



# Semiannual Report to Congress

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





# A Message from the Inspector General

I am pleased to submit 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 March 31, 2016. Our audits and investigations continue to assess the effectiveness, efficiency, economy, and integrity of DOL's programs and operations. We also continue to investigate the influence of labor racketeering and organized crime in internal union affairs, employee benefits plans, and labor-management relations.

During this reporting period, the OIG issued 14 audit and other reports. Among our many significant findings, we reported the following:

- The Department remains vulnerable to premature release of embargoed economic data.
- Iowa, Indiana, and Colorado did not effectively detect, reduce, or recover unemployment insurance improper payments, and California did not fully meet established targets for detecting improper payments.
- The Employment and Training Administration needs stronger controls to ensure only eligible federal claimants receive unemployment compensation.
- The Office of Workers' Compensation Programs needs to enforce and monitor compliance with its policy to notify Federal Employees' Compensation Act claimants and representatives of the requirement to submit fee applications.
- The Veterans' Employment and Training Service needs to improve the financial monitoring of its Jobs for Veterans State Grant program.

During this reporting period the OIG's investigative work yielded impressive results, with a total of 185 indictments, 164 convictions, and more than \$118 million in monetary accomplishments. Highlights of our work include the following:

- Six Maryland company executives were sentenced to prison and ordered to pay more than \$50 million for employee benefit fraud schemes.
- Three Northern California residents were sentenced to prison for their involvement in a decades-long scheme to fraudulently obtain more than \$14 million in unemployment insurance and disability benefits.
- A New York construction company admitted to overbilling clients and agreed to pay more than \$20 million in restitution and penalties.
- A federal jury found former Massey Energy chief executive officer Donald L. Blankenship guilty of conspiracy to willfully violate mine health and safety standards.
- A Louisiana labor broker was sentenced to 18 months in federal prison for her role in a scheme to defraud DOL's H-2A visa program.

These are some of the 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. We continue to work on several important audits. For more details, I invite you to review our updated audit work plan for fiscal year 2016, which can be found in the appendix of this report. 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 combatting 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 non-financial resources.

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## Selected Statistics

Investigative recoveries, cost-efficiencies, restitutions, fines and penalties, forfeitures, and civil monetary action .....	\$118 million <sup>1</sup>
Investigative cases opened .....	116
Investigative cases closed .....	159
Investigative cases referred for prosecution .....	105
Investigative cases referred for administrative/civil action .....	52
Indictments .....	185
Convictions .....	164
Debarments .....	40
Audit and other reports issued .....	14
Outstanding questioned costs resolved during this period .....	\$6.8 million
Allowed .....	\$4 million
Disallowed .....	\$2.8 million

<sup>1</sup>These accomplishments do not include \$17.7 million in monetary results from cases that involved the participation of multiple agencies. In addition, \$4.85 million in civil damages related to single claimant UI cases in the State of Delaware is not included above.

# Significant Concerns

*The OIG works with the Department of Labor and Congress to provide information and recommendations that will be useful in their management or oversight of the Department. The OIG has identified the following areas of significant concern that cause the Department to be particularly vulnerable to mismanagement, error, fraud, waste, or abuse. Most of these issues appear in our annual Top Management and Performance Challenges report required under the Reports Consolidation Act of 2000. The Top Management and Performance Challenges report 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 approximately 53,000 students, as well as staff, at 126 Job Corps centers nationwide. If it cannot provide a safe learning environment for students and staff, Job Corps cannot meet its core mission of attracting young people who face economic disadvantages or come from debilitating environments, teaching them the skills they need to become employable and independent, and placing them in meaningful jobs or further education. Job Corps centers have been troubled by violence and other criminal behavior for years, as some center operators have not been enforcing disciplinary policies. In 2015, a student at the St. Louis (Missouri) Job Corps Center allegedly shot and killed another student in their dormitory room, and center operations at the Homestead Job Corps Center in South Florida were suspended and students transferred to other centers after a student was murdered near the center, allegedly by several of his fellow students. Previous to these serious incidents, OIG audits 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. In response to these incidents, Job Corps reported an increased programmatic focus on student misconduct issues at all centers and that it has taken actions to improve center safety. The OIG is currently conducting an audit to assess the impact of Job Corps' efforts on preventing or mitigating violence and other serious crimes at its centers.

## Protecting the Safety and Health of Workers

With more than 8 million establishments under the oversight of the Occupational Safety and Health Administration (OSHA), the OIG remains concerned with OSHA's ability to best target its compliance activities to those areas where they can have the greatest impact. OSHA carries out its enforcement responsibilities through a combination of self-initiated and complaint investigations but can reach only a fraction of the entities it regulates. Consequently, OSHA must strive to target the most egregious and persistent violators and protect the most vulnerable worker populations. The OIG is also concerned with OSHA's ability to measure the impact of its policies and programs and those of the 27 OSHA-approved State Plans for occupational safety and health.

## 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 meet statutory mine inspection requirements while successfully administering other enforcement responsibilities is a concern for the OIG. A recent review of emergency response plans maintained by mine operators revealed that one-third of the 779 emergency contact telephone numbers the OIG called were incorrect or unidentifiable, including numbers for fire department and ambulance services, hospitals, and mine rescue teams.

### **Improving the Black Lung Claims Process**

The Black Lung program was created to provide compensation not only to coal miners who are totally disabled due to pneumoconiosis, or black lung disease, but also 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 the reports provided by medical providers hired by the Department were generally not as detailed or clearly written as the medical reports presented by mine operator-paid physicians. Timeliness issues focused on the delays experienced in conducting hearings and issuing decisions at the Office of Administrative Law Judges. The Department has taken numerous corrective actions since our report was issued but it is too soon to assess the long-term impact of those actions.

### **Improving the Performance Accountability of Job Training Programs**

Another area of concern for the OIG is the Department's ability to ensure that its job training programs are successful in training and placing workers, including adults, youth, and veterans, in suitable employment. 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. In addition, our audit work over several decades, primarily as it relates to discretionary grants, has documented the difficulties encountered by the Department in ensuring that performance expectations are clear; providing active oversight; disseminating proven strategies and programs for replication; and, importantly, ensuring that training leads to placement in training-related jobs that reduce participants' reliance on social programs. We have also reported on the difficulties the Department's grantees have faced in obtaining quality employment and training providers.

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

The Department's administration of the foreign labor certification process, which permits U.S. businesses access to foreign workers to meet their workforce needs while protecting the jobs and wages of U.S. workers, has been an ongoing concern to the OIG since the mid-1990s. Among our concerns is that DOL is statutorily required to certify H-1B applications unless it determines them to be "incomplete or obviously inaccurate." Given this fact, it is not surprising that OIG investigations have shown the H-1B program to be susceptible to significant fraud and abuse, particularly by dishonest immigration attorneys, labor brokers, employers, and organized criminal enterprises. Our investigations have revealed schemes in which fraudulent applications were filed with DOL on behalf of fictitious companies, individuals, and unscrupulous businesses seeking to



## Significant Concerns

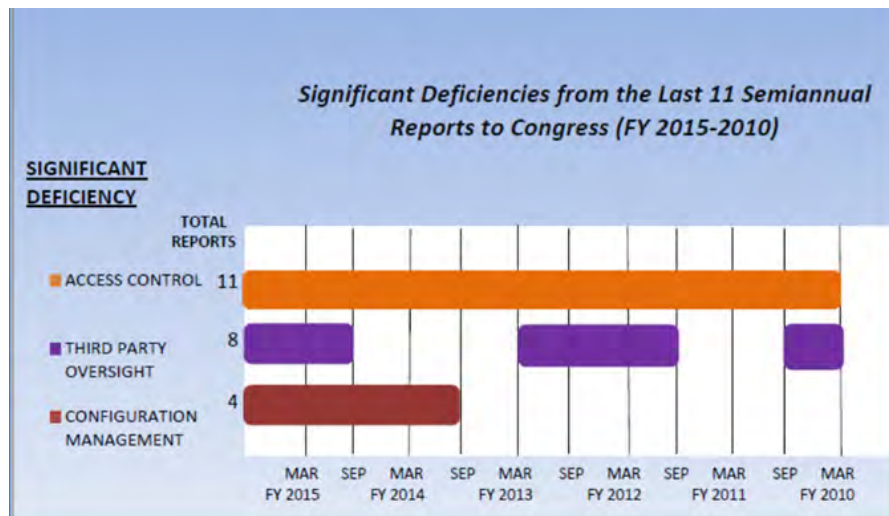
acquire foreign workers. In the past, we have cited concerns about the H-2B program regarding the sufficiency of recruitment efforts for U.S. workers before positions are filled by foreign workers.

### 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 143 million plan participants and beneficiaries, particularly in light of statutory limitations on DOL's authority. One challenge facing the Employee Benefits Security Administration (EBSA) over the past couple decades has been the fact 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

Safeguarding data and information systems is a continuing challenge for all federal agencies, including DOL. DOL's information security program has three significant deficiencies—access control, third-party oversight, and configuration management—that have been repeatedly identified over the years.



This trend of recurring deficiencies is indicative of systemic issues that require an overall strengthening of DOL's information security program to prevent future occurrences. In light of recent events involving serious breaches of government data systems, such as the recent cyber-theft of an estimated 22 million federal personnel records from the Office of Personnel Management, DOL must make it a high priority to mitigate these significant security vulnerabilities.

## Significant Concerns

### Managing Information Technology Investments

Ensuring proper management of multimillion-dollar information technology systems is also of concern to the OIG. Most significant, the Department has faced challenges in managing its financial system due to the sudden legal and bankruptcy issues faced by the private-sector firm that was providing these services. The Department procured the financial system assets and entered into an interagency agreement for a federal shared services provider to assume operations and maintenance of the system at a cost of more than \$2 million per month. The Department has entered into another \$24.9 million time-and-materials interagency agreement with the shared services provider to operate and maintain the financial system over a one-year period that began in April 2015. Initially, a time-and-materials agreement may have been the most appropriate, as the shared services provider was gaining an understanding of the operations and stabilizing the system; however, the provider has now been operating the system for almost a year, and the Department has still not been able to define its requirements and move to a fixed-price agreement.

### Reducing Improper Payments

The Department's ability to identify and reduce the rate of improper payments in the Unemployment Insurance (UI), Federal Employees' Compensation Act, and Workforce Investment Act programs continues to be a concern for the OIG. Most significantly, for the period July 1, 2014, to June 30, 2015, the Department reported UI improper payments totaling approximately \$3.5 billion. The estimated improper payment rate of 10.7 percent exceeded the threshold of 10 percent established by OMB. The improper payments were due mainly to claimants continuing to claim UI benefits after they had returned to work and to claimants' failure to conduct and document work search activities in accordance with states' UI laws. OIG investigations also continue to uncover fraud committed by individual UI recipients who do not report or who underreport earnings, as well as fraud related to identity theft and fictitious and fraudulent employer schemes. Identity thieves and organized criminal groups exploit program weaknesses by taking advantage of the anonymity of the Internet, banking privacy laws, limited communication among the 53 State Workforce Agencies (SWAs), and weaknesses in SWA system capabilities.

