. However, as of the end of FY 2016, the BLDTF was carrying a \$5.6 billion deficit balance. This deficit balance primarily originated in earlier years of the BLDTF. Despite past efforts to refinance this debt, including a restructuring of the BLDTF in FY 2008, current revenues are insufficient to service it. As a result, the BLDTF has been forced to rely on annual advances from the Treasury to repay its legacy debts.

As mentioned above, the BLDTF is funded primarily by an excise tax levied on domestic sales of coal mined in the United States (coal exports and lignite, often referred to as brown coal, are not subject to the coal excise tax). U.S. domestic coal production has declined in recent years, although the U.S. Energy Information Administration projects slight increases in production for calendar years 2017 and 2018. Overall, reduction in coal production results in reduced excise tax collections and thus reduced cash inflows to the BLDTF. In addition, the downturn in the coal industry has resulted in several coal mine operators' filing for bankruptcy. Although some have emerged from bankruptcy, others, along with their many subsidiaries, have gone out of business. The BLDTF will be responsible in some instances for benefit payments previously made by former mine operators who were self-insured and

are no longer able to pay their federal black lung liabilities. Finally, the current excise tax rate is due to expire on December 31, 2018, when it will be reduced by 55 percent. If Congress does not renew the tax rate, the BLDTF will incur additional debt and the fund deficit balance may increase.

### Protecting 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 the benefit plans of approximately 149 million plan participants and beneficiaries, particularly in light of statutory limitations on DOL's authority. One challenge facing the Employee Benefits Security Administration (EBSA) for decades has been that ERISA allows billions in pension assets held in otherwise regulated entities, such as banks, to escape full audit scrutiny. These concerns were renewed by recent audit findings that as much as \$3.3 trillion in pension assets, including an estimated \$800 billion in hard-to-value alternative investments, received limited-scope audits that provided few assurances to participants regarding 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 needs to focus its available resources on investigations it believes will most likely result in the deterrence, detection, and correction of ERISA violations.

### Securing and Protecting Information Management Systems

For many years, we have reported on long-standing information security deficiencies, including weaknesses in third-party oversight, incident response and reporting, risk management,

## Significant Concerns

and continuous monitoring. These deficiencies represent ongoing, unnecessary risks to the confidentiality, integrity, and availability of DOL's information. We have recommended that the Department place greater emphasis on these deficiencies and prioritize available resources to address them. We likewise recommended realigning the position of the Chief Information Officer (CIO) to report directly to the Deputy Secretary to give the CIO greater independence and authority for implementing and maintaining an effective information security program.

### Reducing Improper Payments

The Department's ability to measure, report, and reduce improper payments in its Unemployment Insurance (UI) and FECA programs continues to be a concern for the OIG. According to the Office of Management and Budget (OMB), in 2016, the UI program had the seventh-highest amount of reported improper payments (\$3.9 billion) among all federal programs. In 2017, the reported amount of UI improper payments increased to \$4.1 billion. The UI improper payment rate increased to 12.5 percent in FY 2017 from 11.7 percent in FY 2016, remaining above OMB's threshold of 10 percent. Fraud continues to be a significant threat to the integrity of the UI program, as identity thieves and organized criminal groups have found ways to exploit program weaknesses. The Department has established the UI Integrity Center of Excellence to be a state-driven source of innovative program integrity strategies to prevent and detect improper payments and reduce fraud. The OIG continues to have concerns regarding the Department's ability to identify the full extent of improper payments in the FECA program. DOL's estimation methodology excluded initial payments made in the first 90 days of compensation payments and payments for nonimaged cases, but did not determine and

report the full effect of those exclusions on its estimates. Also, DOL needs to identify the FECA improper payment issues identified by fraud investigations and estimate the extent to which these issues exist in the payment population. For example, the FY 2016 FECA improper payment estimate may have been understated because the Department presumed the total \$263 million paid for compounded drugs was medically necessary. Evidence compiled by the OIG indicates otherwise.

### Managing Information Technology Investments

Ensuring proper management of multimillion-dollar information technology systems is also of concern to the OIG. Most significantly, in 2014 the Department encountered difficulties in managing its financial system due to the sudden legal and bankruptcy issues faced by the private-sector firm that was providing these services. In July 2014 the Department procured the financial system assets and entered into an interagency agreement for a federal shared services provider to assume the system's operations and maintenance at a cost of more than \$2 million per month. The Department continued to operate under a time-and-materials contract to run and maintain the financial system for two years. In July 2016, the Department entered into a three-year, \$74 million delivery order contract with some fixed-price items, but 53 percent of the contract continues to be on a time-and-materials basis.

### Ensuring the Equitable Release of Economic Data

The Department issues a number of reports and statistics that include "leading economic indicators," such as the UI Weekly Claims Report



## Significant Concerns

and the Producer Price Index. Because the data in these reports have the potential to move financial markets, the Department protects the data via an embargo, meaning the data cannot be disseminated or used in any unauthorized manner before their release to the public. The Department allows prerelease access to approved news organizations 30 minutes prior to the official release time with the objective of improving the accuracy of initial news reports about the information. News organizations' use of preformatting and data-queuing software to transmit the data positions their paying clients to trade on these data faster than the Department can post the information to its website for the general public to access it once the embargo is lifted. Even fractions of a second can provide a significant trading advantage to these clients over individuals and other organizations that cannot access the embargoed data. To ensure an equitable release of these data, the Department must eliminate this competitive advantage through either changing or eliminating the optional lockup process. The Department has been in consultation with other federal agencies that conduct similar press lockups since we first reported on this concern in January 2014; however, no action has been taken to resolve this issue.

### Providing Access to DOL Electronic Data

The Department's ability to provide timely access to its many electronic data systems is a concern for the OIG. This challenge has been particularly acute for systems owned or operated by third parties. As the Department pushes its information to the cloud, the management and control of these systems and the data they contain become even more crucial. The Department needs to ensure that contract language for third-party systems specifically allows the Department, along with its Inspector General, to have timely access to those systems and the data they contain. It also needs to continue to facilitate the OIG's access to all systems. To make these changes happen throughout the Department, top leaders will need to clearly communicate this requirement as critical to the Department's efforts to combat fraud, waste, and abuse.



# Employment and Training Programs





# Foreign Labor Certification Programs

*The Employment and Training Administration (ETA) administers a number of Foreign Labor Certification (FLC) 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 the employer will pay the applicable wage rates and will meet other conditions of employment required by statute. The H-2B program establishes a means for U.S. nonagricultural employers to bring foreign workers into the United States on a temporary basis to address a shortage of available, qualified United States workers. The H-2A temporary agricultural program allows agricultural employers who establish that there is a shortage of domestic workers to bring nonimmigrant foreign workers to the United States to perform agricultural labor or services of a temporary or seasonal nature. The Permanent Foreign Labor Certification program allows an employer to hire a foreign worker to work permanently in the United States.*

## Canadian Immigration Consultant Sentenced to Prison for H-2A Visa Fraud

On July 7, 2017, Iram Jafri, vice president of Canadian immigration firm A.J. & Associates, was sentenced to 36 months in prison and ordered to pay more than \$200,000 in fines and forfeiture in connection with a scheme to defraud DOL's H-2A visa program and smuggle more than 100 foreign nationals into the United States. Based on Jafri's criminal conviction, DOL initiated debarment proceedings and, on September 22, 2017, placed Jafri on the System for Award Management exclusion list, effectively debarring her from doing any business with the United States government for 3 years.

From 2011 to 2016, Jafri fraudulently obtained H-2A visas for foreign nationals who were already present in the United States and working on a permanent basis, with the ultimate goal of obtaining permanent residency for them. Once a fraudulent visa was obtained, Jafri would instruct the foreign nationals to travel from the United States to Windsor, Canada, where she would meet them and then drive them back into the United States to make it appear they were entering the country pursuant to their H-2A visas. Jafri demanded cash payment, ranging from \$1,000 to \$1,500, in exchange for assisting foreign nationals with reentry to the United States, in addition to fees she charged for obtaining their fraudulent visas. In one instance, Jafri received more than \$9,000 to procure a fraudulent visa and drive a foreign national into the United States.

This is a joint investigation with the U.S. Department of Homeland Security—Homeland Security Investigations (DHS-HSI) and the U.S. Department of State—OIG. *United States v. Iram Jafri* (E.D. Michigan)

## Employment and Training Programs

### Texas Business Owner Sentenced for Visa Fraud and Alien Harboring Conspiracy

On July 27, 2017, David Anderton was sentenced to 60 months of probation and fined \$60,000 for defrauding DOL's H-2B program and committing other offenses in relation to the staffing of his commercial landscaping company, A & A Landscape and Irrigation.

Anderton routinely abused DOL's H-2B temporary visa program by submitting applications to bring Mexican workers into the United States, knowing that the applications contained materially false information regarding how he intended to pay them. Once they arrived in the United States, Anderton paid the H-2B workers less than minimum wage and housed them in dangerous conditions.



*Workers' housing on Anderton's property*



*Anderton's Residence*

This is a joint investigation with U.S. Department of State Diplomatic Security Service (DOS-DSS), IRS-CI, and DHS-HSI. *United States v. David Allen Anderton* (E.D. Texas)

### Minnesota Woman Sentenced to Prison in Labor Trafficking Case

On August 24, 2017, Lili Huang was sentenced to a year and a day in prison for withholding documents as well as enslaving, starving, and beating her victim in a forced labor case. Huang was also ordered to pay more than \$123,000 in restitution and forfeit her home.

In February 2016, Huang brought the victim, identified as “F.L.,” from Shanghai, China, to her home in Woodbury, Minnesota, to work as a nanny and housekeeper. Although F.L. had previously worked for the defendant in China, where she cooked, cleaned, and cared for the defendant’s children, the scope of work and the defendant’s treatment of the victim were significantly different once she arrived in Minnesota. Huang forced F.L. to work up to 18 hours a day cooking, cleaning, and providing childcare. Huang became emotionally and physically abusive toward the victim.



*Lili Huang’s residence in Woodbury, Minnesota*

In April 2016, due to the repeated physical abuse, F.L. asked Huang to buy her an airplane ticket so she could return home to China. Instead, Huang took the victim’s passport and refused to let the victim leave. Huang also pled guilty in Washington County to one felony count of third-degree assault

and was sentenced on August 11, 2017, to a year and a day in prison, which will run concurrently with her federal sentence.

This is a joint investigation with the DHS-HSI, DOS-DSS, the Woodbury Police Department and the Washington County Attorney’s Office. *United States v. Lili Huang* (D. Minnesota)

### Indian National Sentenced for H-1B Visa-Related Fraud

On April 26, 2017, George Mariadas Kurusu, an Indian national, was sentenced to time served (approximately 11 months) and directed to pay restitution of \$53,000. In January 2017, Kurusu pled guilty to wire fraud, fraud in foreign labor contracting, false statements in an immigration matter, and witness tampering for perpetrating a scheme to defraud the H-1B visa program. As part of his plea agreement, Kurusu agreed to pay restitution to four victims of his scheme prior to sentencing.

Kurusu entered the United States as an H-1B visa employee of the Fort Stockton, Texas, Independent School District (FSISD). Kurusu quickly violated the terms of his H-1B visa by establishing a labor recruiting business called Samaritan Educational Services. Kurusu successfully recruited numerous Indian nationals and secured H-1B visas for them to enter the United States to work for FSISD.

When they arrived, Kurusu required them to set up bank accounts and recurring automatic fund transfers, whereby 15 percent of their gross monthly pay was wired to Kurusu’s business account. When Kurusu’s victims questioned these illegal fees, Kurusu warned them that nonpayment would result in loss of their jobs and H-1B visas. Kurusu also warned victims not to complain to

## Employment and Training Programs

FSISD, because doing so would jeopardize all FSISD H-1B workers. When he became aware of the DOL-OIG joint criminal investigation, Kurusu threatened his victims with deportation should they decide to speak with law enforcement.



*Fort Stockton High School, where George Kurusu taught and recruited teachers to work*

This is a joint investigation with DOS-DSS and U.S. Customs and Border Protection. *United States v. George Mariadas Kurusu* (W.D. Texas)

### **Florida Farm Labor Contractor Convicted for H-2A Visa Fraud**

On July 26, 2017, a jury convicted Emmanuely Germain, a farm labor contractor, on multiple felony offenses for conspiring to defraud DOL's H-2A visa program. Germain participated in a scheme to unjustly enrich himself by charging unauthorized and improper fees to foreign nationals who sought to be included in the H-2A visa process, and by misrepresenting the number of H-2A workers actually needed by the employer on whose behalf he was filing.

Through his company, International Easy Labor, Inc., Germain filed numerous H-2A applications and petitions with DOL and DHS, respectively, requesting H-2A workers on behalf of a South Georgia farmer. In each case, however, Germain requested a number of H-2A visas that far exceeded the number of workers needed by the farmer. Germain then collected thousands of dollars in illegal "recruitment fees" from foreign nationals who sought to enter and work in the United States. Even after their business relationship had ended, Germain continued to use the farm operator's business to petition for H-2A visas without the farmer's knowledge, including one instance in 2015 when Germain applied for 120 H-2A visas.

This is a joint investigation with DOS-DSS and DHS-HSI. *United States v. Emmanuely Germain* (S.D. Florida)

### **Former Texas School Human Resources Executive Pleads Guilty to Conspiracy to Falsify Immigration Documents**

On May 23, 2017, Victor Leos, former executive director of human resources for the Garland Independent School District (GISD), pled guilty to a one-count information charging him with conspiracy to commit visa fraud. Leos was responsible for recruiting teachers to fill vacancies at GISD. Leos recruited teachers from Mexico, Central and South America, and the Philippines to fill open teaching positions at GISD.

From around 2007 to around 2012, Leos engaged in a criminal conspiracy with outside recruiters to recruit and hire foreign teachers that GISD did not necessarily need. Leos benefited by receiving kickbacks in the form of inflated fees to teach orientation classes, travel, and other forms of



## Employment and Training Programs

remuneration. After the foreign teachers were employed at GISD on H-1B temporary visas, Leos knew they were unlikely to qualify for Form 9089s (Applications for Permanent Employment Certification). To further the conspiracy, Leos knowingly signed and filed falsified Form 9089s with DOL to sponsor the teachers for employment-based permanent resident applications.

This was a joint investigation with the FBI, DHS-HSI, and the Department of Education–OIG. *United States v. Victor Leos* (N.D. Texas)

### **Pennsylvania Landscaping Company Pleads Guilty to Defrauding H-2B Visa Program**

On September 20, 2017, Clarke's Landscaping and Lawncare, Inc. (Clarke's), through company president David Clarke, pled guilty to defrauding DOL's H-2B visa program. Clarke's submitted H-2B visa applications to DOL citing a lack of available U.S. workers and a need to hire foreign nationals to supplement its workforce. In doing so, Clarke's made a number of materially false statements by representing to DOL that (1) it intended to pay the H-2B beneficiaries a prevailing wage and (2) it would not require them to pay any compensation, such as recruitment fees, related to their employment with Clarke's. In fact, Clarke's required its H-2B employees to remit bimonthly cash payments for rent and recruiter fees and compensated them less than the wage rate represented on their visa applications.

This is a joint investigation with DHS-HSI and DOS-DSS. *United States v. Clarke's Landscaping & Lawncare, Inc.* (E.D. Pennsylvania)



### Job Corps

*The Job Corps program provides education, training, and support services to more than 50,000 disadvantaged, at-risk youths, ages 16–24, at 125 Job Corps centers nationwide, both residential and nonresidential. The goal of the nearly \$1.7 billion program is to offer an intensive intervention to members of this targeted population as a means to help them learn vocational skills, earn a high school diploma or general equivalency diploma, and find and keep a good job.*

#### **ETA Violated the Bona Fide Needs Rule and the Antideficiency Act**

The Government Accountability Office referred to the OIG a potential violation of the bona fide needs rule by ETA. The bona fide needs rule prohibits agencies from obligating funds for the purchase of services delivered outside the time period for which the funds were originally designated.

In our audit to determine whether ETA's use of Job Corps operations funds for program years (PYs) 2011, 2012, and 2013 complied with the bona fide needs rule, we found that ETA used \$22.1 million of PYs 2012 and 2013 funds for services actually provided in PYs 2013 and 2014, in violation of the bona fide needs rule. We did not find any bona fide needs rule violations for PY 2011.

ETA's actions also violated the Antideficiency Act by improperly obligating the government to pay for services provided in PYs 2013 and 2014 before those years' funds were actually made available for obligation by Congress.

Furthermore, ETA could not demonstrate that it had complied with the bona fide needs rule and Antideficiency Act in executing nine specific contract modifications, totaling \$24.6 million, because these modifications lacked documentation of the time periods for the services being purchased.

Finally, ETA allowed \$11.2 million in Job Corps operations funds for PYs 2012 and 2013 to expire without being used.

These deficiencies occurred due to insufficient management emphasis in these areas and inadequate documentation. ETA needs to report any violations, improve internal controls, and use Job Corps funds more efficiently.

For more details, go to <https://www.oig.dol.gov/public/reports/oa/2017/26-17-002-03-370.pdf>, Report No. 26-17-002-03-370 (September 21, 2017).

## Employment and Training Programs

### Former Cleveland Job Corps Center Director Sentenced to Prison for Embezzlement and Tax Violations

On May 23, 2017, former Cleveland Job Corps Center director Clark V. Hayes was sentenced to 37 months in prison and ordered to pay \$1.5 million in restitution for embezzling retirement funds and failing to pay taxes. Hayes was the owner of Applied Technology Systems, Inc. (ATSI), which held a contract with DOL to operate the Cleveland, Ohio and Jacksonville, Florida Job Corps Centers. Based on his criminal conviction, DOL initiated debarment proceedings and, on September 25, 2017, placed Hayes and ATSI on the System for Award Management exclusion list, effectively debaring Hayes and ATSI from doing any business with the federal government for 3 years.