### Ensuring the Equitable Release of Economic Data

The Department issues a number of reports and statistics that include "leading economic indicators," such as the Unemployment Insurance Weekly Claims Report and the Producer Price Index. Because the data in these reports have the potential to move financial markets, the Department protects this data via an embargo, meaning the data cannot be disseminated or used in any unauthorized manner before its release to the public. The Department allows pre-release 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 pre-formatting and data-queuing software to transmit the data positions their paying clients to trade on this data faster than the Department can post the information to its website and the general public can 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 not permitted in the lock-up. To ensure an equitable release of such data, the Department must eliminate this competitive advantage either through changes to the lock-up process or the elimination of these optional lock-ups. The Department has been in consultation with other federal agencies that conduct similar press lock-ups since we first reported on this in January 2014; however, no action has been taken to resolve this issue.

# Worker and Retiree Benefit Programs



## Unemployment Insurance Programs

*Enacted over 80 years ago as a federal-state partnership, the Unemployment Insurance (UI) program is the Department’s largest income-maintenance program. This multibillion-dollar program assists individuals who are unemployed due to lack of suitable work. Although the program’s framework is determined by federal law, the benefits for individuals depend on state law and state funding of benefits and are administered by State Workforce Agencies (SWAs) in 53 jurisdictions covering the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, under the oversight of the Employment and Training Administration (ETA). The federal government pays the program’s administrative expenses.*

### ETA Needs Stronger Controls to Ensure Only Eligible Claimants Receive Unemployment Compensation for Federal Employees

In an audit of ETA’s controls to assist states in making accurate claimant eligibility determinations for the Unemployment Compensation for Federal Employees (UCFE) and the Unemployment Compensation for Ex-servicemembers (UCX) programs, we found ETA did not reasonably ensure federal agencies provided timely and complete separation information to states for the UCFE program. Conversely, we found no such issues in the UCX program.

For the UCFE program, ETA directs states to send Form ETA-931—“Request for Wage and Separation Information”—to the employing federal agency the same day a claim for unemployment compensation is taken. If the federal agency fails to return Form ETA-931 with the requested information within 12 days, the state must make an initial eligibility determination based on the claimant’s affidavit. If the state subsequently receives contradictory information from the federal agency, it has to issue a redetermination, which could result in the establishment of overpayments. ETA has found the lack of adequate separation information is one of the leading causes of improper payments in the UI programs.

Our testing of UCFE cases in Maryland and North Carolina identified the following issues that affected the states’ ability to make accurate eligibility determinations:

#### Separation Information Late, Not Provided, or Not Complete

State	Cases Sampled	Total Late or Information Not Complete	ETA-931 Provided Late	No ETA-931 Provided	Separation Information Not Complete	Total Payments
MD	151	64	24	26	18	\$1,624,629
NC	155	56	26	21	11	\$993,971
Totals	306	120	50	47	29	\$2,618,600

## Worker and Retiree Benefit Programs

ETA needs to strengthen the process used to approve UCFE claims by ensuring completed ETA-931 forms are provided timely, and developing and disseminating a uniform list of common reasons for separation to assist federal agencies in completing the form.

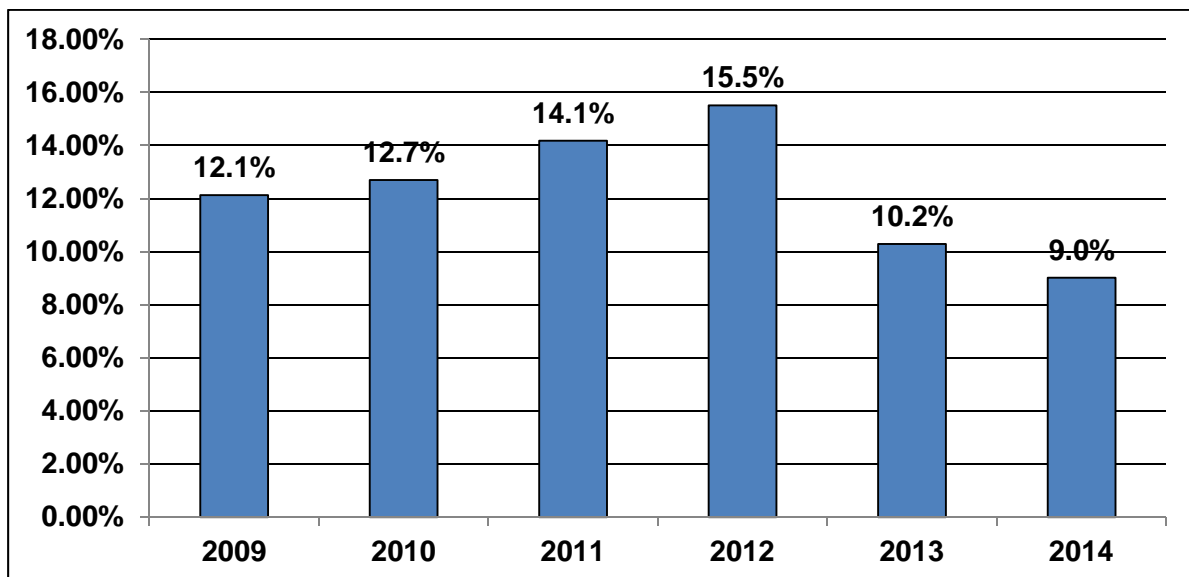
For more details, go to [www.oig.dol.gov/public/reports/oa/2016/04-16-001-03-315.pdf](http://www.oig.dol.gov/public/reports/oa/2016/04-16-001-03-315.pdf) (Report Number 04-16-001-03-315, March 28, 2016).

### Effectiveness of Iowa in Detecting and Reducing UI Improper Payments and Implementation of ETA National Strategies

In our audit to determine the effectiveness of Iowa's efforts to control UI improper payments we found that the state did not effectively detect, reduce, or recover improper payments. Further, the integrity of the data Iowa reported to ETA could not be determined because the state did not consistently retain support for its reports and mainframe data for its UI claims system were inaccurate.

Iowa remained below its detection rate target of 50 percent between 2009 and 2013, which decreased from 40 percent in 2009 to 25 percent in 2011. The state attributed this to a cut in funding, as well as retirement of personnel, which resulted in a lack of investigators to review potential overpayments detected by the state's software. During this same period, Iowa's improper payment rate did not meet the 10 percent target—exceeding 15 percent in 2012—due in part to the state experiencing a significant increase in UI claims volume.

Iowa Improper Payment Rates by Year



During this same period, although ETA did not implement an overpayment recovery rate target until 2013, we noted Iowa's reported annual recovery rate generally met or exceeded the 50 percent target rate each year.

Iowa implemented eight of the nine National Strategies that ETA designed to help states improve improper payment rates throughout the UI system. However, the state could not provide evidence of the strategies'

## Worker and Retiree Benefit Programs

effectiveness. Iowa initially implemented the ninth strategy—Cross Functional Employment Integrity Task Force—in fiscal year (FY) 2011, but did not use it or hold meetings in 2012 and 2013. Measuring the impact of the National Strategies could improve the state’s ability to detect, reduce, and recover improper payments.

ETA needs to work with and encourage Iowa to enhance its UI claims system to capture temporary UI funding activity so that the state can produce reports of all UI Recovery Act overpayments, underpayments, and recoveries in the future; ETA also needs to encourage the state to continue use of the Integrity Task Force to develop and implement state-specific integrity strategies.

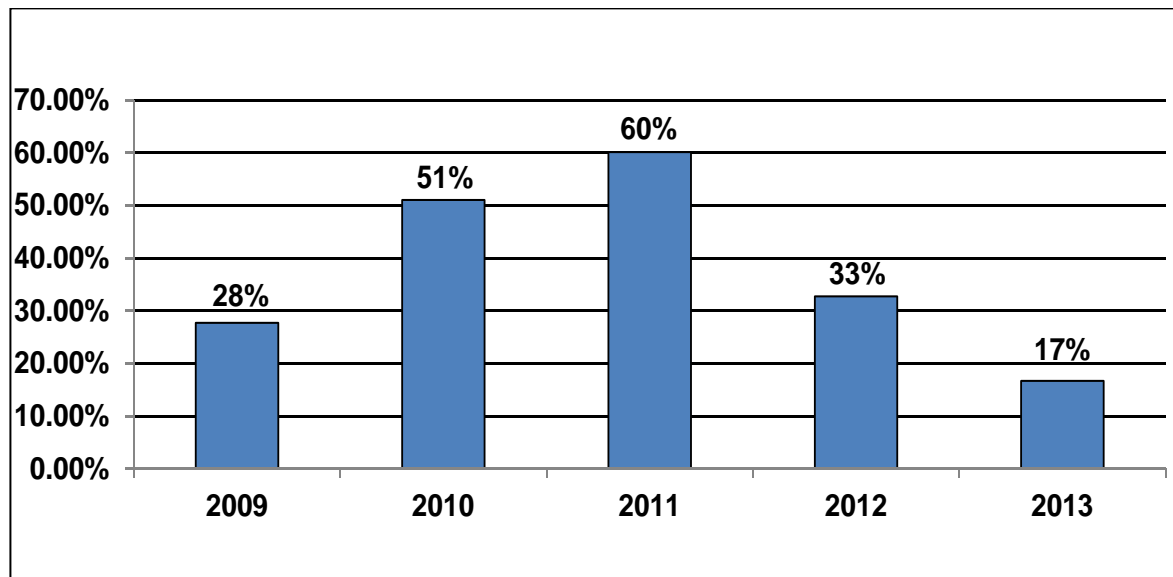
For more details, go to [www.oig.dol.gov/public/reports/oa/2016/18-16-002-03-315.pdf](http://www.oig.dol.gov/public/reports/oa/2016/18-16-002-03-315.pdf) (Report Number 18-16-002-03-315, October 30, 2015).

### Effectiveness of Indiana in Detecting and Reducing UI Improper Payments and Implementation of ETA National Strategies

In our audit to determine the effectiveness of Indiana’s efforts to control UI improper payments, we found that the state did not effectively detect or reduce improper payments and that the integrity of the data Indiana reported to ETA could not be determined. Additionally, Indiana’s recovery rates declined from 62 percent in 2009 to 43 percent in 2013, which was below the 50 percent target ETA introduced in 2013.

Indiana reported very high improper payment rates during the period 2009 to 2012, ranging from 28 percent to a high of 60 percent.

Indiana UI Improper Payment Rates by Year



Employment Service registration and work search issues were the leading causes of improper payments, as claimants failed to comply with Indiana’s policies requiring them to upload their résumé to the state’s job-matching website or did not enter three work searches each week into a computer system to maintain eligibility for benefits. Indiana changed its policies in 2013, and the improper payment rate declined to 17 percent.

## Worker and Retiree Benefit Programs

Indiana's detection rate was 65 percent in 2009, but then dropped and remained well short of the 50 percent target during the remainder of our audit period.

Indiana implemented four of ETA's nine National Strategies for reducing improper payments during our audit period, and reported that it subsequently added four more strategies. Their execution was delayed because Indiana was waiting to implement its new UI Modernization System, a project that began in 2002, but whose core features did not launch until January 2014, well after our audit period. During our audit period, UI tax and benefit activity had not successfully passed ETA's data validation requirements when processed through the state's mainframe system.

ETA needs to work with Indiana to develop measures for determining the effectiveness of its cross-matching and other strategies, and the state should include the necessary applications and processes in its systems modernization effort to enable it to pass ETA data validation requirements.

For more details, go to [www.oig.dol.gov/public/reports/oa/2016/18-16-004-03-315.pdf](http://www.oig.dol.gov/public/reports/oa/2016/18-16-004-03-315.pdf) (Report Number 18-16-004-03-315, November 24, 2015).



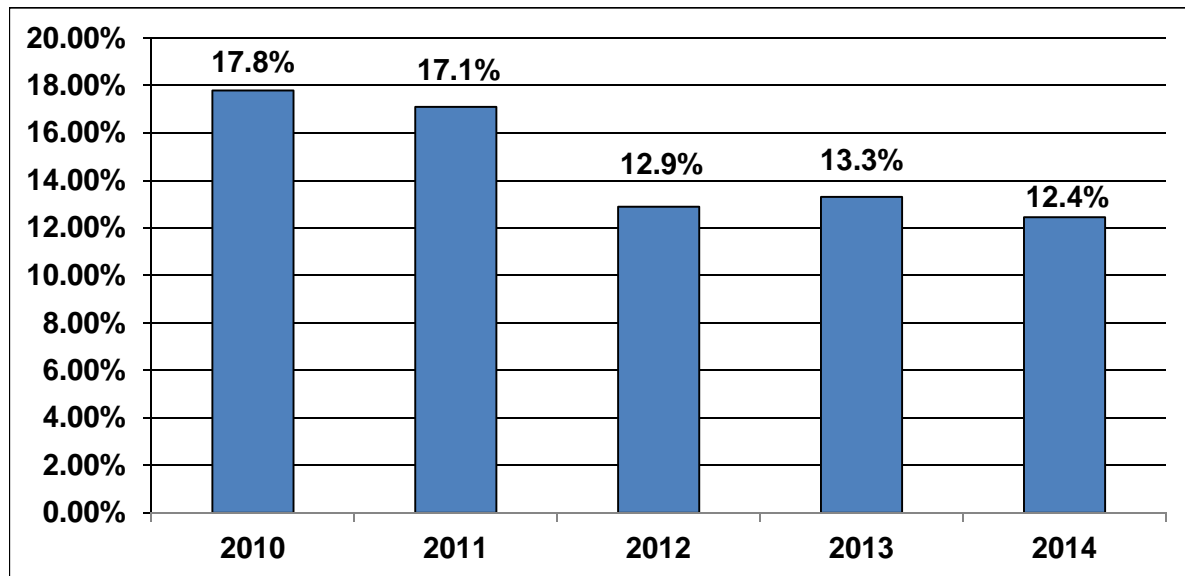
## Worker and Retiree Benefit Programs

### Effectiveness of Colorado in Detecting and Reducing UI Improper Payments and Implementation of ETA National Strategies

In our audit to determine the effectiveness of Colorado's efforts to control UI improper payments, we found that the state did not effectively detect, reduce, or recover improper payments. We could not determine the effectiveness of Colorado's reporting of overpayment and recovery activity to ETA because the state could not verify the integrity of its underlying mainframe data and pass ETA's data validation process.

Colorado's detection rates remained short of the 50 percent target from 2010 through 2012, and reported 2009 data contained validation issues and excluded certain quarterly data, which made it impossible to determine whether the actual percentages were above or below the target rate. While Colorado was able to reduce its improper payment rate from 17.8 percent in 2010 to 12.4 percent in 2014, the rate remained well above the 10 percent target, as shown in the chart below.

Colorado UI Improper Payment Rates by Year



Colorado's recovery rates averaged 42 percent of the overpayments detected during the period 2010 to 2012. The recovery rate remained at 42 percent in 2013, and did not meet the 50 percent target established by ETA.

Although Colorado implemented all nine ETA National Strategies, it could not provide evidence of each strategy's effectiveness. Some strategies had an indirect impact on preventing overpayments that could not be measured in a meaningful way. For other strategies, Colorado did not collect information in a manner that allowed for evaluation of their effectiveness.

ETA needs to work with Colorado to help demonstrate the effectiveness of ETA's National Strategies and better use its resources to prevent, detect, and recover improper payments.

For more details, go to [www.oig.dol.gov/public/reports/oa/2016/18-16-003-03-315.pdf](http://www.oig.dol.gov/public/reports/oa/2016/18-16-003-03-315.pdf) (Report Number 18-16-003-03-315, December 16, 2015).



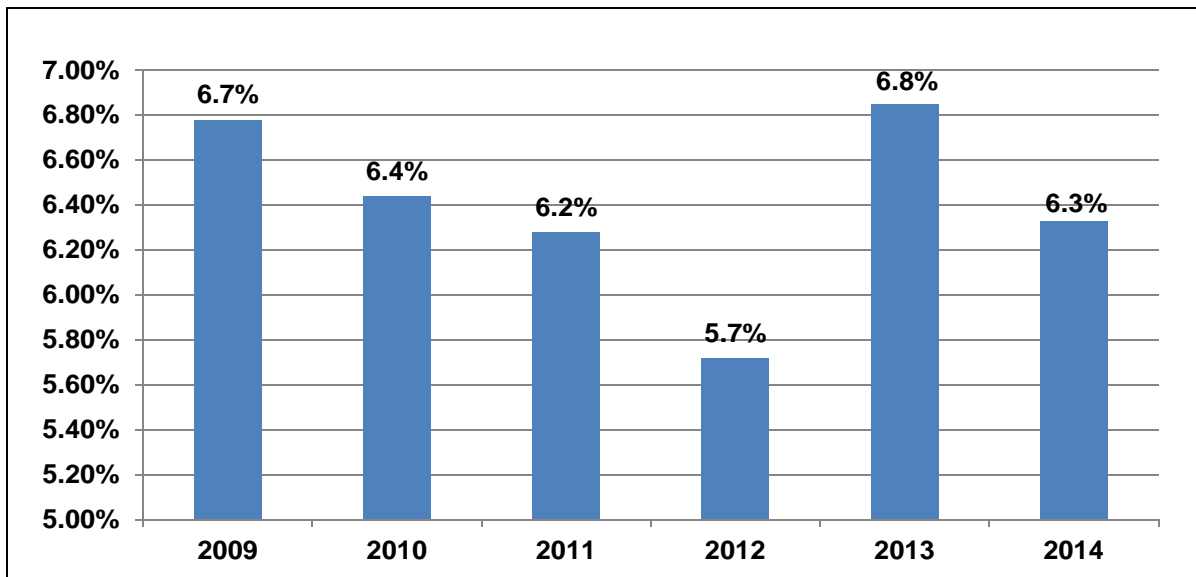
## Worker and Retiree Benefit Programs

### Effectiveness of California in Detecting and Reducing UI Improper Payments and Implementation of ETA National Strategies

In our audit to determine the effectiveness of California's efforts to control UI improper payments, we found that the state did not fully meet established targets for detecting improper payments. Further, we could not determine the effectiveness of California's reporting of overpayment and recovery activity to ETA because the state could not ensure the integrity of the underlying data used from its legacy system and pass ETA's data validation requirements.

With the exception of 2012, from 2009 to 2013, California's detection rates fell short of its target of 50 percent, and its recovery rates averaged 28 percent during the same period. Although California reported improper payment rates below the 10 percent target, those rates may have been understated because the state excluded certain data from its calculations.

California UI Improper Payment Rates by Year



California implemented 8 of the 9 ETA National Strategies, but could not provide evidence of each strategy's effectiveness. Whereas some strategies had an indirect impact on preventing overpayments that could not be measured in a meaningful way, for other strategies California did not collect information in a manner that allowed for evaluation of their effectiveness. The state did not implement the National Directory of New Hires due to a lack of available staff, including information technology personnel to assist in system implementation.

ETA needs to work with California to help it demonstrate the effectiveness of ETA's National Strategies and improve the state's detection and recovery rates.

For more details, go to [www.oig.dol.gov/public/reports/oa/2016/18-16-001-03-315.pdf](http://www.oig.dol.gov/public/reports/oa/2016/18-16-001-03-315.pdf) (Report Number 18-16-001-03-315, October 30, 2015).

## Worker and Retiree Benefit Programs

### Northern California Residents Sentenced for UI and Disability Scheme

Three individuals were sentenced to prison terms and ordered to pay restitution to the California Employment Development Department (EDD) for their involvement in a decades-long scheme to fraudulently obtain more than \$14 million in UI and disability benefits.

On October 1, 2015, Mohammad Nawaz Khan was sentenced to 150 months in prison for his lead role in the scheme. Gurdev Johl was sentenced on December 3, 2015, to 36 months of supervised release. On February 11, 2016, Kewal Singh was sentenced to 12 months in prison. These individuals were also ordered to pay, jointly and severally, more than \$1 million in restitution.

From 1989 to 2012, Khan and some of his family members fraudulently registered alleged farm labor contracting companies with the EDD and falsely reported that the companies had employed and paid individuals. The supposed employees were actually individuals who had paid cash up front to partake in the scheme and later collect benefit payments. Khan et al. also sold fraudulent paystubs to individuals that falsely reflected that those individuals had worked for Khan's companies. Those fraudulent paystubs enabled the purchasers to apply for and obtain UI and disability benefits to which they were not entitled. To date, 24 individuals have pled guilty to various offenses connected to the scheme.

This was a joint investigation with the EDD and the FBI. *United States v. Khan et al.* (E.D. California)

### Florida Man Sentenced for Identity Theft Scam

On March 15, 2016, Elton Bandoo was sentenced to 84 months in prison and ordered to pay more than \$585,000 in restitution for his involvement in an identity theft scheme to defraud the Florida UI program and the IRS.

During the execution of a search warrant at Bandoo's residence, agents found personally identifiable information belonging to more than 26,000 identity theft victims, including names, dates of birth, Social Security numbers, and medical records. Bandoo used the stolen identity information to electronically file hundreds of fraudulent UI applications and federal tax returns, based on which he and others collected fraudulent UI benefits and tax refund payments.



*Execution of federal search warrant at Bandoo residence*

On February 6, 2015, agents from DOL-OIG's Office of Labor Racketeering and Fraud Investigations (OLRFI), Homeland Security Investigations, the Bureau of Alcohol, Tobacco, Firearms and Explosives, and the North Miami Beach Police Department (NMBPD) Gang Unit, with assistance from the NMBPD Special Response Team (SRT), executed a federal search warrant at the residence of Elton Bandoo seeking evidence of ID theft and UI fraud. During the

## Worker and Retiree Benefit Programs

execution of the warrant, Bandoo fired several shots at the agents with a .45 caliber semi-automatic handgun, and a member of the SRT team sustained gunshot wounds. The officer was transported to the hospital and has made a full recovery. Additionally, an OLRFI government vehicle sustained gunshot damage to the left rear bumper.



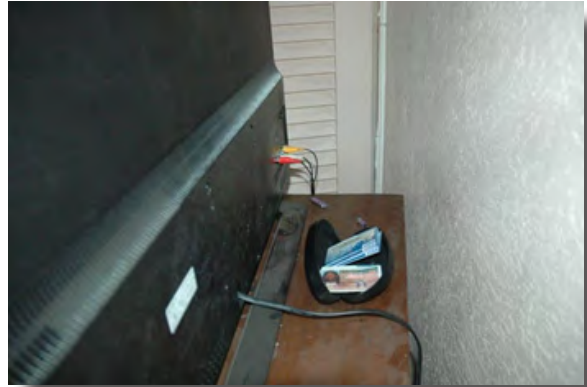
*OIG government vehicle gunshot damage*

This is a joint investigation with the North Miami Beach Police Department, Homeland Security Investigations, and IRS-Criminal Investigation. *United States v. Bandoo* (S.D. Florida)

### **Florida Residents Sentenced for Identity Theft Scam Targeting UI System**

On October 26, 2015, Seidner Eline and Flore Dormevil were sentenced to prison terms of 70 and 54 months, respectively, and ordered to pay more than \$418,000 in restitution, for their involvement in an identity theft scheme that defrauded the Florida UI program.