Between July 2010 and August 2011, DOL paid ATSI more than \$15.5 million to staff and manage the Cleveland and Jacksonville Job Corps Centers. This amount included reimbursement for wages ATSI paid to the Centers' employees, including amounts that should have been withheld and paid to the IRS. Hayes failed to pay more than \$1.4 million in payroll taxes between 2010 and 2011. He also closed an employee retirement account and caused more than \$210,000 from that employee's retirement account to be transferred to an account he controlled. Hayes then spent more than \$110,000 of the embezzled money on personal items, including a Mercedes Benz and several business investments.

This is a joint investigation with the Employee Benefits Security Administration and IRS–CI. *United States v. Clark V. Hayes* (N.D. Ohio)





# Employment and Training Administration Programs

*The Department's ETA provides employment assistance, labor market information, and job training through the administration of programs authorized by the Workforce Innovation and Opportunity Act (WIOA) for adults, youth, dislocated workers, and other targeted populations. WIOA grant funds are allocated to state and local areas based on a formula distribution and through competitive grant awards to governmental and private entities. WIOA went into effect on July 1, 2015. WIOA does not make drastic structural changes to the workforce system established under its predecessor, the Workforce Investment Act of 1998 (WIA), but it does include provisions that streamline programs, strengthen the emphasis on serving local employers, increase the transparency of training providers, and create more consistent performance accountability standards.*

## Southern California Man Pleads Guilty to Embezzling Job Training Funds

On August 3, 2017, Jared Palmer, a former facilities manager for the San Diego Workforce Partnership, pled guilty to theft of federal program funds for embezzling more than \$455,000 from the local Workforce Development Board, which provides job training and placement to San Diego residents and employers.

Palmer, through his position as facilities manager, was responsible for approving payment of invoices submitted by janitorial companies contracted to clean San Diego Workforce Partnership facilities. Between 2011 and 2016, Palmer instructed contractors to purchase items he claimed were for the Partnership's use, including Nest Smart Thermostats, various electronics, and prepaid debit cards. Palmer then stole the items and created false invoices to make it appear as though the items had been purchased for legitimate business purposes. This is a joint investigation with the FBI. *United States v. Jared Palmer* (S.D. California)

## Executives of Los Angeles Nonprofit Plead Guilty to Stealing Job Training Funds

On August 15, 2017, Sophia Esparza, Silvia Gutierrez, and Thomas Baiz, all former executives of the nonprofit organization Chicana Service Action Center, a WIA grantee that provided services for domestic violence victims, the homeless, and the unemployed, pled guilty to embezzling and misappropriating millions of dollars in public funding. A fourth defendant, Michael Tompkins, pled no contest to one count of embezzlement.

Together, the defendants fraudulently billed for services not rendered and pilfered county and city funding for their own personal use. In particular, Esparza used city and county funding to rent luxury apartments in downtown Los Angeles and a home in San Marino, California. She also used the stolen money to purchase sports cars, charter a \$35,000 yacht cruise, and purchase season tickets to the Los Angeles Dodgers and the Los Angeles Clippers. Gutierrez and Baiz used the stolen money to pay for bonuses, loans, vehicles, life insurance, and other personal expenditures. This is a joint investigation with California's District Attorney's Bureau of Investigation; Office of County Investigations, a division of the Department of the Auditor-Controller's Office; and state Franchise Tax Board. *The People of the State of California v. Esparza et al.* (Los Angeles County District Attorney's Office)

# Veterans Employment and Training Service

*The mission of the Veterans' Employment and Training Service is to provide veterans with the resources and needed 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.*

## New Jersey Business Owner Pleads Guilty to Stealing \$2.8 Million from Veterans' Program

On June 21, 2017, Elizabeth Honig, owner of Eatontown-based Computer Insight Learning Center, pled guilty to stealing \$2.8 million from the Veterans Retraining Assistance Program (VRAP). Honig enrolled veterans who were not eligible to receive VRAP benefits, fraudulently applied for VRAP benefits for herself by posing as a veteran, and allowed spotty attendance from veterans who actually did attend training.

The now-defunct VRAP, administered jointly by DOL and the U.S. Department of Veterans Affairs (VA), was designed to provide job training benefits for unemployed veterans between the ages of 35 and 60. Between April 2013 and March 2014, Honig applied for VRAP benefits on behalf of 182 veterans, a majority of whom were not eligible to receive benefits. Honig admitted to logging on to the VRAP applications system more than 100 times and fraudulently certifying that she was the actual veteran who was applying for benefits. She then allowed enrollees to attend fewer than the required hours, to stop attending prior to completion, or in many cases, never to attend at all. Honig did not report the nonattendance to the government, as required by law, as long as the veterans continued to pay her a monthly fee. Honig's monthly fee of approximately \$750 resulted in overpayments by veterans far in excess of the VRAP-approved tuition cost.

This is a joint investigation with the VA–OIG. *United States v. Elizabeth Honig* (D. New Jersey)

# Bureau of Labor Statistics

*The Bureau of Labor Statistics (BLS) is responsible for measuring labor market activity, working conditions, and price changes in the economy. BLS collects, analyzes, and disseminates economic information to support public and private decision making.*

## BLS Could Enhance Data Collection Controls in the Current Employment Statistics Survey

In our audit to determine whether BLS had established controls to ensure that data reported from the Current Population Survey (CPS) and the Current Employment Statistics (CES) survey are accurate, clear, and unbiased, we found that BLS had established such controls. However, for CES, BLS could enhance and consistently comply with controls over data collection.

The CPS and the CES are both widely watched Principal Federal Economic Indicators upon which the government and the private sector rely heavily. Therefore, these surveys must meet the highest standards for accuracy and reliability.

Both the CES and the CPS must use reliable information sources and appropriate techniques, and present information in an accurate, clear, and unbiased manner. For the CPS, the Department of Commerce's Census Bureau collects the data that BLS reports. For the CES, BLS both collects and reports the data.

We identified two areas in which BLS could enhance CES data collection controls. First, BLS allows contracted CES data survey collectors to view prior-period data when collecting current-period data. While this is a standard survey methodology to reduce respondent burden, it creates a data falsification risk that BLS could take steps to reduce without increasing respondent burden. BLS operates a quality assurance program to help minimize the risk of data falsification, but it has not consistently performed the reinterviews and case reviews the program requires.

Second, BLS's CES data breach policy does not require BLS officials to inform survey respondents in the event that their personally identifiable information has been compromised. Since responding to the CES is voluntary, BLS must protect the confidentiality of the information it obtains. If confidential data are compromised, the agency must be transparent with survey respondents in order to retain their trust and continued participation in the CES surveys. BLS needs to reduce the risk of data falsification, ensure that reinterview and case review requirements are met, and update its breach policy to inform respondents when their confidential data are compromised.

For more details, go to <https://www.oig.dol.gov/public/reports/oa/2017/17-17-002-11-001.pdf>, Report No. 17-17-002-11-001 (September 27, 2017).



# Worker and Retiree Benefit Programs



# 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 millions of 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.*

## **Interim Report on Audit of Pharmaceutical Management in DOL Benefit Programs - OWCP Needs Better Controls over Compounded Prescription Drugs**

In our audit of pharmaceutical management in DOL's benefits programs, we found that OWCP has not effectively managed the use and cost of compounded pharmaceuticals in the FECA program. This interim report reflects our work to date. Our ongoing audit may identify additional issues with OWCP's management of pharmaceuticals.

Congress, DOL-OIG, and the U.S. Postal Service have grown very concerned over the safety, rapidly escalating costs, and fraud associated with pharmaceuticals, and particularly compounded drugs, in the FECA program. In FY 2016, the FECA program provided more than \$3.2 billion in benefits to more than 219,000 workers injured in the performance of their duty and their survivors. The reported cost of compounded drugs in the FECA program rose dramatically, from approximately \$2 million in FY 2011 to a reported \$263 million in FY 2016.

OWCP instituted some measures during our audit work, such as requiring a letter of medical necessity and prior approval of prescriptions, but it needs to take additional legislative, regulatory, and policy actions. These actions include seeking statutory changes to allow the agency to remove questionable providers from the FECA program.

The remaining actions would require only policy changes, such as requiring drug exclusion lists, drug formulary lists, and limits on initial fills and refills of prescriptions. OWCP also needs to review questionable provider practices, ensure the existence of a bona fide prescriber-patient relationship, improve its review of unusual bills, and establish an effective program integrity unit. Finally, OWCP needs to ensure that generic drugs and preferred providers are used when appropriate. For more details, go to <https://www.oig.dol.gov/public/reports/oa/2017/03-17-001-04-431.pdf>, Report No. 03-17-001-04-431 (May 23, 2017).



## Worker and Retiree Benefit Programs

### Texas Medical Executives Sentenced to Prison, Owner of Surgery Center Convicted in Large-Scale Health Care Fraud Scheme

On July 21, 2017, two executives of Team Work Ready, Inc. (TWR), a chain of physical therapy clinics based in Texas, were sentenced to prison and ordered to pay restitution for their roles in a large-scale health care fraud scheme to defraud OWCP. Frankie Sanders, the vice president of clinic operations for TWR, was sentenced to 300 months in prison and ordered to pay restitution of more than \$13.3 million to OWCP. Pamela Rose, TWR's chief financial officer, was sentenced to 120 months in prison and ordered to pay more than \$14.5 million in restitution to OWCP.



*Team Work Ready, Inc., office building*

TWR was a chain of physical therapy clinics focused on treating injured federal workers covered by FECA. It had numerous locations across five states, including Texas and Louisiana. Sanders and Rose, along with TWR chief executive officer Jeffrey Rose, were convicted at trial in October 2016 on charges of conspiracy, health care fraud, wire fraud, and money laundering for their roles in a conspiracy to bill OWCP for physical therapy services that they knew TWR had not provided. The jury also found that Jeffrey Rose and Pamela

Rose attempted to hide at least \$700,000 in illicit proceeds by moving the money into “shell” companies they had created.

On April 17, 2017, Mark Farias, owner of Winlock Medical Surgical, LLC; AMR Medical Supply; ARC Diagnostics, LLC; and Tesla Diagnostics, LLC, pled guilty to charges that he paid kickbacks, committed health care fraud, and laundered money in furtherance of a scheme to defraud OWCP.

From 2011 to 2013, Farias paid more than \$430,000 in illegal kickbacks to Jeffrey Rose in exchange for Rose's referral of more than 400 TWR patients for whom Farias could bill health care items and services under the FECA benefit program. Based on these patient referrals, Farias billed OWCP for more than \$2.8 million in false and fraudulent claims and received more than \$2 million in payment for those claims. Farias knew the money he received from OWCP was payment for services that were not medically necessary, not performed, and the result of illegal kickbacks he had paid to Jeffrey Rose.

This is a joint investigation with the U.S. Postal Service (USPS)–OIG, U.S. Department of Veterans Affairs (VA)–OIG, U.S. Department of Homeland Security (DHS)–OIG, and Internal Revenue Service–Criminal Investigation (IRS-CI). *United States v. Rose, United States v. Mark Edward Farias* (S.D. Texas)



## Worker and Retiree Benefit Programs

### Two Mississippi Men Plead Guilty in Multi-Million-Dollar Compounding Pharmacy Scheme

On July 25, 2017, Jason May and Gerald Jay Schaar pled guilty for their roles in a multi-million-dollar compounding pharmacy health care fraud conspiracy.

May pled guilty to conspiracy to commit health care fraud and money laundering in connection with his role as co-owner and pharmacist in charge of Advantage Pharmacy in Hattiesburg, which received approximately \$192 million in reimbursements from various health care benefit programs for compound topical creams. May selected formulas for compound creams based on reimbursement rates rather than medical efficacy. May and Advantage Pharmacy either did not collect patient copayments for the compound topical creams or paid copayments on behalf of beneficiaries. As a co-owner of Advantage Pharmacy, May received a portion of the reimbursements associated with the fraudulently obtained compound creams and transferred certain of those proceeds from the fraud – in transactions greater than \$10,000 – into a money market account held in his name.

Schaar pled guilty to conspiracy to commit health care fraud for his role in which he, acting as a marketer for a pharmacy located in Lamar County, solicited physicians, and other medical professionals to write prescriptions without seeing patients for compound topical creams dispensed by the pharmacy. Schaar, together with others, later falsified patient records to make it seem as though medical professionals had examined the patients who received prescriptions for the compound creams. In total, the pharmacy received \$2.3 million

in reimbursements for the prescriptions solicited by Schaar.



*Advantage Pharmacy, Hattiesburg, Mississippi*

This is a joint investigation with the FBI, Defense Criminal Investigative Service, IRS–CI, U.S. Office of Personnel Management–OIG, USPS–OIG, U.S. Postal Inspection Service (USPIS), VA–OIG, U.S. Department of Health and Human Services–OIG, and the U.S. Merit Systems Protection Board.  
*United States v. Jason May, United States v. Gerald Jay Schaar* (S.D. Mississippi)

## Worker and Retiree Benefit Programs

### Southern California Doctor Sentenced to Prison for Defrauding OWCP

On June 19, 2017, Dr. Samuel Albert, a licensed psychiatrist, was sentenced to 10 months in prison for his role in a conspiracy to submit more than \$4.2 million in false and fraudulent claims to OWCP for the purported treatment of patients covered by FECA. As a result of these billings, OWCP paid more than \$2.3 million to Dr. Albert.

From 2008 to 2014, Dr. Albert conspired with his medical office staff to create fake medical reports, which purported to reflect patients' psychiatric status, history, treatment, or progress based on psychotherapy sessions at his medical office. The reports were fraudulent in that they did not reflect information specifically related to the patient on whose behalf they were purportedly prepared. Instead, patient reports were generated, at Dr. Albert's direction, by office staff who did not participate in the relevant psychotherapy sessions and who were not provided with session-based information about the specific patients for whom they were preparing reports. The fraudulent reports were based on templates with "cut-and-paste" information that was reused for different reports on a rotating basis. To avoid detection by OWCP, Dr. Albert and his staff maintained an elaborate system to track submissions of fraudulent report templates to ensure that any particular OWCP claims examiner did not receive the same report template more than once.

This is a joint investigation with USPS–OIG. *United States v. Samuel Albert* (C.D. California)



# 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 provides unemployment benefits to eligible workers who become unemployed through no fault of their own. Although the program’s framework is determined by federal law, the benefits for individuals depend on state law and generally state funding of benefits, and are administered by State Workforce Agencies 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). The federal government pays the program’s administrative expenses.*

## ETA Should Do More to Help States Curtail UI Tax Avoidance Practices

In our audit to determine if ETA provided adequate oversight to assist states’ efforts to curtail State Unemployment Tax Act (SUTA) avoidance practices, we found that ETA did not adequately monitor state operations for identifying SUTA “dumping.”

SUTA dumping occurs when an employer avoids paying higher taxes by inappropriately transferring all or some of its employees to a new or existing employer with a lower UI tax rate. In 2014, states reported that employers owed \$31 million in additional taxes because of SUTA dumping activities.

During our audit period, 47 of the 53 jurisdictions reported SUTA dumping findings. ETA’s lack of monitoring and support contributed to these findings. We conducted a nationwide survey that revealed states desired additional training opportunities and access to best-practice information. According to survey results, the states reported as being most effective in detecting tax avoidance schemes often shared common

attributes, such as formal training, a statewide task force, and effective use of SUTA dumping detection systems.

In this audit, we also addressed questions raised by the Senate Committee on Health, Education, Labor, and Pensions regarding ETA’s award of \$10.2 million to 19 states to implement or improve worker misclassification detection and enforcement initiatives. We found that all 19 states used the funds to improve technology, increase audit staff, and conduct community outreach. Also, as a result of our audit, ETA began requiring states to submit narrative progress reports, a change that has improved the information available to evaluate expenditures.

ETA should increase training opportunities, share best practices, and improve controls over state reporting.

For more details, go to <https://www.oig.dol.gov/public/reports/oa/2017/04-17-001-03-315.pdf>, Report No. 04-17-001-03-315 (September 13, 2017).

## Worker and Retiree Benefit Programs

### Program Specific Performance Measures Are Needed to Better Evaluate the Effectiveness of the RESEA Program

In our audit to determine whether ETA had established performance measures to adequately assess the effectiveness of the Reemployment Services and Eligibility Assessment (RESEA) program, we found ETA had not done so.

Helping individuals who receive Unemployment Insurance (UI) benefits to find jobs more quickly, while reducing improper UI payments, is a priority for ETA. RESEA helps ETA with these goals by providing participants with in-person assessments and other reemployment services.

Currently, ETA is transitioning to the common performance measures specified in the Workforce Innovation and Opportunity Act. However, these measures do not compare RESEA participant outcomes with outcomes of other UI claimants, and they do not specifically assess the impact of the RESEA program on its participants.

RESEA replaced the Reemployment and Eligibility Assessment program, under which ETA could not fully assess outcomes and impacts because many states reported unreliable data. These data quality issues need to be addressed for RESEA to ensure that its outcomes and impacts can be accurately measured. ETA needs to conduct periodic evaluations of RESEA outcomes, including a comparison of RESEA participant outcomes with those of non-RESEA participants, and continue working with states to help them update their worker profiling models and provide accurate outcome data.

For more details, go to <https://www.oig.dol.gov/public/reports/oa/2017/04-17-002-03-315.pdf>, Report No. 04-17-002-03-315 (September 26, 2017).

### Chicago-Area Woman Sentenced to Prison for \$6.8 Million UI Fraud Scheme

On June 5, 2017, Leticia Garcia was sentenced to 48 months in prison and ordered to pay more than \$6.8 million in restitution to the Illinois Department of Employment Security (IDES) for perpetrating a large-scale UI fraud scheme against IDES.

Garcia assisted hundreds of individuals, primarily foreign nationals, in preparing and filing UI claims that Garcia knew contained false information, such as invalid Social Security numbers, false assertions of U.S. citizenship, and dependents who did not exist. As a result of the fraudulent claims, IDES paid out nearly \$7 million to hundreds of ineligible UI claimants.

Garcia charged each client \$300 to \$400 to prepare and file a claim online, with half of the fee due up front and the balance due when the client received the benefits. Through her fraud, Garcia made tens of thousands of dollars, which she hid in bank accounts held under her daughter's name.

This was a joint investigation with Department of Homeland Security–Homeland Security Investigations (DHS-HSI). *United States v. Leticia Garcia* (N.D. Illinois)



## Worker and Retiree Benefit Programs

### Southern California Man Sentenced to Six Years in Prison for \$5 Million UI Fraud Scheme

On June 15, 2017, Andre Walters was sentenced to 73 months in prison, ordered to pay more than \$5.2 million to the California Employment Development Department (EDD), and fined \$15,000 for his role in a UI fraud scheme. On August 15, 2016, Walters was convicted on 4 counts of mail fraud in conjunction with the scheme.

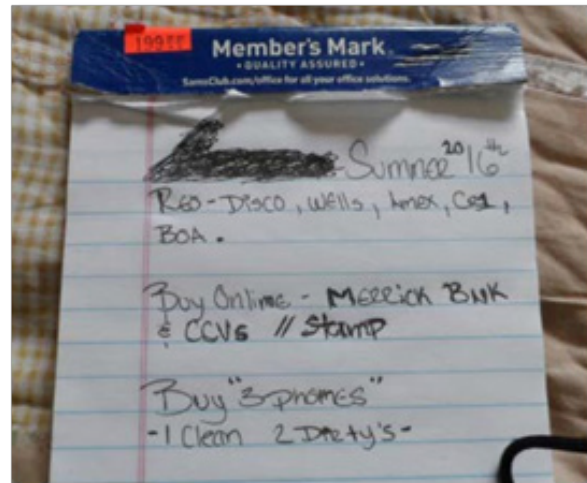
From approximately 2008 to 2011, Walters was a manager in a scheme that involved registering fictitious businesses with the State of California, listing employees as having earned wages at those fictitious businesses when in fact they never worked there, and then filing for unemployment benefits on behalf of those employees. Walters recruited people to pose as employees, managed their unemployment claims once filed, and split the resulting proceeds of the unemployment claims. Walters is the sixth and final defendant to be sentenced for involvement in this scheme.

This was a joint investigation with the FBI and the California EDD. *United States v. Andre Antonio Walters* (E.D. California)

### Miami Resident Sentenced to 54 Months in Prison for \$1 Million UI Fraud and Identity Theft Scheme

On July 27, 2017, Phyllistone Termine was sentenced to 54 months in prison for his role in a scheme that involved using victims' identities to commit more than \$1 million in UI fraud against the Florida Department of Employment and Opportunity (DEO), the agency that oversees the UI program in Florida.

From March 2015 to May 2016, Termine used personally identifiable information belonging to more than 1,000 individuals and electronically accessed the Florida DEO website more than 1,900 times.



*Termine's notepad*



*Case with debit/credit cards*

The investigation uncovered several items including Termine's notepad, debit and credit cards issued in the names of individuals who did not reside at Termine's residence, and several blank plastic cards with magnetic stripes that are used to make debit and credit cards. Termine also

## Worker and Retiree Benefit Programs

possessed hardware used to encode the magnetic stripe on debit/credit cards. Several victims whose names were on the credit or debit cards had their identities used to file for UI benefits using the Internet protocol address at Termine's residence.

This is a joint investigation with the U.S. Social Security Administration–OIG. *United States v. Phyllistone Termine* (S.D. Florida)

### **Southern California Man Sentenced to Five Years in Prison for Stealing UI Funds**

On September 29, 2017, Kyn Naope was sentenced to 60 months in prison and ordered to pay more than \$3.4 million in criminal restitution for his role in a UI fraud scheme. On March 31, 2017, Naope pled guilty to conspiracy to commit mail fraud for submitting fraudulent UI benefit claim forms to the California EDD via the U.S. mail.

Between March 2008 and February 2011, Naope and others involved in the scheme registered fictitious employers with the California EDD and then recruited individuals to pose as laid-off employees of those companies. The fake employees would then file for and collect UI benefits based on the wages reported to the California EDD by the fictitious employers. Because the companies did not exist, all UI claims related to the fictitious employers were fraudulent.

This is a joint investigation with the California EDD Criminal Investigations. *United States v. Kyn K. Naope* (E.D. California)







# Worker Safety, Health, and Workplace Rights



# Occupational Safety and Health Administration

*The mission of the Occupational Safety and Health Administration (OSHA) is to ensure that employers provide every working man and woman in America with safe and healthy working conditions. OSHA pursues this mission by setting and enforcing workplace safety and health standards; investigating whistleblower complaints; providing training, outreach, and education; and encouraging continuous improvement in workplace safety and health.*

### **OSHA's Voluntary Protection Programs Require Better Information to Identify Participants with Contract-Worker Fatalities and Catastrophes**

In our audit to determine whether OSHA appropriately followed up on worker and contract-worker fatalities and catastrophes experienced by its Voluntary Protection Programs (VPP) participants, we found that VPP staff appropriately followed up on the reported 23 participants that had experienced a worker or contract worker fatality or catastrophe from July 1, 2013, through September 30, 2016. However, OSHA did not have assurance that VPP staff followed up on all VPP contract worker fatalities and catastrophes because the program officials relied on participants, workers, and contract workers to disclose VPP affiliation when reporting fatalities and severe injuries to OSHA.

VPP creates cooperative relationships with businesses and their workers that establish effective safety and health management systems to help prevent work-related fatalities, injuries, and illnesses. These systems also protect others working under contract at VPP participants, worksites; however, during the time period identified, VPP staff did not have adequate

contractor information to identify VPP contract-worker fatalities and catastrophes.

VPP staff lacked adequate contractor information for several reasons. VPP program officials obtained basic contractor information (name and industry) from reports submitted manually by most VPP participants. However, program officials did not ensure that the information was complete and distributed to staff. Additionally, VPP policy did not require approximately 12 percent of participants to include contractor information in their reports. As a result, the fact that a facility was VPP related may have gone undetected, and some participants remained in VPP when OSHA should have terminated them.

OSHA should establish a system to collect and disseminate VPP contractor information, establish controls to ensure that the information is complete, and expand collection of contractor information to all VPP participants.

For more details, go to <https://www.oig.dol.gov/public/reports/oa/2017/02-17-202-10-105.pdf>, Report No. 02-17-202-10-105 (September 11, 2017).

### Man Pleads Guilty to OSHA Training Fraud Scheme in Atlanta

On August 31, 2017, Ahmad McCormick of Brooklyn, New York, pled guilty to conspiracy to commit wire fraud for his role in an OSHA job-training fraud scheme in which fraudulent job advertisements were used to charge unsuspecting victims for unnecessary OSHA training.

McCormick perpetuated the scheme by operating a series of fraudulent job-staffing businesses throughout the United States. Under the guise of the staffing companies, McCormick posted job advertisements on websites for housekeeping and maintenance jobs, offering above-market wages. McCormick then misrepresented to job applicants that in order to obtain such premium positions, they would be required to take OSHA General Industry training. McCormick further misled job applicants by telling them the OSHA training was federally mandated when, in fact, it was not. After the job applicants paid for, and in some cases completed, the OSHA training, McCormick would cease contact and fail to provide the promised job placement and OSHA training credential.

This is a joint investigation with the East Point Police Department. *United States v. Ahmad McCormick* (N.D. Georgia)

### Florida Man Pleads Guilty to Lying to OSHA Investigators During Fatality Investigation

On August 22, 2017, Peter Nees pled guilty to making false statements to investigators from OSHA during an OSHA fatality investigation. Nees was the senior project manager who oversaw a roofing system installation being performed

by his employer, Pinnacle Roofing Contractors, Inc. (Pinnacle). In November 2014, a Pinnacle employee fell through an unprotected skylight and later died due to injuries sustained from the fall. During the ensuing OSHA fatality investigation, Nees falsely stated to OSHA investigators that he did not alter the accident scene in any way after the accident occurred. In fact, Nees placed yellow caution tape around the accident scene after the incident and told OSHA investigators the caution tape had been present before the accident occurred.

*United States v. Peter Nees* (M.D. Florida)

### Virginia Man Admits to Falsely Certifying Bridge Inspection Vehicles

On May 25, 2017, Carol “Casey” Smith, president and chief surveyor of Martin Enterprises, Inc. (MEI), pled guilty to a federal charge related to his false certification of bridge inspection vehicles.

MEI had been contracted to complete annual inspections of a company’s fleet of under-bridge inspection (UBI) vehicles. From 2012 to 2015, Smith created 165 certificates of inspection and corresponding inspection stickers falsely representing that he had personally inspected the company’s UBI vehicles. Smith did so knowing that an employee or employees of the company would affix the inspection stickers on the UBI vehicles, and that those UBI vehicles would be driven on interstate highways and used on jobs throughout the United States.

This is a joint investigation with the U.S. Department of Transportation–OIG. *United States v. Carol Casey Smith* (D. Connecticut)



### Wage and Hour Programs

*The Wage and Hour Division (WHD) enforces federal minimum wage, overtime pay, record keeping, and child labor requirements of the Fair Labor Standards Act. WHD also enforces the Migrant and Seasonal Agricultural Worker Protection Act, the Employee Polygraph Protection Act, the Family and Medical Leave Act, wage garnishment provisions of the Consumer Credit Protection Act, and a number of employment standards and worker protections as provided for in several immigration-related provisions of the Immigration and Nationality Act. In addition, WHD administers and enforces the prevailing wage requirements of the Davis-Bacon Act, the Service Contract Act, and other statutes applicable to federal contracts for construction and for the provision of goods and services.*

#### **California Clothing Factory Manager Sentenced to Prison for Bribing Wage and Hour Investigator**

On May 17, 2017, former Seven-Bros. Enterprises (Seven-Bros.) clothing factory manager Howard Quoc Trinh was sentenced to 18 months in prison for offering to pay bribes to a DOL WHD investigator in exchange for closing an investigation into wage violations at Seven-Bros.

The WHD investigation, initiated in March 2015, found that Seven-Bros. had underpaid its employees by approximately \$100,000 during the period May 2012 through March 2015. Trinh offered to pay a \$10,000 bribe to a WHD investigator and actually paid \$3,000 to the investigator, who was assisting DOL-OIG at the time. As part of the bribery scheme, Trinh promised to pay the \$7,000 balance once the WHD investigation was closed with no finding of any wrongdoing.

This was a joint investigation with WHD. *United States v. Howard Quoc Trinh* (C.D. California)



# Labor Racketeering



# Labor Racketeering

*The OIG is responsible under the Inspector General Act of 1978 for investigating labor racketeering and the influence of organized criminal enterprises involving unions, employee benefit plans, and labor-management relations.*

*Labor racketeering refers to the infiltration, exploitation, or control of a union, employee benefit plan, employer entity, or workforce, carried out through illegal, violent, or fraudulent means. OIG labor racketeering investigations focus largely on individuals and organized criminal enterprises engaged in embezzlement, extortion, violence against union members or employers, and other related criminal activities.*

*Our investigations also continue to identify complex financial and investment schemes used to defraud benefit fund assets, resulting in millions of dollars in losses to plan participants. OIG investigations have demonstrated that abuses involving service providers are particularly egregious, not only because of their potential for large dollar losses but also because the schemes often affect several plans simultaneously.*

*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.*

## **Ohio Businessman, Attorney, and Investment Firm Employees Sentenced in \$70 Million Ponzi Scheme**

Five individuals were sentenced for their roles in a \$70 million Ponzi scheme that defrauded nearly 500 victims. William Apostelos, who orchestrated the scheme, was sentenced to 180 months in prison and ordered to pay more than \$32 million in restitution to victims. His wife, Connie Apostelos, was sentenced to 30 months in prison and ordered to pay more than \$224,000 in restitution. Attorney Steven Scudder was sentenced to 14 months in prison. Rebekah Riddell and Rebekah Fairchild were each sentenced to 36 months of probation and ordered to pay restitution of more than \$15,000 and \$23,000, respectively.

Between 2010 and October 2014, William Apostelos received \$70 million in investment funds in total. He and Connie Apostelos recruited investors from 37 states to invest in their companies, WMA Enterprises and Midwest Green, telling the investors that money would be used to acquire stocks or securities, purchase real estate, provide loans to businesses, and buy gold and silver. Rather than investing the money, the couple used it to pay for personal luxuries. As part of the Ponzi scheme, approximately \$1.9 million was stolen from an Employee Retirement Income Security Act–covered employee pension plan.

Scudder, at the direction of William Apostelos, falsely held himself out as the trustee of WMA Trust, a land trust that purported to secure investments that investors made with William Apostelos. Based on Scudder's false representations, a 10-member

## Labor Racketeering

group invested more than \$1 million with William Apostelos, which was used to pay earlier investors.

Riddell and Fairchild, employees of the couple, engaged in a variety of activities in furtherance of the scheme, all at the direction of the couple, including solicitation of new investors, wiring funds between investor accounts, and responding to complaints from investors by providing false and fraudulent explanations about nonpayment of funds.

This is a joint investigation with the FBI, Internal Revenue Service—Criminal Investigation (IRS-CI), U.S. Postal Inspection Service (USPIS), and the DOL—Employee Benefits Security Administration. *United States v. William M. Apostelos, United States v. Connie M. Apostelos, United States v. Steven Scudder, United States v. Rebekah I. Riddell, United States v. Rebekah Fairchild* (S.D. Ohio)

### **Illinois Chiropractor and Family Members Sentenced in \$29 Million Health Care Scheme**

On April 24, 2017, Chicago-area chiropractor Vladimir Gordin Jr., his father, Vladimir Gordin Sr., and his brother, Aleksander Gordin, were sentenced for their roles in a scheme to submit nearly \$29 million in false health insurance bills, causing an actual loss of more than \$10.8 million to health insurers. This loss includes medical claims administered on behalf of several union health and welfare funds in the Chicago area. Gordin Jr. was sentenced to 84 months in prison and ordered to pay more than \$10.8 million in restitution. Gordin Sr. and Aleksander Gordin were sentenced to prison terms of 30 and 24 months, respectively.



*Office building in which Gordin Medical leased one of its medical suites*

The Gordins operated Gordin Medical Center S.C., a chiropractic clinic in the greater Chicago area. The trio used the company to falsely bill five medical insurance carriers for medical services that were either not provided or not medically necessary and attempted to cover up the scam by fabricating patient medical records. In some cases, patients were aware of the overbilling scheme and were incentivized by the Gordins to participate by having their deductibles met at no cost to them or by sharing in a portion of the overbilling proceeds via checks provided to them by Gordin Jr. and Gordin Sr.

This was a joint investigation with the FBI and USPIS. *United States v. Vladimir Gordin Jr. et al.* (N.D. Illinois)

### **New York Woman Sentenced for Money Laundering Conspiracy Involving a Union Benefit Fund**

On July 24, 2017, Sherri Hotton was sentenced to time served and ordered to forfeit \$1.8 million for her role in a money laundering conspiracy involving a union benefit fund. On July 7, 2017,

## Labor Racketeering

Gennaro Santillo pled guilty to making a false statement to law enforcement in conjunction with his involvement in an operation that sought to avoid payment of union benefits.

Hotton was the president of LAN Utilities Electric, a union company affiliated with International Brotherhood of Electrical Workers (IBEW) Local 3, and also a corporate officer for Federal Electrical Utilities and Cablelot (Hotton Companies). The Hotton Companies were run by Hotton's husband, Mark Hotton, a broker, who put them in Sherri Hotton's name to avoid detection by the Securities Industry, which regulated his broker's license. In court, Sherri Hotton stated that she knowingly participated in a scheme with Mark Hotton and others to defraud The Receivables Exchange, a factoring company. She admitted to factoring two fraudulent invoices for accounts receivable of the Hotton companies in return for cash. The cash that was generated was used to fund a cash payroll for the employees of the Hotton companies, which allowed Mark and Sherri Hotton and others to intentionally avoid payment of the required union benefit fund contributions to the Joint Industrial Board of the Electrical Industry for IBEW Local 3, and also avoid payment of the required payroll taxes.

Santillo was a union member of IBEW Local 3 and a project manager for the Hotton companies. Santillo and others ran a double-breasting operation for the Hotton companies. Santillo also conspired with others in running a false billing and invoice scheme to defraud The Receivables Exchange and Sterling Commercial Credit, another factoring company, out of \$2.75 million. In furtherance of the scheme, Santillo paid a hospital employee \$6,000 in cash per month to verify the fraudulent invoices to the factoring companies. Santillo also made false statements to law enforcement agents during an

interview when he was asked whether he had ever received cash from or paid cash to the hospital employee.