On at least 1,200 occasions, Eline and Dormevil perpetuated the scheme by electronically recertifying or otherwise updating claim data for fraudulent UI claims that had been established using stolen identities.



*Florida UI debit cards issued in stolen identities and concealed in an eyeglass case*



*Mercedes Benz used in the commission of the UI ID fraud (seized)*

This was a joint investigation with the Miami Dade Police Department, the Aventura Police Department, the Florida Department of Economic Opportunity, the U.S. Department of Justice–OIG, and the U.S. Department of Transportation–OIG. *United States v. Eline et al.* (S.D. Florida)

## Worker and Retiree Benefit Programs

### Georgia Mother Sentenced and Sons Plead Guilty for Stealing UI Benefits

On January 5, 2016, Vicky Sue Cohran was sentenced to 51 months in prison and ordered to pay \$120,000 in restitution for orchestrating a fictitious employer scheme that sought to fraudulently obtain more than \$227,000 in UI benefits from the Connecticut and Minnesota UI programs. Cohran was assisted in the fraud scheme by her two sons, Christopher and Nathan Cohran, who each pled guilty to one count of conspiracy to commit wire fraud on January 5, 2016, and January 6, 2016, respectively.

Cohran fraudulently registered non-existent businesses that had no employees and no business operations. She then filed wage reports for 27 fictitious employees, using the Social Security numbers of 27 unwitting individuals whose identities had been stolen. Cohran then filed fraudulent claims for UI benefits, using the identities of those individuals. Cohran defrauded or intended to defraud the UI programs of Connecticut, Massachusetts, Minnesota, New Jersey, Oregon, Pennsylvania, and Washington.

This is a joint investigation with the Social Security Administration–OIG, the U.S. Postal Inspection Service (USPIS), and the Office of the Chief State’s Attorney for the State of Connecticut. *United States v. Vicky Sue Cohran*, *United States v. Christopher Cohran*, and *United States v. Nathan Cohran* (D. Connecticut)

### California Woman Sentenced for Her Role in UI Fraud Scheme

On January 6, 2016, Dena Peterman aka Dena Buttram was sentenced to 12 months in prison and ordered to pay more than \$220,000 in restitution to the California EDD for her role in a scheme that targeted and victimized senior citizens in order to

obtain nearly \$300,000 in UI benefits. From 2006 through 2014, Peterman and her co-conspirators registered fictitious companies with the EDD, filed fraudulent employee wage reports, and ultimately sought and collected UI benefits by posing as former employees of the fictitious companies. The former employees whose names were used to file the UI claims were actually senior citizens who provided their personal information to Peterman and her co-conspirators after being led to believe they could be cast for movie roles.

This was a joint investigation with the California EDD. *United States v. Dena Buttram* (C.D. California)

### Nevada Family Members Convicted in Benefits Fraud Case

On January 15, 2016, a federal jury convicted Frederick Williams, Jacqueline Gentle, Denise Williams, and Carolyn Willis-Casey of multiple felony charges relating to a scheme to fraudulently collect almost \$300,000 in government benefits, including more than \$218,000 in UI funds from the Nevada Department of Employment, Training, and Rehabilitation.

Frederick Williams and his sister Jacqueline Gentle, both citizens of Belize, registered fictitious companies with the State of Nevada and filed fraudulent wage information indicating that the fictitious companies employed and paid numerous individuals. The “employees” were, in fact, Williams’s family and friends. Williams, along with his wife, Denise Williams, sister Willis-Casey, and Gentle then conspired to submit fraudulent claims and collect more than \$218,000 in UI benefits. Williams and Gentle were also convicted on charges relating to their fraudulent receipt of nearly \$100,000 from other government programs, including Social Security, Food Stamps, Pell Grants, and Medicaid.

## Worker and Retiree Benefit Programs

This was a joint investigation with Diplomatic Security Service, Homeland Security Investigations, the Social Security Administration–OIG, the U.S. Department of Agriculture–OIG, the U.S. Department of Education–OIG, and the U.S. Department of Health and Human Services–OIG. *United States v. Williams et al.* (D. Nevada)

### Four Conspirators Plead Guilty in UI Scheme of Nearly \$1.5 Million

On March 28, 2016, Wilfredo Torres and Eric Gonzalez, of Alexandria, Virginia, Ferny Moreno Puente, of Silver Spring, Maryland, and Tawana McClain, of Washington, D.C., pled guilty to conspiracy to commit wire fraud as a result of their participation in a fictitious employer scheme that resulted in close to \$1.5 million in fraudulent UI benefits from the Maryland Department of Labor, Licensing, and Regulation (DLLR) and the Pennsylvania Department of Labor and Industry (DLI). As part of their pleas, they agreed to pay restitution and forfeiture of approximately \$173,000, \$173,000, \$270,000, and \$205,000, respectively.

Co-conspirators Dulce Oleo, of the Bronx, New York; Yaw Bempa-Boateng, of Silver Spring, Maryland; and Carmen Benitez, of Scranton, Pennsylvania, previously pled guilty for their roles in the scheme and agreed to pay restitution and forfeiture of approximately \$190,000, \$800,000, and \$390,000, respectively.

From 2012 to 2015, the conspirators registered fictitious companies with DLLR and DLI, and filed fraudulent wage information falsely indicating that the fictitious companies collectively employed and paid hundreds of individuals. The “employees” listed on wage reports were, in fact, a combination of stolen identities, conspirators’ family members and friends, and conspirators themselves. The conspirators then filed, or caused to be filed, UI

benefit applications by posing as individuals who had been laid off by the fictitious companies. As a result, hundreds of UI debit cards were mailed to various commercial and residential addresses controlled by the conspirators and/or their friends and family in Maryland, Virginia, New York, Pennsylvania, and the District of Columbia. The conspirators and others subsequently used those debit cards to withdraw cash and make personal purchases. DLLR and DLI faced combined losses of approximately \$4.5 million had the scheme not been detected.

This is a joint investigation with the USPIS. *United States v. Diameter Akala et al.*, *United States v. Dulce Oleo*, *United States v. Yaw Bempa-Boateng*, and *United States v. Carmen Benitez* (D. Maryland)

### New York Men Plead Guilty to Defrauding UI Program

On February 24, 2016, and March 1, 2016, respectively, George Padilla and Tyson Edouard pled guilty to conspiracy to commit access device fraud and aggravated identity theft for their involvement in a scheme that sought to defraud the New York State UI fund of more than \$365,000.

A former Montefiore Medical Center (Montefiore) employee provided Padilla and Edouard with stolen identities of Montefiore patients and employees, which they in turn used to file more than 60 fraudulent UI claims and collect the resulting benefits for themselves.

This is a joint investigation with the New York State Department of Labor and the U.S. Department of Housing and Urban Development–OIG. *United States v. Torres et al.* (S.D. New York)

# Office of Workers' Compensation Programs

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

### **Federal Employees' Compensation Act Program**

*The FECA program provides workers' compensation coverage to approximately 2.8 million federal, postal, and certain other employees for work-related injuries and illnesses. Benefits include wage loss benefits, medical benefits, vocational rehabilitation benefits, and survivors' benefits for covered employees' employment-related deaths.*

## **OWCP Employee and Others Plead Guilty in Multimillion-Dollar Health Care Fraud Conspiracy**

On January 12, 2016, seven individuals entered guilty pleas accepting responsibility for their involvement in a scheme to defraud OWCP of more than \$8 million. Larry Washington, Dr. Robert Mandell, Henrietta Price, David Banda, and Willie Atkins each pled guilty to conspiracy to commit health care fraud. OWCP claims examiner Perry Rowell and former OWCP claims examiner Ifeany Egbuchunam pled guilty to bribery charges related to their quid pro quo arrangement to illegally use Rowell's position within OWCP to further the scheme. Rowell was subsequently terminated from his position with OWCP.

In addition, between February 19, 2016, and March 18, 2016, 11 OWCP claimants pled guilty to charges that they provided material false statements to OWCP in furtherance of the scheme. Each was sentenced and ordered to resign their federal employment, serve terms of probation, and pay restitution ranging between \$1,000 and \$8,000.

From January 2009 to September 2014, Larry Washington operated Mind Spa, Inc. (Mind Spa), a Desoto, Texas–based clinic that purportedly provided OWCP claimants with counseling, pain management, chiropractic services, physical therapy, and massage services. Even though most of his OWCP patients had once suffered a work-related injury, Washington knew their injuries were not severe enough to warrant continued OWCP payments. Therefore, he enlisted the assistance of others to carry out a scheme to fraudulently bill OWCP on a continuing basis.

Washington paid Egbuchunam, an independent claimant representative/advisor, \$10,000 per month in exchange for steering OWCP claimants to Mind Spa for treatment. Egbuchunam in turn paid cash to OWCP claims examiner Rowell to perform unauthorized case queries of OWCP claimant data, falsify claimant records, and expedite payments to Mind Spa.

Washington recruited Dr. Mandell to submit falsified medical reports to OWCP that misrepresented claimants' medical conditions in order to establish

## Worker and Retiree Benefit Programs

their eligibility for long-term treatment. Washington also recruited licensed professional counselors Price and Atkins to provide counseling services to OWCP claimants. Washington, Mandell, Price, and Atkins each knowingly and routinely billed OWCP for services they did not actually render. Banda, Mind Spa's office administrator, submitted many numerous bills to OWCP, knowing them to be fraudulent.

At least 21 OWCP claimants obtained illegal benefits from the scheme, as Washington kept them out of work by falsifying their medical conditions, paid them kickbacks from fraudulent claim reimbursements, and provided them with fraudulent service dates so they could submit fraudulent travel vouchers to OWCP to receive reimbursement for mileage and expenses they did not actually incur.

This is a joint investigation with the U.S. Postal Service (USPS)–OIG and the U.S. Department of Veterans Affairs–OIG. *United States v. Washington et al.* (N.D. Texas)

### **Four Floridians Plead Guilty to Kickback Scheme to Defraud OWCP**

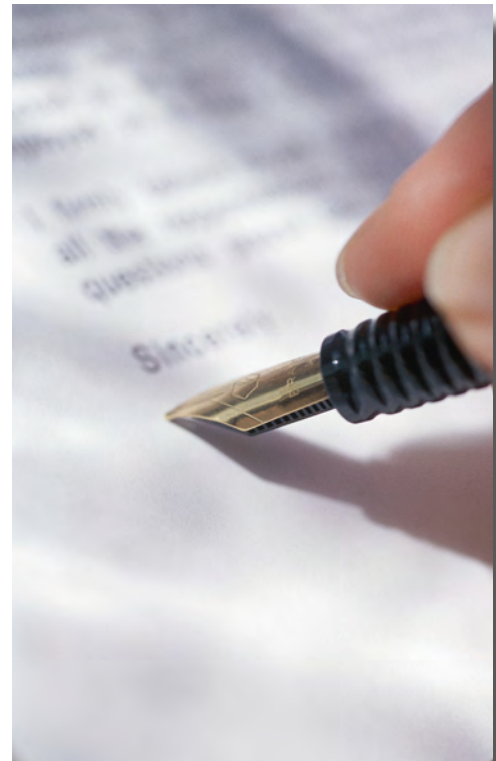
On March 30, 2016, Lenin Perez and Lois Luis pled guilty to felony charges relating to a kickback scheme to defraud OWCP. Perez, who operated an advocacy service for injured federal workers, received more than \$1 million in kickbacks from Luis in exchange for steering injured federal workers to Luis's medical clinic. In turn, Luis used the OWCP claim numbers of individuals referred by Perez to fraudulently bill OWCP for services not rendered.