This is a joint investigation with IRS–CI. *United States v. Hotton et al.* (E.D. New York)

### **Pennsylvania Former Union Official Pleads Guilty to Embezzling \$1.5 Million in Union Funds**

On September 14, 2017, Raymond C. Ventrone, the former business manager of Local 154 of the International Brotherhood of Boilermakers, pled guilty to embezzlement and tax evasion charges for stealing \$1.5 million in union funds and failing to pay at least \$220,000 in taxes on those criminally derived proceeds.



*International Brotherhood of Boilermakers Local 154, Pittsburgh, Pennsylvania*

This is a joint investigation with the FBI, IRS–CI, and DOL–Office of Labor Management Standards (OLMS). *United States v. Raymond C. Ventrone* (W.D. Pennsylvania)

### Colombo Mob Boss's Son Sentenced for Loan-Sharking Conspiracy

On July 21, 2017, Michael Persico, a Colombo Organized Crime Family associate and son of Colombo boss Carmine “The Snake” Persico, was sentenced to 60 months in prison and ordered to pay a \$250,000 fine for his involvement in a loan-sharking conspiracy to which he pled guilty in 2012. The sentence also factored in uncharged acts that prosecutors had proved by a preponderance of evidence, including racketeering and Persico’s link to a 1993 murder during a power struggle inside the Colombo family.

As part of his 2012 loan-sharking plea, Persico admitted that he had conspired to extend a \$100,000 loan to two trucking company businessmen at a usurious interest rate of 45 percent per year. The businessmen, James Bombino and Steven Marcus, were principals of All Around Trucking, which was signatory to a collective bargaining agreement with the International Brotherhood of Teamsters (IBT) Local 282. Bombino and Marcus both previously pled guilty to racketeering charges, which included embezzlement of funds from the IBT Local 282 welfare and benefit plans.

This was a joint investigation with the FBI. *United States v. Bombino et al.* (E.D. New York)

### Former UAW and FCA Officials Plead Guilty in Union Payoff and Tax Fraud Scheme

On August 29, 2017, Virdell King, a former assistant director of the United Auto Workers International Union (UAW) Chrysler Department, pled guilty for her role in a multiyear conspiracy in which she and

other UAW officials violated the Taft-Hartley Act by receiving illegal payments and things of value from Fiat Chrysler Automobiles (FCA) officials. King was one of the senior UAW officials responsible for negotiating and administering national collective bargaining agreements with FCA on behalf of tens of thousands of UAW members.

Between 2011 and 2015, King accepted thousands of dollars in designer shoes, clothing, jewelry, luggage, and other personal items. All items were purchased using credit cards issued through the UAW-Chrysler National Training Center (NTC), a training fund jointly managed by the UAW and FCA. King also made over \$40,000 of additional purchases between December 2012 and August 2015 at the direction and for the benefit of other senior UAW officials. Those additional purchases included a shotgun, golf equipment, luggage, concert tickets, theme park tickets, and other personal items. All credit card purchases were paid for with funds provided by FCA.

On August 8, 2017, former FCA executive Jerome Durden pled guilty to charges that he and others used the NTC to conceal over \$1 million in prohibited payments and things of value paid to a former UAW vice president and other UAW officials. Durden admitted to preparing and filing numerous false tax returns on behalf of the tax-exempt NTC as well as a purported charity called the Leave the Light On Foundation, as part of a conspiracy to conceal illegal compensation paid to UAW officials and avoid more than \$1 million in federal taxes.

This is a joint investigation with the FBI, IRS–CI, and OLMS. *United States v. Durden et al.* (E.D. Michigan)





# Departmental Management



# Departmental Management

*The OIG also performs oversight work involving the Department's operations, financial management, and information technology (IT) services.*

## DOL Needs to Do More to Reduce Improper Payments and Improve Reporting

In our review to determine whether the DOL complied with the reporting and reduction requirements of the Improper Payments Elimination and Recovery Act of 2010 (IPERA); the Improper Payments Elimination and Recovery Improvement Act of 2012; and Office of Management and Budget Memorandum M-15-02, "Requirements for Effective Estimation and Remediation of Improper Payments," we found that DOL had met most reporting requirements. However, we again identified concerns regarding the validity of DOL's published improper payment estimate for the Federal Employees' Compensation Act (FECA) program.

In FY 2014, DOL identified its Unemployment Insurance (UI) and FECA programs as susceptible to significant improper payments. In FY 2016, DOL reported \$3.85 billion and \$106.32 million in improper payments for the UI and FECA programs, respectively.

DOL's reported UI improper payment rate of 11.65 percent did not meet its goal of 10.63 percent or less, nor did it meet IPERA's requirement of less than 10 percent. The FECA program's reported improper payment rate of 3.54 percent did not meet its goal of 2.50 percent or less.

DOL continued to exclude certain categories of compensation payments from its improper payment estimate for FECA, but it did not determine the full effect of those exclusions on its estimate. Further, the Office of Workers' Compensation Programs (OWCP) did not determine the effect of issues identified by fraud investigations, nor did it estimate the extent to which these issues existed in the payment population.

DOL needs to improve the FECA program estimation methodology by including high-risk areas. It also needs to address the three prior-year IPERA recommendations that remain open, related to improving the estimation methodology and transparency of reporting.

For more details, go to <https://www.oig.dol.gov/public/reports/oa/2017/03-17-002-13-001.pdf>, Report No. 03-17-002-13-001 (June 13, 2017).

## Effect of OALJ Staffing Levels on the Black Lung Case Backlog

The Black Lung Benefits Act helps miners suffering from black lung disease by providing monthly payments to them or their eligible survivors, and medical treatment for miners who are totally disabled by black lung. Over the period that the OIG reviewed, OWCP took, on average, almost a year to process a Black Lung claim. Claims appealed to the Office of Administrative Law Judges (OALJ) then took, on average, an additional 640 days—

## Departmental Management

almost 2 years—to be decided. As of FY 2016, OALJ had accumulated a backlog of 2,511 cases that were more than a year old. In our review to determine how adjustments to staffing levels would affect the OALJ Black Lung case backlog, we project that if OALJ made no changes, the backlog would be addressed in about 53 months. In addition, we estimated the following:

- OALJ added 3 judges, the time it would take to eliminate the backlog could be reduced by 11 months,
- OALJ added 6 judges, the time it would take to eliminate the backlog could be reduced by 15 months.

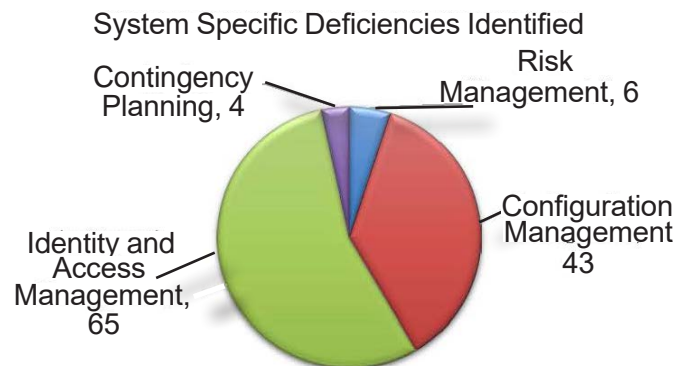
OALJ's backlog grew from 1,538 cases in FY 2011 to 2,984 cases in FY 2015. We recommended in a 2015 audit report that OALJ improve staffing and processes to address its Black Lung case backlog. After the office implemented our recommendations and made other process improvements, the backlog declined to 2,511 cases in FY 2016. The purpose of the 2015 audit report was to provide additional information on the effect staffing levels would have on reducing the backlog.

Many factors affect OALJ's ability to work through its current workload and the Black Lung case backlog. These include, among others, OALJ's staffing levels, judge productivity, the unpredictable number of incoming cases, the number of lawyers representing miners or their survivors, and changes in OALJ's overall caseload.

For more details, go to <https://www.oig.dol.gov/public/reports/oa/2017/05-17-003-01-060.pdf>, Report No. 05-17-003-01-060 (September 27, 2017).

## Ongoing IT Security Deficiencies Exist

The Federal Information Security Modernization Act (FISMA) of 2014 requires federal agencies, including DOL, to have an annual independent evaluation of their information security programs and practices. As a result of our FY 2016 FISMA work, we found that the Department had not fully implemented controls or the controls were not operating effectively to meet minimum FISMA security requirements. More than half of the 118 system-specific deficiencies we identified were related to identity and access management, a key control area for ensuring that an authenticated user accesses only what he or she is authorized to access and no more. We also identified numerous deficiencies related to configuration management.



We also identified three entity-wide deficiencies affecting all of DOL's systems related to continuous monitoring, incident response and reporting, and monitoring of third-party providers' compliance with DOL security requirements for cloud systems.

Without appropriate security, the Department's systems and the sensitive data they contain are at risk, potentially preventing DOL from protecting its mission assets. Some deficiencies we identified could negatively affect the confidentiality, integrity, and availability of the Department's systems

## Departmental Management

and personally identifiable information. DOL needs to strengthen its information security risk management; enhance IT oversight and governance to address these weaknesses; and adhere to its information security policies, procedures, and controls. DOL should make protection of its information systems, including contractor systems, a top priority; dedicate the resources needed to ensure the appropriate design and operating effectiveness of information security controls; and thereby prevent unauthorized access to sensitive information.

We have identified and reported similar deficiencies over the past 10 years. As we noted in our November 2016 FISMA report, DOL's inability to correct these deficiencies stems, in part, from the positioning of the Chief Information Officer (CIO) within a program agency, which may not provide reasonable assurance of DOL's full achievement of objectives relating to operations, reporting, and compliance. The Assistant Secretary for Administration and Management needs to realign the organizational structure as it relates to the CIO to address this organizational independence issue.

For more details, go to <https://www.oig.dol.gov/public/reports/oa/2017/23-17-002-07-725P.pdf>, Report No. 23-17-002-07-725P (September 29, 2017).





# Single Audits

*A single audit provides an organization wide examination of an entity expending federal assistance received for its operations. Such an audit is typically conducted annually by an independent certified public accountant, and its objective is to provide assurance to the U.S. government regarding the management and use of funds by such recipients as states, schools, universities, and nonprofits.*

## Single Audits Identify Material Weaknesses or Significant Deficiencies for 51 DOL Grantees

The OIG reviewed 91 single audit reports during this period, covering DOL expenditures of about \$23.9 million. For 51 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 163 findings and related recommendations identified in these 51 single audit reports to the appropriate DOL funding agencies and asked the agencies to ensure that the grantees take the necessary corrective actions.

The Office of Management and Budget's Uniform Guidance provides for cognizant federal agencies to oversee the implementation of Single Audit Act requirements. The OIG is currently cognizant for 17 entities and is required to periodically perform quality control reviews of their single audits. During this reporting period, we conducted a quality control review of the single audit for the South Florida Workforce Investment Board, doing business as CareerSource South Florida, for the year ended June 30, 2016. We identified 2 reporting issues, which have been corrected.

# Employee Integrity Investigations

*The OIG is responsible for investigating possible misconduct or criminal activities involving DOL employees or individuals providing services to the Department.*

## Substantiated Allegations

### **Allegations of improper hiring practices by the Acting Administrator and Director of Human Resources, Employment and Training Administration (ETA)**

On December 8, 2015, the OIG received an allegation that the GS-15 Acting Administrator for the Office of Management and Administrative Services at ETA, had committed a prohibited personnel practice by influencing the hiring of her son in a newly created position in the Office of Foreign Labor Certification (OFLC). In addition, the OIG received allegations of prohibited personnel practices by the GS-15 Director of the Office of Human Resources for ETA involving the hiring of friends and family into noncompetitive Schedule A hiring authority positions within ETA.

The OIG's investigation substantiated that the Acting Administrator's son was hired under the Schedule A hiring authority for the new OFLC position. The Schedule A hiring authority permits agencies to noncompetitively hire persons with disabilities. The OFLC interview panel members stated that they had interviewed and selected the Acting Administrator's son without knowing his relationship to the Acting Administrator. The OIG's investigation also revealed that five other new hires were friends or family whom the Acting Administrator or the Director of Human Resources for ETA instructed on how to apply under the Schedule A hiring authority. The OIG found that all six Schedule A employees had legitimate documentation in their personnel folders showing they were eligible for employment under the Schedule A hiring authority. However, these circumstances created an appearance of favorable treatment with respect to the hiring of these employees by ETA.

The OIG referred the findings to the Office of the Assistant Secretary for Administration and Management (OASAM) on July 6, 2016. On August 8, 2017, OASAM notified the OIG that the Acting Administrator had retired in early 2017. ETA also informed the OIG that the Director of the Office of Human Resources was counseled. The OIG's case was closed on September 26, 2017.

### Unsubstantiated Allegations

- A senior manager was alleged to have been involved in procurement contract fraud involving kickbacks for the purchase of office supplies. In addition, the claim stated that the senior employee was purchasing these items from a close friend, who was also the company's account representative. The investigation found no contracts in which the employee was involved in ordering or procurement.
- A senior manager was alleged to have unauthorized and undocumented conversations. Additionally, the senior manager was alleged to have withheld evidence that had been filed in a claim against the government. The complaint further stated that the senior manager ordered staff to process the claim immediately and without the proper evidentiary review process. The investigation determined that the senior manager's removed the claim from the queue and approved the claim appropriately. The investigation revealed that prior to the senior manager's approving the claim, the claim sat idle while demands were made for additional documentation that did not meet the written established standards for approval of the claim.



# OIG Whistleblower Activities





# OIG Whistleblower Activities

## Whistleblower Protection Ombudsman

Pursuant to Section 117 of the Whistleblower Protection Enhancement Act of 2012 (S. 743, November 27, 2012), every Inspectors General office is required to designate a Whistleblower Protection Ombudsman. According to Section 117, the Ombudsman educates agency employees about prohibitions on retaliation for protected disclosures, and shall educate agency employees who have made or are contemplating making a protected disclosure about the rights and remedies against retaliation for protected disclosures. Within the DOL-OIG, the Counsel to the Inspector General has been designated to serve as the Whistleblower Protection Ombudsman. Pursuant to this designation, the Ombudsman has

- protections, which is available on the DOL and OIG websites and has been provided to all DOL employees;
- established a dedicated e-mail address to receive and respond to whistleblower-related inquiries from DOL employees;
- obtained a 2302(c) certification from the Office of Special Counsel (OSC) on behalf of the OIG (November 2014) and worked with DOL to help obtain its own 2302(c) certification (October 2016); and
- monitored whistleblower retaliation complaints received by the OIG as well as whistleblower retaliation investigations conducted by the OIG.

## Whistleblower Retaliation Investigations

Allegations of improper or illegal retaliation received from DOL employees are usually referred by the OIG to the OSC for review and investigation. However, the OIG can initiate its own investigations of such allegations on a discretionary basis. During the last reporting period, we reported that the OIG had opened one investigation involving a DOL employee who alleged that he/she had been subjected to whistleblower retaliation. Upon further investigation, the OIG has determined that the employee's complaint was not a whistleblower retaliation complaint.

Further, pursuant to the pilot program established by Section 828 of the National Defense Authorization Act of 2013 (codified at 41 U.S.C. § 4712) ("Section 828"), made permanent by the National Defense Reauthorization Act in December 2016, the OIG is required, with some exceptions, to investigate whistleblower retaliation allegations made by employees of DOL contractors or grantees. During this reporting period, the OIG closed one investigation of alleged whistleblower retaliation made by an employee of a DOL contractor after preliminary investigation revealed that the individual had not made a protected communication or engaged in a protected activity before he/she was terminated by the contractor. At the conclusion of this reporting period, the OIG had six pending Section 828 investigations.

# OLG Congressional Testimony



## OIG Congressional Testimony

*During this semiannual reporting period, the OIG testified before one congressional committee. The full text of our testimony is available on our website at [www.oig.dol.gov/testimony.htm](http://www.oig.dol.gov/testimony.htm).*

- **June 22, 2017 — House Committee on Education and the Workforce**

Larry D. Turner, Deputy Inspector General, U.S. Department of Labor, testified on student safety in the Job Corps program.



# 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 both on the economy and efficiency of the Department's programs and on the prevention of fraud, waste, and abuse. 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 NDNH Records

The National Directory of New Hires (NDNH) is a nationally consolidated database operated by the Department of Health and Human Services' Administration for Children and Families that contains Unemployment Insurance (UI) claimant data and wage information from state and federal agencies. NDNH cannot be used for any purpose not authorized by federal law. In 2004, the law was amended to allow the State Workforce Agencies to cross-match UI claims against NDNH in order to better detect overpayments to UI claimants who have returned 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 statutory access to NDNH data would provide the OIG with a valuable source of information for both audits and investigations. For example, OIG auditors could use these records to verify the eligibility of Workforce Innovation and Opportunity Act participants and their reported outcomes. In addition, OIG investigators could use these records to investigate employer fraud schemes in the UI program, claimant fraud in the Federal Employees' Compensation Act (FECA) program, and prevailing wage violations by federal contractors.

### Enact the UI Integrity Legislative Proposals

In October 2016, the Department submitted a legislative package to Congress providing legislative changes that would help address UI program integrity and the improper payment rates experienced in the UI program. These proposals were also included in the President's fiscal year 2018 budget. The OIG encourages Congress to consider and adopt these proposals to aid the Department's efforts to combat improper payments in the UI program. The proposals include the following:

- Require states to use the State Information Data Exchange System
- Require states to cross-match against the NDNH;
- Allow the Secretary to establish UI corrective actions related to performance and integrity
- Require states to cross-match with the Social Security Administration's prisoner database and other repositories of prisoner information
- Allow states to retain 5 percent of UI overpayment recoveries for program integrity use and
- Require states to use UI penalty and interest collections solely for UI administration



## Legislative Recommendations

These legislative proposals are consistent with previous OIG findings and recommendations to address UI improper payments.