In 2007, while in prison together in Alabama, Luis and Perez discussed the idea of Perez sending injured federal workers to Luis's Tampa-

based clinic, AmeriMed Diagnostic Services, Inc. (AmeriMed). In return for referrals, Luis offered Perez 15 to 20 percent of AmeriMed profits. The total amount of kickbacks paid to Perez during the course of the conspiracy exceeded \$1 million, including \$250,000 paid to Perez's daughter, Liane Perez-Rodriguez, for a "no-show" job at AmeriMed.

Perez-Rodriguez pled guilty on January 26, 2016, to making false statements to federal agents during the course of the investigation. Mary Manso, former AmeriMed chief executive officer, pled guilty on October 14, 2015, to obstruction charges for providing false material statements to federal agents and helping co-conspirators launder more than \$2.5 million in illicit proceeds by allowing them to purchase several properties in her name.

This is a joint investigation with USPS-OIG. *United States v. Perez et al.* (M.D. Florida)



## Worker and Retiree Benefit Programs

### **OWCP and the Employees' Compensation Appeals Board Did Not Monitor the Representatives' Fees Process**

In our congressionally requested audit to determine whether FECA claimants and appellants were properly protected from paying excessive fees to their representatives, we found OWCP and the Employees' Compensation Appeals Board (ECAB) had policies and procedures in place to review and approve representative fee applications, but did not properly manage key aspects of the process.

FECA allows claimants to authorize individuals to represent them before OWCP during the claims process, and before ECAB during the appeals process. Representatives may charge fees for the services they provide, for which FECA claimants are solely responsible to pay. FECA does not limit the amount a representative may charge, but does protect claimants and appellants from paying potentially excessive fees by requiring OWCP and ECAB to obtain and approve fee applications from representatives.

In 44 percent of the claim files tested, OWCP did not obtain the required fee application because it did not notify claimants and their representatives of the requirement to file an application. If OWCP did not receive an application, it did not follow up to obtain one. OWCP considered activities related to fee applications a low priority, as the fees did not affect disability determinations or involve the use of government funds. While ECAB did notify appellants and their representatives of the requirement to file a fee application, less than two percent did so, and the agency did not follow up to obtain one. ECAB officials stated they were unaware the number of legal fee applications filed was as low as our analysis showed.

To improve the protection of FECA claimants from excessive fees charged by their representatives, OWCP needs to enforce its policy to notify FECA claimants and representatives of the requirement to submit fee applications and to monitor compliance with this policy. In addition, both OWCP and ECAB need to implement controls to monitor the receipt of fee applications and conduct appropriate follow-up if they are not received in a timely manner.

For more details, go to [www.oig.dol.gov/public/reports/oa/2016/03-16-001-04-431.pdf](http://www.oig.dol.gov/public/reports/oa/2016/03-16-001-04-431.pdf) (Report Number 03-16-001-04-431, March 31, 2016).



# Worker Safety, Health, and Workplace Rights



# Mine Safety and Health Administration

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

### Former CEO of Massey Energy Found Guilty of Conspiracy

On December 3, 2015, a federal jury in Charleston, West Virginia, found former Massey Energy (Massey) chief executive officer Donald L. Blankenship guilty of conspiracy to willfully violate mine health and safety standards in a period before the 2010 Upper Big Branch (UBB) Mine explosion that killed 29 miners. The jury further found that the charge that Blankenship conspired to defraud MSHA was not proven. He was also acquitted on other charges of securities fraud and making false statements to the Securities and Exchange Commission.

Blankenship, who managed the UBB Mine for Massey, perpetuated health and safety violations at the mine despite being aware that doing so could likely result in accidents and fatalities. Massey personnel, under Blankenship's leadership, engaged in organized efforts to routinely interfere with U.S. Mine Safety and Health Administration inspections of the UBB Mine.

This is a joint investigation with the FBI. *United States v. Blankenship* (S.D. West Virginia)

### Alert Memorandum: Incorrect Telephone Numbers in Mine Emergency Response Plans

We issued an Alert Memorandum to MSHA to take immediate corrective action on a critical safety issue we found during our ongoing audit of mine emergency response plans (ERPs).

An MSHA program policy letter states that, consistent with the MINER Act, ERPs must include procedures for notifying key personnel, such as a call list for mine rescue teams, local emergency responders, mine personnel, state and federal officials, and other parties that may be needed in an emergency. The policy letter also states ERPs should include a list of readily available suppliers of mine emergency and rescue equipment.

From our sample of 51 ERPs, we called 779 emergency numbers to verify their accuracy and found many incorrect numbers. We verified our results by calling each of the incorrect numbers on three separate occasions. The ERPs contained incorrect numbers for 98 fire department and ambulance services, as well as four hospitals, three police departments, and three mine rescue teams. In addition, 83 phone numbers, including 35 listed in ERPs as fire departments or ambulance services, were not answered and/or did not offer a means of identification, such as a personalized voicemail greeting.

## Worker Safety, Health, and Workplace Rights

In total, 260 (33 percent) of the emergency contacts we tried to reach were incorrect or unidentifiable. Additionally, many of the same emergency contacts were included in more than one ERP. As a result, 44 of the 51 ERPs (86 percent) we tested included at least one incorrect or unidentifiable number.

MSHA stated it did not consider ERPs to be the primary source to which mines would refer in an emergency. According to MSHA, information that mine operators would use in the case of a mine emergency is separately required to be maintained at the mine and mandated to be updated by specific regulations. However, no regulation MSHA cited requires the contact information to be updated, and the only contact information specifically mandated to be posted under the regulations MSHA cited are for “emergency medical assistance and transportation for injured persons.” Other contact numbers included in the ERPs that are essential for mine emergencies, such as fire departments, mine rescue teams, and evacuation equipment suppliers, are not specifically required to be posted under the regulations or policies MSHA cited. Moreover, we did not verify, and MSHA did not demonstrate, that the contact information maintained at the mines is accurate or different from the information included in the ERPs. Most importantly, any inconsistencies between lists of emergency telephone numbers could result in confusion during an emergency. The inability to immediately reach emergency personnel during an accident could delay the arrival of rescue personnel and put miners at further risk.

For more details, go to [www.oig.dol.gov/public/reports/oa/2016/05-16-001-06-001.pdf](http://www.oig.dol.gov/public/reports/oa/2016/05-16-001-06-001.pdf) (Report Number 05-16-001-06-001, October 7, 2015).



### 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 Workers 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 in several immigration-related statutes. 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.

#### Maryland Federal Contractor Agrees to Resolve False Claims Act Allegations

On February 3, 2016, a civil settlement agreement was filed in Baltimore between Paige Industrial Services, Inc. (Paige) and two qui tam relators, to resolve allegations that Paige had violated the Davis-Bacon Act in connection with a multiyear federal construction project at the National Institutes of Health (NIH) in Bethesda, Maryland. Per the terms of the settlement, Paige agreed to pay the United States between \$450,000 and \$675,000, contingent on the financial performance of the company over the next five years.

Specifically, it was alleged that Paige submitted claims from 2006 to 2013 falsely certifying that it had complied with the Davis-Bacon Act, which required Paige to pay certain prevailing wages and fringe benefits to its employees, or the employees of its subcontractors, for work performed pursuant to the NIH project.

This was a joint investigation with Homeland Security Investigations and the U.S. Department of Health and Human Services–OIG. *United States et al v. Gilbane Inc. et al.* (D. Maryland)



# Employment and Training Programs



# Foreign Labor Certification Programs

*The Employment and Training Administration (ETA) administers a number of foreign labor certification programs that allow U.S. employers to employ foreign workers to meet American worker shortages. The H-2A temporary agricultural program allows agricultural employers who establish that there is a shortage of domestic workers to bring nonimmigrant foreign workers to the U.S. to perform agricultural labor or services of a temporary or seasonal nature.*

### Louisiana Labor Broker Sentenced to Prison for Defrauding H-2A Visa Program

On October 29, 2015, Linda D. White was sentenced to 18 months in federal prison for her role in a scheme to defraud DOL's H-2A visa program through fraudulent representations asserting that nearly 200 jobs intended for foreign workers had first been offered to U.S. workers, as is required by law.

From 2010 to 2013, White operated a company called Linda White and Associates (LWA), which represented hundreds of agricultural employers seeking to hire temporary foreign workers under DOL's H-2A visa program. DOL rules require that employers seeking to hire foreign workers under any one of DOL's visa programs, including the H-2A visa program, must first attempt to hire U.S. workers by placing advertisements, i.e., newspaper advertisements. Though White received substantial fees from her clients to place advertisements, she often kept the fees without doing so. Nevertheless, White filed nearly 1,000 H-2A visa applications on behalf of her clients attesting that job advertisements had in fact been placed. White's scheme was detected when, in 2012, DOL conducted a random audit of numerous H-2A visa applications filed by LWA. In response to the audit, White falsified and submitted numerous documents to DOL fraudulently asserting that she had placed advertisements.

This is a joint investigation with the FBI. *United States v. White* (M.D. Louisiana)



# Veterans' Employment and Training Service

*The Veterans' Employment and Training Service (VETS) prepares America's veterans, service members, and their spouses, for meaningful careers; provides them with employment resources and expertise; protects their employment rights; and promotes their employment opportunities.*

## Jobs for Veterans State Grant Program: VETS Needs to Improve Financial Monitoring

In an audit to determine whether VETS provided reasonable assurance that costs charged to the Jobs for Veterans State Grant (JVSG) program were allowable, we found VETS' controls over managing states' use of JVSG funds need to be strengthened. JVSG is a noncompetitive grant for which funds are allocated to states in direct proportion to the number of veterans seeking employment within the state. In fiscal year (FY) 2013, the JVSG program received \$170 million, which was 66 percent of VETS' \$258.9 million total budget.

Although VETS had controls in place to monitor states' JVSG cash drawdowns and to ensure states submitted required financial reports, it did not review supporting documentation that comprised reported expenditures. VETS' monitoring consisted of comparing states' JVSG expenditure totals to their budgeted totals for reasonableness, and relying on states' certifications that their reported expenditures were accurate and allowable.

Our review of a sample of two states' JVSG expenditures identified \$60,375 in questioned costs in both states (7 percent of our sample of \$842,096), as well as payroll reporting discrepancies in one state. VETS needs to develop new monitoring guidance that uses a risk-based approach to reviewing supporting documentation for a sample of JVSG expenditures to ensure states are charging allowable costs to the program; and it needs to take action on the \$60,375 in questioned costs we identified.