### 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, the Department is statutorily required to certify an H-1B application unless it determines that the application is “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 analyses and investigations showing that the program is susceptible to significant fraud and abuse, particularly by employers and attorneys.

### 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 legislative actions:

- **Repeal ERISA’s limited-scope audit exemption.** This exemption 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 either to plan participants or to the Department.
- **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, as well as 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 valuation of plan assets and computation of benefits.
- **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 change 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 U.S. Code.** Three sections of U.S. Code 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

## Legislative Recommendations

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 Section 669 (theft from health care benefit programs), to serve as a greater deterrent and further protect employee pension plans.

### 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:

- **Provide 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 detecting fraud committed by individuals receiving FECA wage loss compensation but failing to report income they have earned.
- **Establish a 3-day waiting period. 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 for postal employees immediately after an employment-related injury. If the intent of the law is to have a true waiting period before an employee applies for benefits, then that period should likewise come immediately after an employment-related injury for all federal workers, not just postal employees.
- **Establish procedures to temporarily suspend questionable medical providers pending the outcome of an investigation.** While FECA regulations allow the Office of Workers' Compensation Programs (OWCP) to exclude a provider through administrative means, OWCP must provide notice to the provider and afford the provider an opportunity for a hearing before the DOL's Office of Administrative Law Judges. This process and its procedures can be lengthy. Legislative changes are needed to enable DOL to promptly suspend payment to providers who have been indicted for fraud in their billing practices.
- **Set prescription drug price limitations.** Through the Federal Ceiling Price statute (38 U.S.C. § 8126), Congress mandated controls on prices that manufacturers can charge for drugs in four specific medical programs operated by the Department of Veterans Affairs, the Department of Defense, the Public Health Service, and the Coast Guard. Granting DOL similar authority to implement such ceiling prices would help ensure that the prices it pays for drugs are fair and reasonable.

### Clarify the Mine Safety and Health Administration's Authority to Issue 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.

## Legislative Recommendations

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), 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. Two decisions issued by the Federal Mine Safety and Health Review Commission affirmed that these provisions place limitations on the Mine Safety and Health Administration's (MSHA's) authority and clearly evidence the need for legislative action.

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. Therefore, the OIG recommends a review of the existing "rescue and recovery work" language found in Section 103(j) and the "when present" language found in Section 103(k) to ensure that MSHA's long-standing and critically important authority to take whatever actions may be necessary to protect miner health and safety, including issuing mine closure orders, is broad, clear, and not vulnerable to challenge.







# Appendices



# Reporting Requirements Under the Following Acts

### Inspector General Act of 1978

REPORTING REQUIREMENT	PAGE	
Section 4(a)(2)	Review of Legislation and Regulation	54
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	68
Section 5(a)(4)	Matters Referred to Prospective Authorities	84
Section 5(a)(5) and Section 6(b)(2)	Summary of Instances Where Information Was Refused	None to Report
Section 5(a)(6)	List of Audit Reports	64
Section 5(a)(7)	Summary of Significant Reports	ALL
Section 5(a)(8)	Statistical Tables on Management Decisions on Questioned Costs	63
Section 5(a)(9)	Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	62
Section 5(a) (10)	Summary of Each Audit Report, Inspection Reports, and Evaluation Reports Issued Before the Commencement of the Reporting Period— (A) for which no management decision has been made by the end of the reporting period (including the date and title of each such report), an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision on each such report; (B) for which no establishment comment was returned within 60 days of providing the report to the establishment; and (C) for which there are any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations.	73 - 81
Section 5(a) (11)	Description and Explanation for Any Significant Revised Management Decision	None to Report
Section 5(a) (12)	Information on Any Significant Management Decisions with Which the Inspector General Disagrees	None to Report
Section 5(a) (13)	Information from the Federal Financial Improvement Act Section 804(b) - instances and reasons when an agency has not met intermediate target dates in remediation plan.	None to Report
Section 5(a) (14)	Peer Review Reporting	85
Section 5(a) (15)	Outstanding Peer Review Recommendations	None to Report
Section 5(a) (16)	Peer Reviews conducted by DOL-OIG & Recommendations	None to Report
Section 5(a) (17)	Statistical Tables on Investigative Findings	84

## Reporting Requirements Under the Following Acts

### Inspector General Act of 1978

Section 5(a) (18)	Metrics Used for Developing the Data for the Statistical Tables Under Paragraph Section 5(a) (17)	84
Section 5(a) (19)	Summary of Investigations of Senior Government Employees Where Allegations of Misconduct Were Substantiated	None to Report
Section 5(a) (20)	Description of Whistleblower Retaliation Cases	50
Section 5(a) (21)	Summary of Instances of Departmental Interference with the Independence of the Office	None to Report
Section 5(a) (22)	Descriptions of Inspections, Evaluations, Audits, and Investigations That Are Closed and Were Not Disclosed to the Public	None to Report

### Dodd–Frank Wall Street Reform & Consumer Protection Act of 2010

Section 989(C)	Peer Review Reporting	85
----------------	-----------------------	----

# Funds Recommended for Better Use

Funds Put to a 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	1	0.4
Issued during the reporting period	<u>1</u>	<u>11.2</u>
<b>Subtotal</b>	<b>2</b>	<b>11.6</b>
For which management decision was made during the reporting period:		
• Dollar value of recommendations that were agreed to by management		0.0
• 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	2	11.6

Funds Put to a 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	4	61.1
For which management or appeal decisions were made during the reporting period	<u>0</u>	<u>0.0</u>
<b>Subtotal</b>	<b>4</b>	<b>61.1</b>
For which final action was taken during the reporting period:		
• Dollar value of recommendations that were actually completed		0.0
• 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	4	61.1

\* 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

<b>Resolution Activity: Questioned Costs<sup>1</sup></b>		
	<b>Number of Reports</b>	<b>Questioned Costs (\$ millions)</b>
For which no management decision had been made as of the commencement of the reporting period (as adjusted)	9	2.5
Issued during the reporting period	<u>9</u>	<u>2.2</u>
<b>Subtotal</b>	<b>18</b>	<b>4.7</b>
For which a management decision was made during the reporting period:		
• Dollar value of disallowed costs		0.0
• Dollar value of costs not disallowed		.2
For which no management decision had been made as of the end of the reporting period	9	4.5
For which no management decision had been made within six months of issuance	4	2.3

<b>Closure Activity: Disallowed Costs</b>		
	<b>Number of Reports</b>	<b>Disallowed Costs (\$ millions)</b>
For which final action had not been taken as of the commencement of the reporting period (as adjusted)	50	13.0
For which management or appeal decisions were made during the reporting period	<u>1</u>	<u>0.0</u>
<b>Subtotal</b>	<b>51</b>	<b>13.0</b>
For which final action was taken during the reporting period:		
• Dollar value of disallowed costs that were recovered		0.0
• Dollar value of disallowed costs that were written off by management		0.0
• Dollar value of disallowed costs that entered appeal status		
For which no final action had been taken by the end of the reporting period	51	13.0

\* 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.

<sup>1</sup> Includes questioned costs from single audits.

## Appendices

# Final Audit Reports Issued

Report Name	# of Recommendations	Questioned Costs (\$)	Funds Put To Better Use (\$)	Other Monetary Impact (\$)
<b>Employment and Training Programs</b>				
<b>Job Corps Programs</b>				
ETA Violated the Bona Fide Needs Rule and the Antideficiency Act; Report No. 26-17-002-03-370; 09/21/17	5	0	11,180,223	0
<b>Total (1 Report)</b>	<b>5</b>	<b>0</b>	<b>11,180,223</b>	<b>0</b>
<b>Bureau of Labor Statistics</b>				
BLS Could Enhance Controls over Current Employment Statistics Survey Data Collection; Report No. 17-17-002-11-001; 09/27/17	3	0	0	0
<b>Total (1 Report)</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Workers Benefit Programs</b>				
<b>Unemployment Insurance Program</b>				
ETA Should Do More to Help States Curtail Unemployment Insurance Tax Avoidance Practices; Report No. 04-17-001-03-315; 09/13/17	4	0	0	0
Program-Specific Performance Measures Are Needed to Better Evaluate the Effectiveness of the Reemployment Services and Eligibility Assessment Program; Report No. 04-17-002-03-315; 09/26/17	4	0	0	0
<b>Total (2 Reports)</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Federal Employees' Compensation Act</b>				
Service Auditors' Report on the Integrated Federal Employees' Compensation System for the Period October 1, 2016, to June 30, 2017, and Service Auditors' Report on the Central Bill Processing System for the Period October 1, 2016, to June 30, 2017; Report No. 22-17-007-04-431; 09/29/17	0	0	0	0
<b>Total (1 Report)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Worker Safety, Health, and Workplace Rights</b>				
<b>Occupational Safety and Health Administration</b>				
OSHA's Voluntary Protection Programs Require Better Information to Identify Participants with Contract-Worker Fatalities and Catastrophes; Report No. 02-17-202-10-105; 09/11/17	3	0	0	0
<b>Total (1 Report)</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Final Audit Report Total (6 Reports)</b>	<b>19</b>	<b>0</b>	<b>11,180,223</b>	<b>0</b>



## Appendices

# Other Reports

Report Name	# of Recommendations
<b>Employment and Training Programs</b>	
<b>United States Employment Service</b>	
Quality Control Review: Single Audit of the South Florida Workforce Investment Board D/B/A CareerSource South Florida for the Year Ended June 30, 2016; Report No. 24-17-001-03-320; 08/22/17	5
<b>Total (1 Report)</b>	<b>5</b>
<b>Worker Benefit Programs</b>	
<b>Office of Workers' Compensation Program</b>	
Interim Report on Audit of Pharmaceutical Management in DOL Benefit Programs - OWCP Needs Better Controls over Compounded Prescription Drugs; Report No. 03-17-001-04-431; 05/23/17	17
<b>Total (1 Report)</b>	<b>17</b>
<b>Departmental Programs</b>	
<b>Office of Administrative Law Judges</b>	
Effect of OALJ Staffing Levels on the Black Lung Case Backlog; Report No. 05-17-003-01-060; 09/27/17	0
<b>Total (1 Report)</b>	<b>0</b>
<b>Office of the Assistant Secretary for Administration and Management</b>	
FY 2016 FISMA DOL Information Security Report; Report No. 23-17-002-07-725; 09/29/17	1
<b>Total (1 Report)</b>	<b>1</b>
<b>Office of the Chief Financial Officer</b>	
DOL Needs to Do More to Reduce Improper Payments and Improve Reporting; Report No. 03-17-002-13-001; 06/13/17	1
<b>Total (1 Report)</b>	<b>1</b>
<b>Other Report Total (5 Reports)</b>	<b>24</b>

## Appendices

# Single Audit Reports Processed

Program/Report Name	# of Nonmonetary Recommendations	Questioned Costs (\$)
State of Michigan; Report No. 24-17-583-03-315; 09/28/17	1	0
Homework Hangout Club, Inc.; Report No. 24-17-582-03-390; 09/28/17	8	25,437
Rosebud Sioux Tribe; Report No. 24-17-581-03-390; 09/28/17	1	0
Government of the U.S. Virgin Islands; Report No. 24-17-580-02-201; 09/28/17	5	0
Government of the U.S. Virgin Islands for the Year Ended September 30, 2016; Report No. 24-17-579-03-315; 09/28/17	5	0
Seminole Nation of Oklahoma; Report No. 24-17-578-03-315; 09/28/17	0	70,826
Ponca Tribe of Oklahoma; Report No. 24-17-577-03-355; 09/28/17	2	0
The Navajo Nation; Report No. 24-17-576-03-355; 09/28/17	1	0
The State of Arizona; Report No. 24-17-575-03-315; 09/28/17	3	0
State of Georgia/State Accounting Office; Report No. 24-17-574-03-390; 08/07/17	2	0
Pasco-Hernando Workforce Board, Inc. DBA CareerSource Pasco Hernando; Report No. 24-17-573-03-390; 08/07/17	1	0
Experience Works, Inc. and Affiliates; Report No. 24-17-572-03-390; 08/03/17	3	1,991,900
Motivation Education and Training, Inc.; Report No. 24-17-570-03-386; 08/03/17	1	0
Denver Indian Center, Inc. and Subsidiary; 24-17-567-03-355; 07/31/17	5	0
State of New Hampshire; Report No. 24-17-563-03-390; 07/31/17	4	0
State of New Jersey; Report No. 24-17-559-03-390; 07/31/17	4	0
San Diego Workforce Partnership, Inc.; Report No. 24-17-555-03-390; 07/31/17	1	0
Commonwealth of Pennsylvania; Report No. 24-17-571-03-390; 07/20/17	3	0
State of West Virginia; Report No. 24-17-568-03-390; 07/20/17	3	0
State of Maine; Report No. 24-17-565-03-390; 07/20/17	5	0
It's My Community Initiative; Report No. 24-17-569-03-390; 07/19/17	0	35,385
State of Connecticut; Report No. 24-17-566-03-390; 07/19/17	6	5,934
State of Vermont; Report No. 24-17-564-03-390; 07/19/17	2	0
Commonwealth of Massachusetts; Report No. 24-17-562-03-315; 07/19/17	3	0
State of Rhode Island and Providence Plantations; Report No. 24-17-561-03-315; 07/19/17	5	0
Catholic Relief Services - U.S. Conference of Catholic Bishops; Report No. 24-17-560-01-070; 07/31/17	2	0
Metro Community Ministries; Report No. 24-17-558-03-390; 07/19/17	1	0
Incite Incorporated; Report No. 24-17-557-03-390; 07/19/17	1	0
State of Ohio; Report No. 24-17-556-03-315; 07/19/17	2	0
State of Florida; Report No. 24-17-547-03-390; 07/19/17	4	0
State of Indiana; Report No. 24-17-532-03-390; 07/19/17	0	64,857
Manufacturing Renaissance; Report No. 24-17-517-03-390; 07/19/17	2	0
State of Illinois Southern Illinois University; Report No. 24-17-554-03-330; 06/20/17	2	0
American Indian OIC; Report No. 24-17-553-03-355; 06/20/17	3	0
State of Minnesota; Report No. 24-17-552-03-315; 06/20/17	1	0
State of Iowa; Report No. 24-17-551-03-315; 06/20/17	2	0
United Tribes Technical College; Report No. 24-17-550-03-355; 06/20/2017	2	0
Antelope Valley Partners for Health; Report No. 24-17-549-03-385; 06/20/2017	2	0
State of Washington c/o Office of Financial Management; Report No. 24-17-533-03-390; 06/20/17	1	1,645
Commonwealth of Virginia; Report No. 24-17-548-03-315; 06/12/17	10	0
State of Tennessee; Report No. 24-17-546-03-315; 06/12/17	11	0

## Appendices

# Single Audit Reports Processed, continued

Commonwealth of Puerto Rico Department of Labor and Human Resources; Report No. 24-17-544-03-315; 06/12/17	4	0
Commonwealth of Kentucky; Report No. 24-17-543-03-315; 06/07/17	3	0
State of Kansas; Report No. 24-17-542-03-315; 06/07/17	2	474
State of Delaware; Report No. 24-17-541-03-390; 06/07/17	2	0
Institute for Educational Leadership; Report No. 24-17-540-01-080; 06/07/17	1	0
State of Louisiana; Report No. 27-17-534-03-315; 06/07/17	7	2,112
State of Colorado; Report No. 24-17-531-03-315; 06/07/17	1	0
State of Hawaii Department of Accounting and General Services; Report No. 24-17-530-03-390; 05/16/17	1	0
State of Illinois Governor's Office of Management and Budget; Report No. 24-17-528-03-390; 05/16/17	9	0
State of Nevada; Report No. 24-17-529-03-315; 05/16/17	3	0
<b>Single Audit Report Total (51 Reports)</b>	<b>153</b>	<b>2,198,570</b>

## Appendices

# Unresolved Audit Reports over 6 Months Old

Agency	Report Name	# of Recommendations	Questioned Costs (\$)
<b>Agency Management Decision or Grant/Contracting Officer's Final Determination Did Not Resolve; OIG Negotiating with Agency</b>			
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	1	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	1	0
EBSA	Limited-Scope Audits Provide Inadequate Protections to Retirement Plan Participants; Report No. 05-14-005-12-121; 09/30/14	5	0
ETA	Controls over the Release of the UI Weekly Claim Report Need Improvement; Report No. 17-14-001-03-315; 01/02/14	1	0
ETA	Effectiveness of Pennsylvania in Detecting and Reducing Unemployment Insurance Improper Payments and Implementation of Employment and Training Administration National Strategies; Report No. 18-15-001-03-315; 03/31/15	3	0
MULTI	Procedural Changes Could Reduce the Amount of Time Required to Adjudicate Federal Black Lung Benefit Claims; Report No. 05-15-001-50-598; 04/09/15	2	0
OCFO	DOL Could Do More to Reduce Improper Payments and Improve Reporting; Report No. 03-15-001-13-001; 05/15/15	3	0
OSEC	Alert Memorandum: DOL Needs to Strengthen Its Oversight of NCFMS to Control Costs; Report No. 22-15-007-01-001; 06/02/15	1	0
OWCP	OWCP And ECAB Did Not Monitor the Representatives' Fees Process to Protect FECA Claimants from Excessive Fees; Report No. 03-16-001-04-431; 03/31/16	2	0
MSHA	MSHA Can Improve How It Responds to and Tracks Hazardous Condition Complaints; Report No. 05-16-002-06-001; 09/30/16	3	0
OSEC	The Department Remains Vulnerable to Premature Release of Embargoed Economic Data; Report No. 17-16-001-01-001; 03/25/16	1	0
EBSA	EBSA Did Not Have the Ability to Protect the Estimated 79 Million Plan Participants in Self-Insured Health Plans from Improper Denials of Health Claims; Report No. 05-17-001-12-121; 11/18/16	3	0
MSHA	MSHA Needs to Provide Better Oversight of Emergency Response Plans; Report No. 05-17-002-06-001; 03/31/17	9	0
OASAM	FISMA Fiscal Year 2015: Ongoing Security Deficiencies Exist; Report No. 23-16-002-07-725; 09/30/16	2	0
ETA	Job Corps National Contracting Needs Improvement to Ensure Best Value; Report No. 26-13-004-03-370; 09/27/13	1	351,207

## Appendices

# Unresolved Audit Reports over 6 Months Old, continued

ETA	Job Corps Needs to Improve Controls Over Student Travel Funds; Report No. 26-14-001-03-370; 04/29/14	1	289,224
VETS	Single Audit: State of Florida; Report No. 24-16-548-02-201; 04/27/16	1	0
ETA	Single Audit: Experience Works; Report No. 24-16-552-03-390; 06/13/16	2	1,619,324
<b>Total Recommendations, Questioned Costs</b>		<b>42</b>	<b>2,259,755</b>



# Corrective Actions Taken by The Department

*Over the past 2 years, the Department has taken corrective actions to implement 189 recommendations resulting from OIG reports. The following is a summary of the most significant actions taken by the Department. There currently remain 286 OIG recommendations that have not been fully implemented by the Department. The next section of this report, titled “Unimplemented Recommendations,” contains details relating to open recommendations as of September 30, 2017.*

### **Job Corps Needs to Improve Enforcement and Oversight of Student Disciplinary Policies to Better Protect Students and Staff at Centers. Report No. 26-15-001-03-370 (February 27, 2015)**

In response to our report that identified deficiencies in center management’s enforcement of Job Corps’ disciplinary policies, which resulted in centers, keeping potentially dangerous students in the program, Job Corps revised its student misconduct policy by reclassifying certain violent offenses, such as threat of assault with intent to intimidate or coerce, physical assault with intent to cause bodily harm, and arrest for a violent misdemeanor, which were previously considered less serious; provided clear definitions for each infraction, including sexual harassment; and clarified the types of misconduct or behaviors that apply to each infraction.