For more details, go to [www.oig.dol.gov/public/reports/oa/2016/06-16-001-02-001.pdf](http://www.oig.dol.gov/public/reports/oa/2016/06-16-001-02-001.pdf) (Report Number 06-16-001-02-001, March 29, 2016).





# Labor Racketeering



# Labor Racketeering

*The OIG is responsible under the Inspector General Act of 1978 to investigate 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.*

## **Six Maryland Company Executives Sentenced and Fined for Employee Benefit Fraud Schemes**

On November 20, 2015, Shaun Tucker, a Maryland business owner, was sentenced to 96 months in prison and ordered to pay more than \$2 million in restitution, for his role in a complex, multiyear scheme to steal employee benefit contributions required under the McNamara-O'Hara Service Contract Act (SCA), defraud the United States in obtaining small business set-aside government contracts, and commit tax evasion. The court also ordered Tucker to forfeit more than \$30 million. On December 3, 2015, Tucker's wife and co-conspirator, Joanne Tucker, was sentenced to 1 year in prison and ordered to pay more than \$1.5 million in restitution. Additionally, the court ordered Joanne Tucker to forfeit more than \$20 million. Based on their convictions, Shaun and Joanne

Tucker are also statutorily prohibited from serving in any capacity on behalf of any employee benefit plan for a period of 13 years.

From 2007 to 2010, the Tuckers were controlling officers and majority shareholders of Quantell, Inc. (Quantell) and Intaset Technologies Corporation (Intaset), each of which provided labor services to federal government agencies. From 2008 through at least 2012, the Tuckers stopped making required SCA benefit contributions to a health and welfare plan. Instead, the Tuckers and their co-conspirators created multiple shell entities and falsely portrayed them to contract employees as third-party administrators of the employee benefit plans. These shell companies, rather than the employee benefit plans, received \$1.4 million in SCA benefit contributions paid by the federal government to Quantell and Intaset. In 2009, the Tuckers also

## Labor Racketeering

embezzled approximately \$285,000 in assets directly from two employee benefit plans covered under the Employee Retirement Income Security Act.



*Western Maryland vacation home purchased by Tuckers with \$200,000 in embezzled funds*

In addition, from at least 2007 through 2013, the Tuckers and their co-conspirators fraudulently obtained more than \$30 million in federal contracts by providing materially false representations regarding the eligibility of Quantell and Intaset to receive multimillion-dollar small business and service-disabled, veteran-owned set-aside contracts with the federal government.



*More than \$50,000 in cash seized from Tuckers' Keymar, MD home during 2013 search warrant*

Additionally, four former company executives—Kevin S. Williams, David Paul Watson, Robert Nickey III, and Jonathan A. Mickle—were also sentenced separately for their roles in the scheme. Williams, Watson, Nickey, and Mickle were sentenced to a combined 12 months of incarceration at residential reentry centers, 10 months of home detention, 144 months of supervised probation, and ordered to pay more than \$3.7 million in combined restitution, forfeiture, and fines. In addition, based on their convictions, Nickey and Mickle were statutorily barred from serving in any capacity on behalf of any employee benefit plan for a period of 13 years. Watson's federal employment with the Defense Logistics Agency was terminated as a result of his conviction.

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*BMW M3 purchased outright by Shaun Tucker with embezzled employee benefit funds; seized during search warrant*

This was a joint investigation with the Employee Benefits Security Administration (EBSA), IRS-Criminal Investigation (CI), the Defense Criminal Investigative Service, the U.S. Small Business Administration–OIG, and the Air Force Office of Special Investigations. *United States v. Tucker et al*, *United States v. Mickle*, *United States v. Williams*, *United States v. Watson*, and *United States v. Nickey* (D. Maryland)

### **New York Construction Company Agrees to Pay More Than \$20 Million for Defrauding Clients**

On December 10, 2015, Tishman Construction Corporation (Tishman) was charged with mail and wire fraud conspiracy for improperly billing its private- and public-sector clients

approximately \$5.6 million over a 10-year period. In connection with these charges, Tishman entered into a deferred prosecution agreement with the government wherein Tishman admitted to overbilling clients and agreed to pay more than \$20 million in restitution and penalties.

Tishman, a New York–based construction firm, managed many high-profile projects in New York City, including a number of major publicly funded construction projects. As part of the overbilling scheme, Tishman would bill for hours not worked by its union employees and at pay rates higher than those outlined in collective bargaining agreements. Tishman would also submit false certified payrolls and time sheets to its clients, inflating hours worked by labor foremen of Mason Tenders’ District Council Local 79. Tishman agreed to pay up to \$5.6 million in restitution and a \$14.5 million financial penalty.

This was a joint investigation with the General Services Administration–OIG, the FBI, the Port Authority of New York and New Jersey–OIG, and the New York City Department of Investigation. *United States v. Tishman Construction Corporation* (E.D. New York)

### **South Carolina Man Sentenced to Prison for Health Care Benefits Scheme**

On February 26, 2016, William Worthy II was sentenced to serve 135 months in prison and ordered to pay more than \$6.5 million in restitution for his role in a nationwide health care scheme that defrauded more than 17,000 victims of more than \$28 million.

Worthy and his co-conspirators set up numerous entities that claimed to offer health care coverage, but were in fact unlicensed and unauthorized shell entities with no actual backing from insurance companies. Worthy and his co-conspirators sold

## Labor Racketeering

fraudulent health care plans, collected more than \$28 million in premiums, and then denied or unjustly rejected legitimate claims submitted by participants. Worthy and his co-conspirators also diverted more than \$5.4 million in premiums for their own personal use.

In furtherance of the scheme, Worthy and his co-conspirators contracted with telemarketing companies to promote the sale of their sham benefit plans. Worthy and his co-conspirators circumvented state regulation with regard to this and other activity by falsely claiming that their shell entities were labor organizations under the jurisdiction of DOL, thus exempting them from state regulatory authority.

This is a joint investigation with EBSA, the FBI, the U.S. Postal Inspection Service, the U.S. Secret Service, and IRS-CI. *United States v. Posey et al.* (M.D. Tennessee)

### **Ohio Benefits Fund Administrator Sentenced for Embezzlement**

On October 15, 2015, Robert Hartenstein, a benefits fund administrator, was sentenced to serve 46 months in prison and pay more than \$1.5 million in restitution as a result of his theft from several health care plans managed by his company, Professional Benefits Association (PBA). Hartenstein was also barred, for a period of 13 years, from providing services to or acting in any capacity on behalf of, any health benefit plan.

Hartenstein previously pled guilty to theft of employee benefit funds for illegally using more than \$1.5 million in health benefits to pay for PBA employee bonuses, PBA operating expenses, luxury automobile leases, and a country club membership. This was a joint investigation with EBSA. *United States v. Robert Hartenstein* (N.D. Ohio)

### **Ohio Investment Advisor Sentenced to Prison for Embezzlement**

On March 9, 2016, investment advisor Douglas Cowgill of Westerville, Ohio, former president of Professional Investment Management, Inc. (PIM), was sentenced to 48 months in prison and ordered to pay more than \$840,000 in restitution to victims of his scheme to embezzle retirement plan funds held by PIM.

From March 2008 until October 2013, Cowgill victimized at least 125 of PIM's 300 individual client accounts by manually altering account balances and wiring misappropriated funds to bank accounts belonging to himself, his wife, and a nonprofit swim club of which he was treasurer.

This was a joint investigation with EBSA and the FBI. *United States v. Cowgill* (S.D. Ohio)

### **Oregon Business Owner Pleads Guilty to Theft in Health Care Funds**

On March 17, 2016, Darren Bottinelli, former owner of Portland, Oregon-based Axis Benefits Administrators, Inc. (Axis), pled guilty to theft in connection with health care for his involvement in a scheme to embezzle funds from individual health reimbursement accounts (HRAs) managed by Axis.

Between 2009 and March 2014, Bottinelli improperly and repeatedly accessed Axis HRAs and diverted more than \$3 million for his own personal use. In March 2014, Bottinelli abruptly closed Axis, leaving approximately 4,000 plan participants unable to access their HRAs for reimbursement of health care expenses.

This is a joint investigation with EBSA and the FBI. *United States v. Bottinelli* (D. Oregon)

## Labor Racketeering

### Former City of Detroit Treasurer and Co-conspirators Ordered to Pay Restitution in Public Pension System Probe

Between October 7, 2015, and February 23, 2016, three individuals were ordered to pay restitution as a result of their involvement in a scheme to defraud City of Detroit pensioners through various corrupt actions. Jeffrey Beasley, the former Treasurer of the City of Detroit; Paul Stewart, a trustee of Detroit's Police and Fire Retirement System; and realty advisor Chauncey Mayfield were ordered to pay \$400,000; \$175,000; and \$3 million, respectively, to City of Detroit pensioners harmed by their illegal conduct.

Detroit's two retirement systems lost more than \$97 million on pension investments as a result of bribery and kickback schemes perpetrated by Beasley, Stewart, Mayfield, and others. Beasley and Stewart, who were previously sentenced to prison terms of 132 months and 57 months, respectively, conspired with Mayfield and other co-conspirators to take bribes and kickbacks in return for their favorable votes on investment decisions that were not beneficial to the retirement funds.

This was a joint investigation with the FBI, the IRS-CI, and the Office of Labor-Management Standards (OLMS). *United States v. Beasley et al.* (E.D. Michigan)



# Departmental Management



### **The Department Remains Vulnerable to Premature Release of Embargoed Economic Data**

In an audit to determine whether the Department of Labor identified the issues—and implemented corrective actions—related to the premature release of embargoed data from the Producer Price Index (PPI) report, we found that the Department identified one of the two issues that caused this premature release, but did not implement adequate corrective actions to prevent a reoccurrence.

The Department prepares and disseminates reports for seven Principal Federal Economic Indicators, as well as the UI weekly claims. Because the data in these reports have the potential to move financial markets, the Department protects this data via an embargo, meaning the data cannot be disseminated or used in any unauthorized manner before its release to the public. The Department provides select news organizations early (pre-release) access to this data under lock-up conditions 30 minutes prior to its official release.

On September 16, 2014, a news organization prematurely released embargoed economic data from the PPI report during a press lock-up. This occurred because the Department's IT staff had made changes to network equipment during a live lock-up that bypassed the Department's controls and provided an active Internet connection. The data-queuing software used by the news organization automatically transmitted the embargoed data out of the lock-up as soon as it found the active connection. News organizations use this software for faster data transmission to their paying clients when an embargo ends, but it provides no benefit to the general public or the Department and it increases the likelihood of a premature release.

While the Department took immediate action to prevent changes to network equipment during a lock-up, it continued to lack adequate policies and procedures to ensure network equipment was configured and operating properly when changes were made, and did not ensure staff at lock-ups were appropriately trained. Furthermore, the Department did not have procedures to identify and respond to a premature release or have a designated authorizing official to ensure appropriate controls were in place over the lock-up system. Finally, the Department needs to prohibit the use of data-queuing software in the lock-up and develop sanctions for noncompliance.

For more details, go to [www.oig.dol.gov/public/reports/oa/2016/17-16-001-01-001.pdf](http://www.oig.dol.gov/public/reports/oa/2016/17-16-001-01-001.pdf) (Report Number 17-16-001-01-001, March 25, 2016).



## Departmental Management

### Consolidated Financial Statements Audit

The OIG contracted with an independent public accounting firm to audit the Department's annual consolidated financial statements. The Department received an unmodified opinion, meaning that DOL's fiscal year (FY) 2015 financial statements were presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. The independent auditor's report identified one noncompliance with the Antideficiency Act and one material weakness regarding a lack of sufficient IT security controls over key financial and support systems—the latter was reported as a significant deficiency in the FY 2014 audit. The audit also found the Department had made improvements that eliminated a significant deficiency related to insufficient controls over grants that was reported in FY 2014.

For more details, go to [www.oig.dol.gov/public/reports/oa/2016/22-16-002-13-001.pdf](http://www.oig.dol.gov/public/reports/oa/2016/22-16-002-13-001.pdf) (Report Number 22-16-002-13-001, November 19, 2015).

In a separate Management Advisory Comments report, the OIG provided additional information to DOL management on issues identified during the audit that did not rise to the level of a significant deficiency, but nonetheless represented opportunities to improve internal controls over financial activities. By satisfactorily addressing the comments in the Management Advisory Comments report, departmental management will help to ensure these issues do not rise to the level of a significant deficiency in the future.

For more details, go to [www.oig.dol.gov/public/reports/oa/2016/22-16-004-13-001.pdf](http://www.oig.dol.gov/public/reports/oa/2016/22-16-004-13-001.pdf) (Report Number 22-16-004-13-001, March 25, 2016).



# Single Audits

*As required by the Uniform Administrative Requirements at 2 CFR Part 200, certain state and local governments, colleges and universities, and nonprofit organizations receiving federal awards must obtain an annual audit that includes the auditor's opinion on the entity's financial statements and compliance with federal award requirements. Nonfederal auditors, such as public accounting firms and state auditors, conduct these single audits. The OIG reviews the resulting audit reports for findings and questioned costs related to DOL awards and ensures that the reports comply with federal requirements.*

## **Single Audits Identify Material Weaknesses or Significant Deficiencies for 40 DOL Grantees**

The OIG reviewed 159 single audit reports this period covering DOL expenditures of about \$14.2 billion. For 40 organizations that received DOL grant funds, the auditors identified material weaknesses or significant deficiencies, indicating improvements are needed in those organizations' management of DOL funds and/or compliance with grant requirements. We reported the 102 findings and 102 related recommendations identified in these 40 single audit reports to the appropriate DOL funding agencies and requested the agencies ensure the grantees take the necessary corrective actions.

The Single Audit Act provides for cognizant federal agencies to oversee the implementation of the Uniform Administrative Requirements. The OIG is currently cognizant for 20 entities and is required to periodically perform quality control reviews of their single audits. During this reporting period, we conducted quality control reviews of the single audits for the New Mexico Department of Workforce Solutions and Job Service North Dakota. We found that the New Mexico Department of Workforce Solutions audit was conducted in accordance with applicable standards and complied with the Single Audit Act and the Uniform Administrative Requirements. For the audit of Job Service North Dakota, we identified a reporting issue that the audit firm corrected.

# 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 the efficiency of the Department's programs and on the prevention of fraud, waste, and abuse. The OIG's legislative recommendations have remained largely unchanged over the last several semiannual reports, and the OIG continues to believe that the following legislative actions are necessary to increase efficiency and protect the Department's programs.*

### Allow OIG Direct Access to NDNH Records

The National Directory of New Hires (NDNH) is a nationally consolidated database 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 Investment Act participants and verify 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.

### Amend Pension Protection Laws

Legislative changes to the Employee Retirement Income Security Act (ERISA) and criminal penalties for ERISA violations would enhance the protection of assets in pension plans. To this end, the OIG recommends the following:

- **Expand the authority of the Employee Benefits Security Administration (EBSA) to correct substandard benefit plan audits and ensure that auditors with poor records do not perform additional plan audits.** Changes should include providing EBSA with greater enforcement authority over registration, suspension, and debarment and the ability to levy civil penalties against employee benefit plan auditors. The ability to correct substandard audits and take action against auditors is important because benefit plan audits help protect participants and beneficiaries by ensuring the proper value of plan assets and computation of benefits.
- **Repeal ERISA's limited-scope audit exemption.** This 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

## Legislative Recommendations

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.

- **Require direct reporting of ERISA violations to DOL.** Under current law, a pension plan auditor who finds a potential ERISA violation is responsible for reporting it to the plan administrator but not directly to DOL. To ensure that improprieties are addressed, we recommend that plan administrators or auditors be required to report potential ERISA violations directly to DOL. This would ensure the timely reporting of violations and would more actively involve auditors in safeguarding pension assets, providing a first line of defense against the abuse of workers' pension plans.
- **Strengthen criminal penalties in Title 18 of the United States Code.** Three sections of U.S. 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 statements in documents required by ERISA is prohibited by Section 1027; 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 three 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.

### **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 such applications, unless it determines them to be "incomplete or obviously inaccurate." Our concern with the Department's limited ability to ensure the integrity of the certification process is heightened by the results of OIG analyses and investigations showing that the program is susceptible to significant fraud and abuse, particularly by employers and attorneys.

### **Improve the Integrity of the FECA Program**

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

- **Provide statutory access to Social Security wage records and 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 NDNH. Granting the Department routine access to these databases would aid detecting of 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

## Legislative Recommendations

purpose. Legislation passed in 2006 placed the waiting period immediately after an employment-related injury for postal employees. If the intent of the law is to have a true waiting period before applying for benefits, then it should likewise come immediately after an employment-related injury for all federal workers, not just postal employees.

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.

### **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. 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 recent 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



# Appendixes

## Appendixes

### Reporting Requirements under the Following Acts

#### Inspector General Act of 1978

REPORTING REQUIREMENT	PAGE
Section 4(a)(2) Review of Legislation and Regulation	40
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	51
Section 5(a)(4) Matters Referred to Prospective Authorities	52
Section 5(a)(5) and Section 6(b)(2) Summary of Instances Where Information Was Refused	NONE
Section 5(a)(6) List of Audit Reports	47
Section 5(a)(7) Summary of Significant Reports	ALL
Section 5(a)(8) Statistical Tables on Management Decisions on Questioned Costs	46
Section 5(a)(9) Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	45
Section 5(a)(10) Summary of Each Audit Report over Six Months Old for Which No Management Decision Has Been Made	51
Section 5(a)(11) Description and Explanation for Any Significant Revised Management Decision	NONE
Section 5(a)(12) Information on Any Significant Management Decisions with Which the Inspector General Disagrees	NONE

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

Section 3(d) Peer Review Reporting	53
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## Funds Recommended for Better Use

Funds Put to Better Use* Agreed to by DOL		
	Number of Reports	Dollar Value (\$ millions)
For which no management decision had been made as of the commencement of the reporting period	2	8.2
Issued during the reporting period	<u>0</u>	<u>0</u>
Subtotal	2	8.2
For which a management decision was made during the reporting period:		
• Dollar value of recommendations that were agreed to by management		7.8
• 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	1	0.4

Funds Put to Better Use Implemented by DOL		
	Number of Reports	Dollar Value (\$ millions)
For which final action had not been taken as of the commencement of the reporting period	4	264.6
For which management or appeal decisions were made during the reporting period	<u>1</u>	<u>7.8</u>
Subtotal	5	272.4
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		104.3
For which no final action had been taken by the end of the period	4	168.1

\*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.

## Appendixes

# Questioned Costs

Resolution Activity: Questioned Costs*		
	Number of Reports	Questioned Costs (\$ millions)
For which no management decision had been made as of the commencement of the reporting period (as adjusted)	14	7.5
Issued during the reporting period	<u>10</u>	<u>1.2</u>
<b>Subtotal</b>	<b>24</b>	<b>8.7</b>
For which a management decision was made during the reporting period:		
• Dollar value of disallowed costs		2.8
• Dollar value of costs not disallowed		4.0
For which no management decision had been made as of the end of the reporting period	13	1.9
For which no management decision had been made within 6 months of issuance	3	0.7

Closure Activity: Disallowed Costs		
	Number of Reports	Disallowed Costs (\$ millions)
For which final action had not been taken as of the commencement of the reporting period (as adjusted)	43	26.2
For which management or appeal decisions were made during the reporting period	<u>8</u>	<u>2.8</u>
<b>Subtotal</b>	<b>51</b>	<b>29.0</b>
For which final action was taken during the reporting period:		
• Dollar value of disallowed costs that were recovered		2.5
• Dollar value of disallowed costs that were written off by management		2.3
• Dollar value of disallowed costs that entered appeal status		
For which no final action had been taken by the end of the reporting period	49	24.2

\* As defined by the Inspector General Act, questioned costs include alleged violations of law, regulations, contracts, grants, or agreements; costs not supported by adequate documentation; or the expenditure of funds for an intended purpose that was unnecessary or unreasonable. Disallowed costs are costs that the OIG questioned during an audit as unsupported or unallowable and 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.

## Appendixes

# Final Audit Reports Issued

Report Name	# of Nonmonetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)	Other Monetary Impact (\$)
<b>Veterans' Employment and Training Service</b>				
Jobs for Veterans State Grants Program: VETS Needs to Improve Financial Monitoring; Report No. 06-16-001-02-001; 03/29/16	3	60,375	0	0
<b>Agency Total (1 Report)</b>	<b>3</b>	<b>60,375</b>	<b>0</b>	<b>0</b>
<b>Employment and Training Programs</b>				
<b>Unemployment Insurance</b>				
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	0	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	4	0	0	0
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	2	0	0	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	4	0	0	0
Recovery Act: Effectiveness of Indiana in Detecting and Reducing Unemployment Insurance Improper Payments and Implementation of Employment and Training Administration National Strategies; Report No. 18-16-004-03-315; 11/24/15	2	0	0	0
<b>Agency Total (5 Reports)</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Office of the Chief Financial Officer</b>				
Independent Auditors' Report on the U.S. Department of Labor's FY 2015 Consolidated Financial Statements; Report No. 22-16-002-13-001; 11/19/15	2	0	0	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	42			
<b>Agency Total (2 Reports)</b>	<b>44</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Final Audit Report Total (8 Reports)</b>	<b>62</b>	<b>60,375</b>	<b>0</b>	<b>0</b>

## Other Reports

Report Name	# of Nonmonetary Recommendations
<b>Worker Benefit Programs</b>	
<b>Unemployment Insurance</b>	
Quality Control Review: Single Audit of Job Service North Dakota for the Year Ended June 30, 2014; Report No. 24-16-001-03-315; 03/29/2016	0
Quality Control Review: Single Audit of the New Mexico Department of Workforce Solutions for the Year Ended June 30, 2015; Report No. 24-16-002-03-315; 03/29/16	0
<b>Agency Total (2 Reports)</b>	<b>0</b>
<b>Office of Workers' Compensation Programs</b>	
<b>Federal Employees' Compensation Act</b>	
Special Report Relating to the Federal Employees' Compensation Act Special Benefit Fund - September 30, 2015; Report No. 22-16-001-04-431; 10/30/15	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	3
<b>Agency Total (2 Reports)</b>	<b>3</b>
<b>Mine Safety and Health Administration</b>	
Alert Memorandum: Incorrect Telephone Numbers in Mine Emergency Response Plans; Report No. 05-16-001-06-001; 10/09/15	1
<b>Agency Total (1 Report)</b>	<b>1</b>
<b>Office of the Secretary</b>	
The Department Remains Vulnerable to Premature Release of Embargoed Economic Data; Report No. 17-16-001-01-001; 03/25/16	5
<b>Agency Total (1 Report)</b>	<b>5</b>
<b>Other Report Total (6 Reports)</b>	<b>9</b>