### **OSHA Needs to Continue to Strengthen Its Whistleblower Protection Programs, Report No. 02-15-202-10-105 (September 30, 2015)**

To ensure that its whistleblower protection programs were working as intended, The Occupational Safety and Health Administration (OSHA) established new performance goals for investigations completed, average age of pending investigations, and average days to complete the new complaint screening process. OSHA also issued guidance to ensure appropriate methods are used to close whistleblower investigations.

### **Voluntary Protection Programs: 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 (December 16, 2013)**

Our audit of the voluntary protection programs (VPP) found that 13 percent had injury and illness rates above industry averages or had been cited for violations of safety and health standards, but most of these employers were allowed to remain in the VPP. OSHA took action to improve the notification and tracking of VPP sites where enforcement activities are ongoing and established a control to monitor whether VPP sites with injury and illness rates higher than industry averages are addressed consistently and in a timely manner.

## Appendices

### **OSHA Needs to Evaluate the Impact and Use of Hundreds of Millions of Dollars in Penalty Reductions as Incentives for Employers to Improve Workplace Safety and Health, Report No. 02-10-201-10-105 (September 30, 2010)**

After our audit found as much as \$127 million in penalty reductions may not have been appropriately granted, OSHA issued guidance to clarify the requirements for reducing penalties.

### **MSHA Has Improved Its Roof Control Plan Review and Monitoring Process But Could Do More, Report No. 05-13-002-06-001 (March 29, 2013)**

Our audit found the Mine Safety and Health Administration's (MSHA's) processes for reviewing, approving, and overseeing coal mine roof control plans had improved, but MSHA districts still operated under incomplete roof control plan standard operating procedures and district managers did not always document the rationale for their roof control plan decisions. In response, MSHA established a centralized directives management system and issued a new Coal Mine Safety & Health Roof Control Plan Procedures Handbook.

### **Interim Report on Audit of Pharmaceutical Management in DOL Benefit Programs – OWCP Needs Better Controls over Compounded Prescription Drugs, Report No. 03-17-001-04-431 (May 23, 2017)**

In this interim report, we identified actions that could improve the Office of Workers' Compensation Programs' (OWCP's) management of pharmaceuticals, and in particular compounded drugs, the cost of which had escalated from approximately \$2 million in FY 2011 to a reported \$263 million in 2016. In response, OWCP developed a pre-authorization process that requires physicians to certify they recently physically examined the claimant, fully explain the need for a compounded drug, and certify that each ingredient in the compound is medically necessary and cost effective. This certification must be provided before a pharmacy provides the medication to the claimant and the Department approves payment. The Department also started requiring a certification of medical necessity by the prescribing physician prior to approving payments for compounded drugs.

### **Procedural Changes Could Reduce the Amount of Time Required to Adjudicate Federal Black Lung Benefit Claims, Report No. 05-15-001-50-598 (April 9, 2015)**

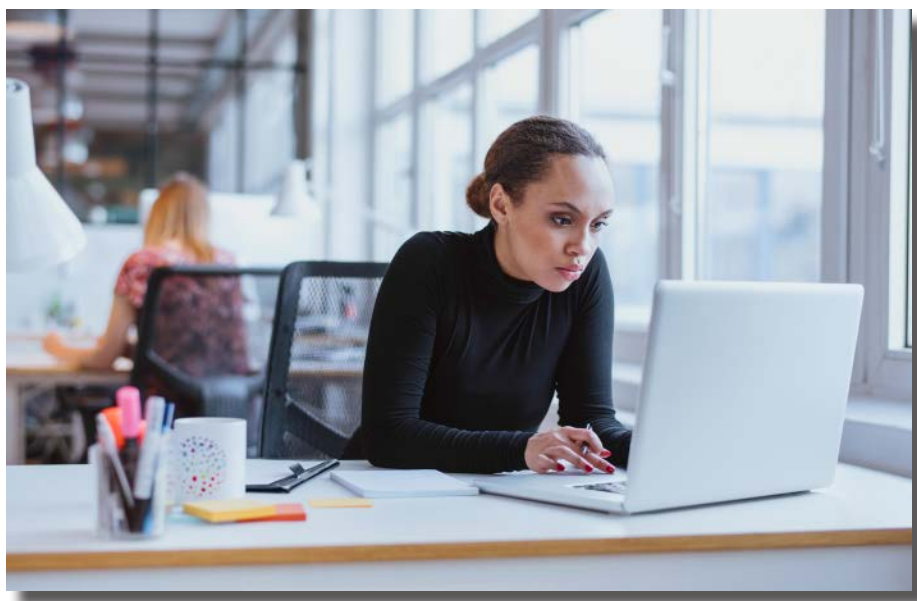
Our review of DOL's Black Lung program identified many opportunities to reduce the amount of time required to adjudicate black lung disease claims. We found OWCP could work with its approved medical providers to improve the quality of medical reports. OWCP subsequently issued procedures for ensuring its approved medical providers meet certain qualifications. To improve the productivity of administrative law judges, who hear appeals of OWCP's black lung case decisions, the Office of Administrative Law Judges (OALJ) reinstated its contract writer program to assist judges in writing decisions. OALJ also streamlined the claims process by

## Appendices

acquiring the capability to electronically interface with the case management systems operated by OWCP and the Benefits Review Board.

### **The Department Remains Vulnerable to Premature Release of Embargoed Economic Data, Report No. 17-16-001-01-001 (March 25, 2016)**

After the premature release of embargoed economic data from the Producer Price Index report during a media lockup, the OIG found the Department lacked adequate policies and procedures to ensure the network equipment used in the lockup was configured and operating properly when changes were made and did not ensure staff attending lockups were appropriately trained. In response to the audit, the Department instituted a rule prohibiting network equipment or connection troubleshooting during a media lockup prior to the release of embargoed economic data. The Department also implemented a policy requiring that a senior management official be present in the media lockup to make on-the-spot decisions in the event an embargo is broken.



# Unimplemented Recommendations

During this reporting period, we did not encounter any instances of audits or evaluations provided to the Department for comment that were not responded to within 60 days. Agencies have provided management decisions in response to all audits and evaluations issued before the commencement of this reporting period, except for 2 reports involving contractors about which the Department is still negotiating with the contractors. For 19 reports, the OIG did not agree with the corrective actions proposed by the agency in response to 54 recommendations, but we are continuing to work with the Department to resolve those recommendations.

From October 1, 2007, through March 31, 2017, the OIG made 2,359 audit recommendations to the Department, of which 284 have not been fully implemented. These 284 recommendations include 94 recommendations resulting from audits issued since FY 2016, and in many cases, the Department has corrective action plans in place.

### Recommendations Made Prior to APRIL 1, 2017 Not Yet Implemented

FY	Total Number of Recommendations Made	Total Number of Open Recommendations	Potential Cost Savings/Funds Put to Better Use
2008	433	2	
2009	300	5	
2010	455	24	
2011	319	29	
2012	213	22	
2013	195	22	\$53,291,121
2014	128	36	
2015	148	50	\$8,210,015
2016	100	36	
2017 (as of 3/31)	68	58	
<b>TOTAL</b>	<b>2,359</b>	<b>284</b>	<b>\$61,501,136</b>

# High-Priority Unimplemented Recommendations

*The following table summarizes the unimplemented recommendations the OIG considers to be the highest priorities for the Department.*

Report Title, Report Number, Date Issued	Unimplemented Recommendation
<b>Job Training</b>	
Job Corps Needs to Improve Enforcement and Oversight of Student Disciplinary Policies, Report No. 26-15-001-03-370, issued 2/27/15	Require Job Corps center operators to strengthen policies and procedures to ensure serious student misconduct is promptly reported, investigated, and resolved in accordance with Job Corps' disciplinary policies.
Additional Information Needed to Measure the Effectiveness and Return on Investment of Training Services Funded under the WIA Adult and Dislocated Workers Programs, Report No. 03-11-003-03-390, issued 9/30/11	Require State Workforce Agencies to report training costs and funding sources at the participant level so stakeholders have adequate information to make return-on-investment decisions.
Recovery Act: Green Jobs Program Reports Limited Success in Meeting Employment and Retention Goals as of June 30, 2012, Report No. 18-13-001-03-390, issued 10/25/12	Evaluate the criteria for the Employee and Training Administration (ETA)--approved "credentials" to ensure such credentials add value to training program participants' career development and job prospects.
Review of Job Corps Center Safety and Security, Report No. 26-17-001-03-370, issued 3/31/17	Establish, clarify, and enforce policies that ensure Job Corps centers report potentially serious criminal misconduct to law enforcement.
<b>Worker Safety</b>	
OSHA Does Not Know If Special Emphasis Programs Have Long-term Industrywide Effect, Report No. 02-16-201-105, issued 9/28/16	Develop a performance measurement strategy inclusive of output and outcome measures to appropriately assess program goals and objectives.
MSHA Can Improve How It Responds to and Tracks Hazardous Condition Complaints, Report No. 05-16-002-06-001, issued 9/30/16	Implement consistent, organization-wide guidelines for handling hazardous condition complaints.
MSHA Needs to Provide Better Oversight of Emergency Response Plans, Report No. 05-17-002-06-001, issued 3/31/17	Clarify mine operators' responsibilities for local coordination under the MINER Act, including coordination and communication among the operator, mine rescue teams, and local emergency response personnel and familiarizing local rescue personnel, with surface functions that may be required in the course of mine rescue work.
OSHA Could Do More to Ensure Employers Correct Hazards Identified During Inspections, Report No. 02-17-201-10-105, issued 3/31/17	Provide clearer guidance on how to obtain abatement verification at smaller construction sites where contractors become inactive in a very short period of time.
<b>Worker Rights</b>	
Wage and Hour Division Needs to Strengthen Management Controls for Back Wage Distributions, Report No. 04-15-001-04-420, issued 3/31/15	Develop reporting tools that will support greater oversight and performance management of the back wage follow-up and distribution process.
Management of the H-2B Program Needs to Be Strengthened to Ensure Adequate Protections for U.S. Workers, Report No. 06-12-001-03-321, issued 9/28/12	Collaborate with U.S. Customs and Immigration Service (USCIS) to explore ways for ETA to review USCIS documents during post-adjudication audits. ETA's review methodology should include referrals to the Department of Homeland Security if it finds any errors in the immigration documentation.
<b>Employee Benefits</b>	
Limited-Scope Audits Provide Inadequate Protections to Retirement Plan Participants, Report No. 05-14-005-12-121, issued 9/30/14	Seek repeal of the limited-scope audit provision, provide additional formal guidance to plan administrators to identify and adequately support the fair value of plan assets, and establish a timetable to evaluate the feasibility of Employee Retirement Income Security Act Advisory Council recommendations on limited-scope audits.



# High-Priority Unimplemented Recommendations, continued

Procedural Changes Could Reduce the Amount of Time Required to Adjudicate Federal Black Lung Benefit Claims, Report No. 05-15-001-50-598, issued 4/9/15	Conduct comprehensive analysis of the benefits and costs of pursuing statutory changes to the Black Lung Benefits Act to introduce referee medical examinations, compensation for partial disability, and settlement of claims.
EBSA Did Not Have the Ability to Protect the Estimated 79 Million Plan Participants in Self-Insured Health Plans from Improper Denials of Health Claims, Report No. 05-17-001-12-121, issued 11/18/16	Reduce or eliminate exemption thresholds for small plans, use reported claims data to focus investigations of health plans, and issue guidance to clarify the fiduciary status of independent review organizations.
<b>Departmental Management</b>	
FISMA Fiscal Year 2015: Ongoing Security Deficiencies Exist, Report No. 23-16-002-07-725, issued 9/30/16	Realign the organizational structure as it relates to the Chief Information Officer to address organizational independence issues. (Note: of the 220 unimplemented recommendations in the Department, 80 are related to information security.)
Alert Memorandum: DOL Needs to Strengthen Its Oversight of NCFMS to Control Costs, Report No. 22-15-007-01-001; issued 6/2/15	To strengthen its oversight of the New Core Financial Management System (NCFMS) and control costs, the Department should negotiate a firm fixed-price agreement for a baseline of operation and maintenance services for NCFMS, including having the Department develop its own cost estimate.
Controls over the Release of the Unemployment Insurance Weekly Claims Report Need Improvement, Report No. 17-14-001-03-315, issued 1/2/14	Develop and implement a strategy to achieve an equitable release of the Unemployment Insurance (UI) Claims Report and eliminate any competitive advantage that new organizations inside the lockup and their clients may have; or, absent a viable solution, consider discontinuing the use of the press lockup.

## Summary of Reports with Unimplemented Recommendations with Cost Savings/Funds Put to Better Use

Report Name	# of Unimplemented Recommendations	Amount of Funds Recommended for Better Use
<b>Employment and Training Administration (ETA)</b>		
<p>Job Corps Needs to Improve Timeliness of and Accountability for Maintenance Repairs at Its Centers; Report No. 26-13-002-03-370; 12/07/12</p> <p>To ensure that available funds are adequately accounted for and used appropriately before expiration, and to put \$42.1 million in funds to better use, Job Corps needs to (1) improve management processes to ensure maintenance deficiencies are identified, tracked, and repaired appropriately and (2) improve the monitoring and tracking of the status of funds obligated for Job Corps center repairs.</p>	2	\$42,091,121
<p>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</p> <p>Providing technical assistance to satisfy the educational and employment needs of additional eligible participants in Indian and Native American Programs as appropriate, or recouping and redistributing \$11.2 million of excess carryover funds would put these funds to better use.</p>	1	11,200,000
<p>Job Corps Needs to Improve Enforcement and Oversight of Student Disciplinary Policies; Report No. 26-15-001-03-370; 02/27/15</p> <p>Requiring Job Corps center and their respective operators to strengthen policies and procedures to ensure serious student misconduct is promptly reported, investigated, and resolved in accordance with Job Corps', disciplinary policies will result in terminating students within required timeframes and will put \$398,729 to better use and improve the safety of other students at Job Corps centers.</p>	1	398,729
<p>Superstorm Sandy National Emergency Grants: ETA Awarded Funds Promptly, but Could Improve Grant Modification and Eligibility Verification Processes; Report No. 02-15-204-03-390; 03/26/15</p> <p>Reinstating the policy to require disaster national emergency grantees to have systems in place to review eligibility determinations once needed documentation becomes available could put \$7,811,286 to better use.</p>	1	7,811,286
<b>Total</b>	<b>5</b>	<b>\$61,501,136</b>

## Summary of Reports with Unimplemented Recommendations with Other Monetary Impact

Report Name	# of Unimplemented Recommendations	Amount of Other Monetary Impact Recommendations
<b>Employment and Training Administration (ETA)</b>		
<p>Job Corps Contractor and DOL Procurement Practices Need Improvement; Report No. 26-14-002-03-370; 09/24/14</p> <p>We recommend that the Assistant Secretary for Employment and Training require the regional Job Corps offices and respective ETA Contracting Officers to refer the four small business set-aside contracts we identified, held by Alutiiq Education and Training, LLC, and Alutiiq's Professional Services, LLC, to the Small Business Administration for review and guidance on corrective action, if warranted.</p>	1	\$126,500,000
<p>Better Strategies Needed to Increase Employer Participation in the State Information Data Exchange System; Report No. 04-17-003-03-315; 03/31/17</p> <p>We recommend the Deputy Assistant Secretary for Employment and Training work with State Workforce Agencies to track and enroll employers with the highest numbers of UI claims.</p>	1	26,000,000
<b>Total</b>	<b>2</b>	<b>\$152,500,000.</b>

# Reports with Unimplemented Recommendations for Management Improvement

*The following table lists all OIG reports issued prior to this semiannual reporting period with recommendations that have not yet been fully implemented (as of September 30, 2017).*

Report Name	# of Unimplemented Recommendations	Disallowed Costs Owed
<b>Bureau of Labor Statistics (BLS)</b>		
Fiscal Year 2014 Federal Information Security Management Act: Bureau of Labor Statistics National Longitudinal Survey; Report No. 23-15-002-11-001; 11/14/14	6	\$0
<b>Office of the Chief Financial Officer (CFO)</b>		
DOL Needs to Establish a Central Point of Accountability over the Department's Working Capital Fund Operations to Ensure It Meets the Legislative Intent; Report No. 03-10-002-13-001; 09/28/10	2	0
Fiscal Year 2011 Independent Auditor's Report on the DOL Consolidated Financial Statements; Report No. 22-12-002-13-001; 11/14/11	1	0
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	1	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	2	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
Management Advisory Comments Identified in an Audit of the Consolidated Financial Statements for the Year Ended September 30, 2014; Report No. 22-15-006-13-001; 03/26/15	1	0
Review of Department of Labor Conference Costs, Approvals, and Reporting; Report No. 17-15-002-13-001; 03/31/15	1	0
DOL Could Do More to Reduce Improper Payments and Improve Reporting; Report No. 03-15-001-13-001; 05/15/15	3	0
Management Advisory Comments Identified in an Audit of the Consolidated Financial Statements for the Year Ended September 30, 2015; Report No. 22-16-004-13-001; 03/25/16	6	0
FY 2016 Independent Auditors' Report on the U.S. Department of Labor's Consolidated Financial Statements; Report No. 22-17-002-13-001; 12/15/16	2	0
Management Advisory Comments Identified in an Audit of the Consolidated Financial Statements for the year Ended September 30, 2016; Report No. 22-17-004-13-001; 03/24/17	25	0
<b>Employee Benefits Security Administration (EBSA)</b>		
EBSA Needs to Do More to Protect Retirement Plan Assets from Conflicts of Interest; Report No. 09-10-001-12-121; 09/30/10	1	0
Notifications of Findings and Recommendations Related to the Federal Information Security Management Act Audit of Employee Benefits Security Administration's General Support System; Report No. 23-10-020-12-001; 09/30/10	2	0
Proxy Voting May Not Be Solely for the Economic Benefit of Retirement Plans; Report No. 09-11-001-12-121; 03/31/11	1	0
Federal Information Security Management Act Audit of EBSA's Technical Assistance and Inquiry System; Report No. 23-11-026-12-001; 09/30/11	2	0

## Reports with Unimplemented Recommendations, continued

Report Name	# of Unimplemented Recommendations	Disallowed Costs Owed
Changes Are Still Needed in the ERISA Audit Process to Increase Protections for Employee Benefit Plan Participants; Report No. 09-12-002-12-121; 09/28/12	2	0
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	2	0
Fiscal Year 2013 Federal Information Security Management Act: EBSA General Support System Testing; Report No. 23-13-012-12-001; 09/30/13	2	0
EBSA Could Improve Its Usage of Form 5500 Data; Report No. 05-14-003-12-121; 03/31/14	4	0
Limited-Scope Audits Provide Inadequate Protections to Retirement Plan Participants; Report No. 05-14-005-12-121; 09/30/14	5	0
EBSA Did Not Have the Ability to Protect the Estimated 79 Million Plan Participants in Self-Insured Health Plans from Improper Denials of Health Claims; Report No. 05-17-001-12-121; 11/18/16	3	0
<b>Employment and Training Administration (ETA)</b>		
Selected High-Growth Job Training Initiative Grants: Value Not Demonstrated; Report No. 02-08-204-03-390; 04/29/08	1	0
Career Systems Development Corporation: Controls over Center Operations Were Not Effective; Report No. 26-08-001-01-370; 09/30/08	1	10,500
Audit of State Workforce Agency Evaluations of Workforce Investment Act Title IB Program; Report No. 03-10-003-03-390; 08/31/10	1	0
Debarment Authority Should Be Used More Extensively in Foreign Labor Certification Programs; Report No. 05-10-002-03-321; 09/30/10	2	0
Performance Audit for ResCare, Inc., Job Corps Centers; Report No. 26-10-002-01-370; 03/03/10	1	10,115
Audit of Education and Training Resources, Job Corps Center Operator; Report No. 26-10-003-01-370; 03/18/10	2	0
Hotline Complaint against the Sierra Nevada Job Corps Center; Report No. 26-10-007-01-370; 09/30/10	3	0
Grant to the International Association of Nanotechnology; Report No. 02-11-203-03-390; 09/12/11	1	2,438,685
Additional Information Needed to Measure the Effectiveness and Return on Investment of Training Services Funded Under the WIA Adult and Dislocated Worker Programs; Report No. 03-11-003-03-390; 09/30/11	1	0
Federal Information Security Management Act Audit of ETA's E-Grants System and Unemployment Insurance Database Management System; Report No. 23-11-027-03-001; 09/30/11	1	0
Job Corps Must Strengthen Controls to Ensure Low-Income Eligibility of Applicants; Report No. 26-11-005-03-370; 09/30/12	1	2,274,303
ETA Can Improve Oversight of States' UI Administrative Costs; Report No. 04-12-002-03-315; 09/19/12	1	0
Management of H-2B Program Needs to Be Strengthened to Ensure Adequate Protections for U.S. Workers; Report No. 06-12-001-03-321; 09/28/12	1	0
Job Corps SPAMIS System Testing; Report No. 23-12-023-03-370; 09/28/12	2	0
Education and Training Resources Did Not Ensure Best Value in Awarding Sub-Contracts at the Oneonta Job Corps Center; Report No. 26-12-001-03-370; 06/22/12	1	3,280



## Reports with Unimplemented Recommendations, continued

Report Name	# of Unimplemented Recommendations	Disallowed Costs Owed
Job Corps Oversight of Center Performance Needs Improvement; Report No. 26-12-006-03-370; 09/28/12	1	0
Recovery Act: Green Jobs Program Reports Limited Success in Meeting Employment and Retention Goals as of June 30, 2012; Report No. 18-13-001-03-390; 10/25/12	2	0
Job Corps Needs to Improve Timeliness of and Accountability for Maintenance Repairs at Its Centers; Report No. 26-13-002-03-370; 12/07/12	2	0
ETA Needs to Enhance Its Performance Evaluation Process for Discretionary Grantees at Closeout and Use Results for Future Grant Investments; Report No. 02-13-201-03-390; 12/20/12	2	0
Job Corps National Contracting Needs Improvement to Ensure Best Value; Report No. 26-13-004-03-370; 09/27/13	1	351,207
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	3	0
Controls over the Release of the UI Weekly Claims Report Need Improvement; Report No. 17-14-001-03-315; 01/02/14	1	0
Recovery Act: Outcomes from On-The-Job Training National Emergency Grants; Report No. 18-14-001-03-390	1	585
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
Job Corps Needs to Improve Controls over Student Travel Funds; Report No. 26-14-001-03-370; 04/29/14	1	289,224
Job Corps Contractor and DOL Procurement Practices Need Improvement; Report No. 26-14-002-03-370; 09/24/14	3	0
Fiscal Year 2014 Federal Information Security Management Act: Job Corps Local Area Network and Wide Area Network; Report No. 23-15-003-03-370; 11/14/14	1	0
Job Corps Needs to Improve Enforcement and Oversight of Student Disciplinary Policies; Report No. 26-15-001-03-370; 02/27/15	4	48,404
Superstorm Sandy National Emergency Grants: ETA Awarded Funds Promptly, but Could Improve Grant Modification and Eligibility Verification Processes; Report No. 02-15-204-03-390; 03/26/15	3	1,116
Effectiveness of Pennsylvania in Detecting and Reducing Unemployment Insurance Improper Payments and Implementation of Employment and Training Administration National Strategies; Report No. 18-15-001-03-315; 03/31/15	3	0
ETA Needs to Improve Awarding of Year-End National Emergency Grants; Report No. 02-15-205-03-390; 09/30/15	1	0
Recovery Act: Effectiveness of New York in Detecting and Reducing Unemployment Insurance Improper Payments and Implementation of Employment and Training Administration National Strategies; Report No. 18-15-003-03-315; 09/30/15	2	0
Recovery Act: Effectiveness of California in Detecting and Reducing Unemployment Insurance Improper Payments and Implementation of Employment and Training Administration National Strategies; Report No. 18-16-001-03-315; 10/30/15	1	0

# Reports with Unimplemented Recommendations, continued

Report Name	# of Unimplemented Recommendations	Disallowed Costs Owed
Recovery Act: Effectiveness of Iowa in Detecting and Reducing Unemployment Insurance Improper Payments and Implementation of Employment and Training Administration National Strategies; Report No. 18-16-002-03-315; 10/30/15	1	0
Recovery Act: Effectiveness of Colorado in Detecting and Reducing Unemployment Insurance Improper Payments and Implementation of Employment and Training Administration National Strategies; Report No. 18-16-003-03-315; 12/16/15	3	0
ETA Needs Stronger Controls to Ensure Only Eligible Claimants Receive Unemployment Compensation for Federal Employees; Report No. 04-16-001-03-315; 03/28/16	3	0
Interim Report: Audit of Experience Works' Senior Community Service Employment Program Grant; Report No. 26-16-001-03-360; 09/30/16	2	0
Better Strategies Needed to Increase Employer Participation in the State Information Data Exchange System; Report No. 04-17-003-03-315; 03/31/17	2	0
Recovery Act: Job Training Grants to Community Colleges: Despite Participant Follow-up Difficulties, Most Were Placed in Training-Related Jobs; Report No. 18-17-001-03-390; 03/02/17	2	0
Review of Job Corps Center Safety and Security; Report No. 26-17-001-03-370; 03/31/17	9	0
<b>Office of Workers' Compensation Programs (OWCP)</b>		
OWCP'S Efforts to Detect and Prevent FECA Improper Payments Have Not Addressed Known Weaknesses; Report No. 03-12-001-04-431; 02/15/12	1	0
Audit of Federal Employees' Compensation Act, Durable Medical Equipment Payments; Report No. 03-12-002-04-431; 03/26/12	1	0
OWCP And ECAB Did Not Monitor the Representatives' Fees Process to Protect FECA Claimants from Excessive Fees; Report No. 03-16-001-04-431; 03/31/16	2	0
District of Columbia Workmen's Compensation Act Special Fund Financial Statements and Independent Auditors' Report, September 30, 2015 and 2014; Report No. 22-16-006-04-432; 09/08/16	2	0
Special Report on the Federal Employees' Compensation Act Special Benefit Fund; Report No. 22-17-001-04-431; 11/03/16	1	0
<b>Mine Safety and Health Administration (MSHA)</b>		
MSHA Can Improve Its Section 110 Special Investigations Process; Report No. 05-13-008-06-001; 09/30/13	2	0
Fiscal Year 2013 Federal Information System Management Act: Mine Safety and Health Administration General Support System Testing; Report No. 23-13-013-06-001; 09/30/13	1	0
MSHA Laboratories Have Improved Timeliness, but the Overall Sampling Process Could Be Enhanced; Report No. 05-14-002-06-001; 09/19/14	3	0
Alert Memorandum: Incorrect Telephone Numbers in Mine Emergency Response Plans; Report No. 05-16-001-06-001; 10/09/15	1	0
MSHA Can Improve How It Responds to and Tracks Hazardous Condition Complaints; Report No. 05-16-002-06-001; 09/30/16	5	0

# Reports with Unimplemented Recommendations, continued

Report Name	# of Unimplemented Recommendations	Disallowed Costs Owed
MSHA Needs to Provide Better Oversight of Emergency Response Plans; Report No. 05-17-002-06-001; 03/31/2017	9	0
<b>Multiagency</b>		
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
Procedural Changes Could Reduce the Amount of Time Required to Adjudicate Federal Black Lung Benefit Claims; Report No. 05-15-001-50-598; 04/09/15	6	0
<b>Office of the Assistant Secretary for Administration and Management (OASAM)</b>		
Notifications of Findings and Recommendations Related to the Federal Information Security Management Act Audit; Report No. 23-10-002-07-001	2	0
The Department Could Do More to Strengthen Controls over Its Personal Identity Verification System; Report No. 04-11-001-07-001; 03/31/11	6	0
Ineffective Accounting for Sensitive Information Technology Hardware and Software Assets Places DOL at Significant Risk; Report No. 23-11-001-07-001; 03/31/11	6	0
Improvements Are Needed in DOL IT Security Remediation Efforts; Report No. 23-11-002-07-001; 09/14/11	2	0
Federal Information Security Management Act Audit of OCIO Entity-wide IT Security Controls; Report No. 23-11-030-07-001; 09/30/11	4	0
Federal Information Security Management Act Departmental Security Issues; Report No. 23-12-002-07-001; 03/19/12	2	0
Department Oversight Needs to Be Strengthened to Minimize Procurement Risk; Report No. 17-12-002-07-711; 03/30/12	1	0
DOL Successfully Implementing Outstanding Recommendations, but Timeliness and Accuracy Are Issues; Report No. 23-12-003-07-001; 03/30/12	1	0
Department-wide Security Issues; Report No. 23-12-024-07-001; 09/28/12	1	0
Department eRecruit/DOORS System Testing; Report No. 23-13-004-07-001; 10/10/12	2	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
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
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
Cyber Security Program Improvements Are Needed to Better Secure DOL'S Major Information Systems; Report No. 23-15-001-07-725; 03/31/15	4	0
Information Security Concerns; Report No. 23-15-009-07-725; 07/31/15	2	0

## Appendices

# Reports with Unimplemented Recommendations, continued

Report Name	# of Unimplemented Recommendations	Disallowed Costs Owed
FISMA Fiscal Year 2015: Ongoing Security Deficiencies Exist; Report No. 23-16-002-07-725; 09/30/16	2	0
<b>Office of Federal Contract Compliance Programs (OFCCP)</b>		
Notifications of Findings and Recommendations Related to the Federal Information Security Management Act Audit of Office of Federal Contract Compliance Programs' Information System; Report No. 23-10-017-04-410; 09/30/10	2	0
<b>Office of Labor Management Standards (OLMS)</b>		
Notifications of Findings and Recommendations Related to the Federal Information Security Management Act Audit of the Employment Standards Administration's Electronic Labor Organization Reporting System; Report No. 23-09-005-04-421; 09/10/09	5	0
Fiscal Year 2014 Federal Information Security Management Act: Office of Labor Management Standards Electronic Labor Organization Reporting System; Report No. 23-15-004-04-421; 11/14/14	6	0
<b>Office of the Secretary (OSEC)</b>		
Alert Memorandum: DOL Needs to Strengthen Its Oversight of NCFMS to Control Costs; Report No. 22-15-007-01-001; 06/02/15	2	0
The Department Remains Vulnerable to Premature Release of Embargoed Economic Data; Report No. 17-16-001-01-001; 03/25/16	2	0
<b>Occupational Safety and Health Administration (OSHA)</b>		
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 No. 23-10-018-10-001; 09/30/10	6	0
OSHA Has Not Determined If State OSH Programs Are at Least as Effective in Improving Workplace Safety and Health as Federal OSHA's Programs; Report No. 02-11-201-10-105; 03/31/11	4	0
Occupational Safety and Health Information System Testing; Report No. 23-12-022-10-001; 09/28/12	2	0
Voluntary Protection Programs: 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	5	0
OSHA Needs to Continue to Strengthen Its Whistleblower Protection Programs; Report No. 02-15-202-10-105; 09/30/15	1	0
OSHA Does Not Know If Special Emphasis Programs Have Long-Term Industrywide Effect; Report No. 02-16-201-10-105; 09/28/16	3	0
OSHA Could Do More to Ensure Employers Correct Hazards Identified During Inspections; Report No. 02-17-201-10-105; 03/31/17	4	0
<b>Veterans Employment and Training Service (VETS)</b>		
Jobs for Veterans State Grants Program: VETS Needs to Improve Financial Monitoring; Report No. 06-16-001-02-001; 03/29/16	3	59,781
<b>Wage and Hour Division (WHD)</b>		
WHD Lacked Effective Financial Management of Back Wage and Civil Monetary Penalty Receivables; Report No. 22-12-013-04-420; 09/28/12	4	0
Wage and Hour Division Needs to Strengthen Management Controls for Back Wage Distributions; Report No. 04-15-001-04-420; 03/31/15	2	0
<b>Totals</b>	<b>277</b>	<b>\$5,487,794</b>

## Appendices

# Investigative Statistics

	Division Totals	Total
<b>Investigative Reports Issued / Cases Closed</b> (includes investigative reports issued, case closing reports, and matters referred for possible civil and/or administrative action):		155
Program Fraud	115	
Labor Racketeering	40	
<b>Cases Opened:</b>		113
Program Fraud	93	
Labor Racketeering	20	
<b>Cases Referred for Prosecution</b> (each case is measured as a singular statistic and may include more than one person or business entity):		100
Program Fraud	78	
Labor Racketeering	22	
<b>Cases Referred for Administrative/Civil Action</b> (each case is measured as a singular statistic and may include more than one person or business entity):		36
Program Fraud	33	
Labor Racketeering	3	
<b>Persons Referred to the Department of Justice for Criminal Prosecution</b> (includes the number of individuals and business entities referred for prosecution):		128
Program Fraud	99	
Labor Racketeering	29	
<b>Persons Referred to State and Local Prosecuting Authorities for Criminal Prosecution</b> (includes the number of individuals and business entities referred for prosecution):		8
Program Fraud	8	
Labor Racketeering	0	
<b>Indictments and Criminal Information That Resulted from Any Prior Referral to Prosecuting Authorities</b> (includes sealed and unsealed indictments):		126
Program Fraud	77	
Labor Racketeering	49	
<b>Indictments</b> (includes sealed and unsealed indictments):		126
Program Fraud	77	
Labor Racketeering	49	
<b>Convictions:</b>		135
Program Fraud	103	
Labor Racketeering	32	
<b>Statutory Debarments:</b>		8
Program Fraud	1	
Labor Racketeering	7	

<b>Recoveries, Cost-Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:</b>		\$67,243,290
Program Fraud	\$44,435,227	
Labor Racketeering	\$22,808,063	

<b>Recoveries</b> (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):		\$323,325
<b>Cost-Efficiencies</b> (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):		\$3,493,223
<b>Restitutions/Forfeitures</b> (the dollar amount/value of restitutions and forfeitures resulting from OIG criminal investigations):		\$47,205,948
<b>Fines/Penalties</b> (the dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations):		\$207,929
<b>Civil Monetary Actions</b> (the dollar amount/value of forfeitures, settlements, damages, judgments, court costs, and other penalties resulting from OIG criminal investigations):		\$16,012,865
<b>Total:</b>		<b>\$67,243,290</b>



# Peer Review Reporting

*The following meets the requirement under Section 5(1)(14)(A)-(B) of the Inspector General Act (as amended) and 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.” The most recent investigation peer review was December 14, 2016, and the most recent audit peer review was March 29, 2016.*

### Peer Review of DOL-OIG Investigative Function

The Social Security Administration Office of Inspector General conducted a peer review of the system of internal safeguards and management procedures for DOL-OIG’s investigative function for the period ending September 30, 2016. The OIG has been advised that the review did not identify any deficiencies with our investigative program. The peer review gave DOL-OIG a compliant rating and made no recommendations.

### Peer Review of DOL-OIG Audit Function

The Department of Education–OIG conducted a peer review of the system of quality control for DOL-OIG’s audit function for the period ending September 2015. The peer review report, which was issued on March 29, 2016, 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 the conduct of audits. The peer review gave DOL-OIG a pass rating and made no recommendations.

## Appendices

# 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 April 1, 2017, through September 30, 2017, the OIG Hotline received a total of 910 contacts. Of these, 230 were referred for further review and/or action.*

<b>Complaints Received (by Method Reported):</b>	Totals
Telephone	377
E-mail/Internet	380
Mail	117
Fax	29
Walk-In	7
<b>Total</b>	<b>910</b>
<b>Complaints Received (by Source):</b>	Totals
Complaints from Individuals or Nongovernment Organizations	879
Complaints/Inquiries from Congress	2
Referrals from the Government Accountability Office	0
Complaints from Other DOL Agencies	17
Complaints from Other (Non-DOL) Government Agencies	12
<b>Total</b>	<b>910</b>
<b>Disposition of Complaints:</b>	Totals
Referred to OIG Components for Further Review and/or Action	125
Referred to DOL Program Management for Further Review and/or Action	79
Referred to Non-DOL Agencies/Organizations	26
No Referral Required / Informational Contact	702
<b>Total</b>	<b>932*</b>

\* 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).

---

# Fiscal Year 2018 Audit Work Plan

---

## Employee Benefits Security Administration (EBSA)

### Discretionary Audits

**EBSA's Oversight of Employee Stock Ownership Plans (ESOPS).** We will determine if EBSA provided effective enforcement oversight of ESOPS and ESOP-like plans. Such plans hold an estimated \$1.4 trillion in investments.

**EBSA Oversight of the Thrift Savings Plan—In Progress.** We will continue our work to determine if EBSA has been conducting adequate oversight of the Thrift Savings Plan.

## Employment and Training Administration (ETA)

### Mandatory Audits

#### Job Corps

**Outreach and Admissions.** We will determine if Job Corps' processes and performance for recruiting and enrolling participants are effective in meeting the program's mission.

**Contractor Indirect Costs.** We will review the effectiveness of the Office of the Assistant Secretary for Management's processes for negotiating indirect cost rates with Job Corps contractors and ensuring DOL reimburses them for only allowable indirect costs.

**Contractor Use of Federal Funds.** We will determine if the Office of Job Corps ensures that national training contractors use and report federal funds in accordance with laws, regulations, and guidance.

**Integrity of Center Information System Data.** We will determine if Job Corps has effective controls in place to ensure the integrity and reliability of performance metrics and student data processed within its Center Information System. We will also determine if these data are sufficiently reliable to use for management decisions for the program.

**Integrity of Student Testing and Reported Results—In Progress.** We will continue our work to determine if Job Corps exercised effective oversight of the integrity of student academic testing performed at Job Corps centers and reported accurate and reliable performance results.

**Job Corps Participant Placement in Jobs and Advanced Education—In Progress.** We will continue our work to determine if Job Corps improved the employability of its participants by evaluating the status of participants prior to enrolling in Job Corps, the training they received, initial job placements, and job retention. We will also continue our work to determine if placement data reported by Job Corps and its contractors were accurate and reliable.

# OIG FY 2018 Audit Work Plan

## ETA

### Discretionary Audits

#### ETA Grant Programs

**Use of Certifications and Credentials in Finding Employment.** We will determine if participants in Workforce Innovation and Opportunity Act (WIOA) programs earn credentials and certificates aligned with employer needs and high-demand occupations.

**American Apprenticeship Initiative Grants.** We will determine if grantees' strategies and performance met program goals and review ETA's oversight of grantees.

**WIOA Implementation Readiness Review—In Progress.** We will continue our work to assess ETA's readiness to implement program changes, as required by WIOA. The work will be limited to WIOA Title I (Adult, Dislocated Worker, or Youth Formula programs).

**Reintegration of the Ex-Offenders (RExO) Program—In Progress.** We will continue our work to determine if RExO Program grantees met performance goals, spent funds properly, and provided appropriate services to participants. We will also determine if different levels and duration of services had an impact on post-program employment and recidivism.

**YouthBuild Participant Placement in Jobs and Education—In Progress.** We will continue our work to determine if YouthBuild improved the employability of its participants. We will also evaluate if placement data reported by YouthBuild and its grantees were accurate and reliable.

**Experience Works, Inc., Senior Community Service Employment Program (SCSEP) Grant—In Progress.** We will continue our work to determine whether expenses charged to the SCSEP grant by Experience Works, Inc., were allowable, necessary, and prudent.

**H-1B Technical Skills Grants.** We will continue our work to determine if grantees' training lead to participants receiving and retaining employment in occupations for which employers are using H-1B visas to hire foreign workers.

#### Foreign Labor Certification (FLC) Program

**Debarment Use in Foreign Labor Programs.** We will determine if the Office of Foreign Labor Certification's (OFLC) debarment process held companies that violated laws and policies accountable for their actions.

**Integrity Reviews of Certified H-2A Applications.** We will determine if OFLC designed its integrity review procedures to ensure employers complied with H-2A regulations and ensured fair working conditions for foreign labor.

## OIG FY 2018 Audit Work Plan

**H-1B Application Review and Oversight Process.** We will determine if OFLC's H-1B application review process and oversight of employers' self attestations sufficiently protected American workers' jobs, wages, and working conditions.

**H-2B Prevailing Wage and Processing Backlog—In Progress.** We will continue our work to determine if OFLC processed prevailing wage determinations timely, and if the application review process improved to eliminate the backlog.

**ETA Management of Permanent Labor Certification Program (PERM) Applications Review—In Progress.** We will continue our work to determine if ETA properly managed the PERM program.

### Unemployment Insurance Program (UI)

**Modernization of States' UI Information Technology (IT) Systems.** We will determine if states effectively used federal funds to modernize UI IT systems, and achieved intended results. These include preventing, detecting, and recovering improper payments.

**Detecting UI Recipients, Who Have Returned to Work, but Continue to Collect Benefits—In Progress.** We will continue our work to assess selected states' efforts to reduce UI improper payments caused by recipients continuing to claim benefits after returning to work.

### Mine Safety and Health Administration (MSHA)

#### Discretionary Audits

**MSHA's Oversight of Underground Operators' Mine Rescue Teams.** We will determine if MSHA provided effective oversight of how mine operators train, staff, and equip their underground mine rescue teams.

**Vacating Violations—In Progress.** We will continue our work to determine if MSHA had adequate controls over issued citations and orders.

**MSHA Civil Monetary Penalties—In Progress.** We will continue our work to determine if MSHA effectively used available data to ensure civil monetary penalties assessed against mine operators served as a deterrent to unsafe mine working conditions.

### Occupational Safety and Health Administration (OSHA)

#### Discretionary Audits

**Complaint Investigations.** We will determine if OSHA used complainant and witness testimony to ensure thorough investigations of alleged safety and health hazards.



## OIG FY 2018 Audit Work Plan

**Process to Issue and Manage Regulations.** We will determine if OSHA's process to identify safety and health issues, implement new rules and perform "look-back" reviews of current ones, was timely.

**Deterrent Effect of Penalties.** We will determine if OSHA's process for setting penalties (including modifications) deterred employers from future safety and health violations, and if the agency adequately publicized inspection/penalty results to secure safe and healthy workplaces, particularly in high-risk industries.

**Risk-Based Targeting.** We will determine if OSHA used data to target its compliance assistance and enforcement resources on the highest hazard states, industries, and occupations.

**OSHA Rulemaking Process—In Progress.** We will continue our work to determine if OSHA established and followed appropriate procedures for issuing guidance documents as supplements to existing OSHA standards and requirements.

### **Office of Federal Contract Compliance Programs (OFCCP)**

Discretionary Audits

**OFCCP Enforcement of Federally Funded Construction Contracts—In Progress.** We will continue our work to determine if OFCCP's policies and procedures for enforcing equal employment opportunity requirements over federal or federally funded construction contracts were adequate.

### **Office of the Assistant Secretary for Administration and Management (OASAM)**

Mandatory Audits

**Federal Information Security Management Act Audit—Annual.** We will determine if DOL's management ensured the security and privacy of DOL's information contained in agency computer systems and if required security controls were operating effectively.

**Charge Card Risk Assessment—Annual.** We will determine if DOL has established controls over its purchase and travel card programs to prevent and detect illegal, improper, or erroneous purchases and payments.

### **OASAM**

Discretionary Audits

**Retention and Management of DOL's Electronic Records.** We will determine if DOL effectively administered its records management program, in accordance with laws, regulations, and guidance.

## OIG FY 2018 Audit Work Plan

**Reimbursable Work Authorizations.** We will determine if DOL effectively used reimbursable work authorizations (RWAs). Like many federal agencies, DOL leases buildings and other property from the General Services Administration (GSA). When these properties require repairs or alterations, DOL executes a written agreement with GSA, called an RWA. The RWA specifies the work GSA will provide, and DOL certifies it has the funds to obligate and reimburse GSA for the cost of its goods and services, indirect costs, and fees. Our work will also determine if DOL ensured that RWAs met expectations and that costs were reasonable and valid.

**Effectiveness of DOL's Management of Mobile Telecommunications Services and Devices—In Progress.** We will continue our work to determine if DOL effectively managed its acquisition and oversight of mobile telecommunications services and devices, including security.

**DOL Physical Security—In Progress.** We will continue our work to determine if physical security at DOL-owned and leased facilities safeguarded its occupants.

**Application Software Security—In Progress.** We will continue our work to determine if DOL has taken adequate measures to secure its public web sites.

### Office of the Chief Financial Officer (OCFO)

#### Mandatory Audits

**DATA Act Audit—In Progress.** We will continue our work to determine if DOL complied with the DATA Act, which identified requirements for agencies, including DOL, to make publicly available their spending data.

**DOL Consolidated Financial Statements Audit—Annual.** We will determine if DOL's consolidated financial statements presented fairly, in all material respects, the financial position of DOL as of September 30, 2017. We will consider DOL's internal controls over financial reporting and test DOL's compliance with applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on the consolidated financial statements.

**Review of DOL's Improper Payment Reporting in the Annual Financial Report—Annual.** We will determine if DOL complied with the Improper Payments Information Act, as amended, which requires DOL to: 1) conduct a program-specific risk assessment for each required program or activity; 2) publish and meet annual reduction targets for each program assessed to be at risk for improper payments; and 3) report information on its efforts to recapture improper payments.

**Independent Auditors Report on Special Purpose Financial Statement (closing package)—Annual.** We will determine if DOL's special purpose financial statements presented fairly, in all material respects, the financial position of DOL as of September 30, 2018. We will consider DOL's internal controls over financial reporting specific to the closing package financial statements and test DOL's compliance with certain provisions of the Treasury's Financial Manual Chapter 4700 and the Supplemental Guidance.

# OIG FY 2018 Audit Work Plan

## OCFO

### Discretionary Audits

**Controls over DOL's Unpaid Obligations.** We will determine if OCFO effectively monitored and managed the status and validity of its unpaid obligations for material or services that have not yet been received, to ensure the funds do not expire, and that DOL can use such funds for other purposes prior to expiration.

**DOL Working Capital Fund—In Progress.** We will continue our work to determine if DOL effectively administered the Working Capital Fund, including its cost allocation methodologies.

## Office of Workers' Compensation Programs (OWCP)

### Mandatory Audits

**Report Relating to the FECA Special Benefit Fund—Annual.** We will determine if: 1) the Schedule of Actuarial Liability, Net Intra-Governmental Accounts Receivable, and Benefit Expense was fairly presented for the year ending September 30, 2017; and 2) internal controls over financial reporting related to the Schedule were in compliance with laws and regulations that could have a direct and material effect on the Schedule.

**Longshore and Harbor Workers' Compensation Act (LHWCA) Special Fund—Annual.** We will determine if DOL's LHWCA Special Fund financial statement presented fairly, in all material respects, the financial position of the LHWCA Special Funds on September 30, 2017.

**District of Columbia Workmen's Compensation Act (DCCA) Special Fund Financial Statement Audits—Annual.** We will determine if DOL's DCCA Special Fund financial statement presented fairly, in all material respects, the financial position of the DCCA Special Funds on September 30, 2017.

**FECA Statement on Standards for Attestation Engagements (SSAE) No. 18—Annual.** We will determine if DOL's Integrated Federal Employees' Compensation System transaction processing for application and general controls, as described in the report, were fairly presented, suitably designed, and operating effectively for the period October 1, 2017, through June 30, 2018.

## OWCP

### Discretionary Audits

**Management of the Medical Benefits Provided in the Energy Employees Occupational Illness Compensation (Energy) Program.** We will determine if OWCP's processes and controls ensured that Energy claimants received the medical services claimants are qualified to receive under the program. We will also determine if OWCP's management of the Energy Program provided effective stewardship of the medical services provided to the claimants.

## OIG FY 2018 Audit Work Plan

**OWCP Medical Bill Payment Integrity Controls.** We will determine if OWCP's program integrity controls in its medical bill payment systems were effectively implemented. These controls include enforcing legislative and program requirements, as well as determining if controls are effective in limiting treatments (medical procedures, prescriptions and supplies) to those medically necessary and approved for the condition.

**OWCP Second Opinion and Referee Medical Exams—In Progress.** We will continue our work to review OWCP's processes for selecting medical examiners and its management and oversight of related contracts.

**OWCP Oversight of Pharmaceutical Costs and Compounding Medications—In Progress.** We will continue our work reviewing OWCP's management of pharmaceutical costs in its compensation programs.

### Wage and Hour Division (WHD)

#### Discretionary Audits

**WHD's Enforcement Program.** We will determine if WHD adequately enforced federal wage and hour laws and regulations.

**Davis-Bacon Prevailing Wages Survey Accuracy and Timeliness—In Progress.** We will continue our work to determine if WHD: 1) issued prevailing wage determinations that were current and accurate; and 2) adequately monitored the survey process to ensure the Department met its performance goals.

### Multi-Agency

#### Mandatory Audits

**Single Audit Compliance, Quality Control Reviews of Single Audit Reports—Annual.** We will determine if selected independent auditors complied with the requirements of the Single Audit Act and if there is a need for any follow-up work.

**Single Audit Compliance, Desk Reviews of DOL Grantee Reports Referred by the Federal Audit Clearinghouse—Annual.** We will perform desk reviews of single audit reports that are referred to us by the Federal Audit Clearinghouse. We will determine if: 1) the independent auditor's report, Schedule of Findings and Questioned Costs, Schedule of Expenditures of Federal Awards, and corrective action plans were acceptable; 2) issues identified in the reports require follow-up audit work; 3) a quality control review should be conducted; and 4) other issues identified in the report should be brought to the attention of the appropriate DOL funding agency or agencies.





Office of Inspector General, U.S. Department of Labor  
200 Constitution Avenue, NW  
Room S-5502  
Washington, DC 20210

To learn more about the Office of Inspector General's  
current and planned work, please visit [www.oig.dol.gov](http://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

Fax: 202.693.7020

[www.oig.dol.gov](http://www.oig.dol.gov)



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