# Single Audit Reports Processed

Program/Report Name	# of Nonmonetary Recommendations	Questioned Costs (\$)
Word of Hope Ministries, Inc.; Report No. 24-16-516-03-390; 03/22/16	2	
Youth Conservation Corps and Affiliates; Report No. 24-16-517-03-390; 03/22/16	2	25,000
Big Brothers Big Sisters of America; Report No. 24-16-529-03-390; 03/22/16	2	
Independent School District No. 625, Saint Paul, Minnesota; Report No. 24-16-540-03-390; 3/22/16	1	
New York State; Report No. 24-16-541-03-390; 03/22/16	2	
Goodweave International; Report No. 24-16-534-03-001; 03/09/16	3	13,391
State of Utah; Report No. 24-16-536-03-315; 03/09/16	1	55
Pueblo of Acoma; Report No. 26-16-537-03-390; 03/09/16	2	
Otoe Missouri Tribe of Indians; Report No. 24-16-538-03-355; 03/09/16	2	
Kansas City Kansas Jr. Community College; Report No. 24-16-539-03-390; 03/09/16	2	
Senior Service America, Inc.; Report No. 24-16-530-03-390; 02/10/16	1	
Government of the US Virgin Islands; Report No. 24-16-531-03-390; 02/10/16	1	
National Disability Institute; Report No. 24-16-532-01-080; 02/10/16	1	
New Mexico Department of Workforce Solutions; Report No. 24-16-533-03-315; 02/10/16	7	
Linn-Benton Community College; Report No. 24-16-527-03-390; 02/08/16	1	
Metro United Methodist Urban Ministry; Report No. 24-16-506-03-390; 02/02/16	1	
Municipality of San Juan; Report No. 24-16-507-03-390; 02/01/16	2	
Community Services and Employment and Training, Inc.; Report No. 24-16-519-03-390; 02/01/16	1	
Independent School District 196 Rosemount Apple Valley - Eagan Public Schools, Rosemount, Minnesota; Report No. 24-16-520-03-001; 02/01/16	3	
Partners of the Americas, Inc.; Report No. 24-16-521-03-001; 02/01/16	2	
State of Hawaii; Report No. 24-16-523-03-390; 02/01/16	2	
Venice Community Housing Corporation; Report No. 24-16-524-03-390; 02/01/16	1	
Nevada System of Higher Education; Report No. 24-16-525-03-330; 02/01/16	1	
Denver Indian Center, Inc. and Subsidiary; Report No. 24-16-526-03-355; 02/01/16	4	
State of Texas; Report No. 24-16-518-03-315; 01/12/16	3	
State of Washington; Report No. 24-16-509-03-390; 12/07/15	1	1,544
State of Wisconsin; Report No. 24-16-522-03-315; 12/07/15	1	
United Tribes Technical College; Report No. 24-16-514-03-390; 11/09/15	0	106,032
State of Minnesota; Report No. 24-16-512-03-315; 11/06/15	1	842,400
State of Rhode Island and Providence; Report No. 513-03-315; 11/06/15	2	
State of Vermont; Report No. 24-16-515-03-315; 11/06/15	2	550
State of Alaska; Report No. 24-16-509-03-390; 11/05/15	1	
State of Delaware; Report No. 510-03-390; 11/05/15	8	
State of Oregon; Report No. 24-16-511-03-390; 11/05/15	2	

## Single Audit Reports Processed, continued

State of Wyoming; Report No. 26-16-500-03-390; 10/16/15	2	
State of Tennessee; Report No. 501-03-315; 10/16/15	11	174,988
State of Oklahoma; Report No. 24-16-502-03-315; 10/16/15	1	
State of New Hampshire; Report No. 24-16-503-03-315; 10/15/15	2	
Tri-County (Peoria) Urban League, Inc.; Report No. 24-16-504-03-390; 10/16/15	3	250
State of Michigan; Report No. 24-16-505-03-390; 10/16/15	2	
<b>Single Audit Report Total (40 Reports)</b>	<b>89</b>	<b>1,164,210</b>

## Appendixes

# Unresolved Audit Reports over 6 Months Old

Agency	Report Name	# of Nonmonetary Recommendations	Monetary Amount (\$)
<b>Nonmonetary Recommendations and Questioned Costs</b>			
<b>Final Management Decision/Final Determination Issued 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
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
EBSA	Limited-Scope Audits Provide Inadequate Protections to Retirement Plan Participants; Report No. 05-14-005-12-121; 09/30/14	5	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
ETA	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
OSEC	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
OCFO	DOL Could Do More to Reduce Improper Payments and Improve Reporting; Report No. 03-15-001-13-001; 05/15/15	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	3	0
<b>Final Determination Not Issued by Close of Period</b>			
ETA	Job Corps National Contracting Needs Improvement to Ensure Best Value; Report No. 26-13-004-03-370; 09/27/13	0	351,207
ETA	Job Corps Needs to Improve Controls Over Student Travel Funds; Report No. 26-14-001-03-370; 04/29/14	0	289,224
<b>Total Nonmonetary Recommendations, Questioned Costs</b>		<b>23</b>	<b>688,835</b>
<b>Cost-Efficiencies</b>			
ETA	Job Corps Needs to Improve Enforcement and Oversight of Student Disciplinary Policy; Report No. 26-15-001-03-370; 02/27/15	0	398,729
<b>Total Cost-Efficiencies</b>		<b>0</b>	<b>398,729</b>
<b>Total Audit Exceptions, Cost-Efficiencies, and Other Monetary Impact</b>		<b>23</b>	<b>1,087,564</b>

## Investigative Statistics

	Division Totals	Total
<b>Cases Opened:</b>		116
Program Fraud	90	
Labor Racketeering	26	
<b>Cases Closed:</b>		159
Program Fraud	115	
Labor Racketeering	44	
<b>Cases Referred for Prosecution:</b>		105
Program Fraud	79	
Labor Racketeering	26	
<b>Cases Referred for Administrative/Civil Action:</b>		52
Program Fraud	43	
Labor Racketeering	9	
<b>Indictments:</b>		185
Program Fraud	146	
Labor Racketeering	39	
<b>Convictions:</b>		164
Program Fraud	141	
Labor Racketeering	23	
<b>Statutory Debarments:</b>		40
Program Fraud	16	
Labor Racketeering	24	
<b>Recoveries, Cost-Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions<sup>1</sup>:</b>		\$118,472,579
Program Fraud	\$10,500,002	
Labor Racketeering	\$107,972,577	

<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	\$1,113,690
<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	\$1,847,071
<b>Restitutions/Forfeitures:</b> The dollar amount/value of restitutions and forfeitures resulting from OIG criminal investigations	\$99,321,761
<b>Fines/Penalties:</b> The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations	\$15,058,773
<b>Civil Monetary Actions:</b> The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, and other penalties resulting from OIG criminal investigations	\$1,131,284
<b>Total:</b>	<b>\$118,472,579</b>

<sup>1</sup>These accomplishments do not include \$17.7 million in monetary results from cases that involved the participation of multiple agencies. In addition, \$4.85 million in civil damages related to single claimant UI cases in the State of Delaware is not included above.



# Peer Review Reporting

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

### **Peer Review of DOL-OIG Audit Function**

The 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 conforming to professional standards in conduct of audits. The peer review gave DOL-OIG a pass rating and made no recommendations.

### **DOL-OIG Peer Review of Department of Treasury OIG Audit Function**

DOL-OIG completed an external peer review of the Department of Treasury OIG’s system of quality control for its audit organization in effect for the year ended March 31, 2015. The report, issued November 23, 2015, resulted in an opinion that the system of quality control was suitably designed and provided reasonable assurance of Treasury OIG conforming to professional standards in conduct of audits. DOL-OIG gave Treasury OIG a pass rating and made no recommendations.

# OIG Hotline

*The OIG Hotline provides a communication link between the OIG and persons who want to report alleged violations of laws, rules, and regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. During the reporting period October 1, 2015, through March 31, 2016, the OIG Hotline received a total of 977 contacts. Of these, 198 were referred for further review and/or action.*

<b>Complaints Received (by Method Reported):</b>	<b>Totals</b>
Telephone	422
E-mail/Internet	379
Mail	147
Fax	25
Walk-In	4
<b>Total</b>	<b>977</b>
<b>Complaints Received (by Source):</b>	<b>Totals</b>
Complaints from Individuals or Nongovernment Organizations	902
Complaints/Inquiries from Congress	3
Referrals from the Government Accountability Office	3
Complaints from Other DOL Agencies	34
Complaints from Other (Non-DOL) Government Agencies	35
<b>Total</b>	<b>977</b>
<b>Disposition of Complaints:</b>	<b>Totals</b>
Referred to OIG Components for Further Review and/or Action	107
Referred to DOL Program Management for Further Review and/or Action	60
Referred to Non-DOL Agencies/Organizations	31
No Referral Required / Informational Contact	805
<b>Total</b>	<b>1,003*</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 2016 Audit Work Plan

## Bureau of Labor Statistics (BLS)

Discretionary Audits

**BLS Current Employment and Current Population Surveys—In Progress.** We will continue our work to determine if the Current Employment and Current Population Surveys (2 of 38 national Principal Federal Economic Indicators) comply with Office of Management and Budget Standards and Guidelines for Statistical Surveys.

## Employee Benefits Security Administration (EBSA)

Discretionary Audits

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

**EBSA's Responses to Employee Retirement Income Security Act (ERISA) Advisory Council Recommendations—Brought Forward.** We will identify and analyze EBSA's responses to recommendations it received from the ERISA Advisory Council over the last several years.

**Plan Administrator Fidelity Bonding—Brought Forward.** We will determine if plan administrators have been appropriately bonded and if the minimum bond requirement has sufficiently protected plan assets.

## Employment and Training Administration (ETA)

Mandatory Audits

### Job Corps

**Job Corps Small Business Set-Aside Contracts—New.** We will determine if ETA awarded small business set-aside contracts for Job Corps centers in accordance with the Code of Federal Regulations, Federal Acquisition Rule, and Small Business Administration laws and regulations. We will also determine if there have been differences in performance trends between large-and small-business center operators.

**Job Corps Center Operator Concentration—New.** We will determine if Job Corps and ETA have been effectively evaluating and managing risks associated with a high concentration of Job Corps centers operated by a small number of contracted center operators. We will also determine if there have been differences in performance trends between long-time Job Corps center contracted-center operators and those that are relatively new.

## OIG FY 2016 Audit Work Plan

**Review of Job Corps Center Safety—In Progress.** We will continue our work to review Job Corps' actions in response to potentially serious criminal misconduct, physical security at Job Corps centers, and Job Corps' efforts to prevent or mitigate violence and other serious crimes at its centers.

**Bona Fide Needs Rule—In Progress.** We will continue our work to determine if ETA's use of unexpended Job Corps funds made available for program years 2011, 2012, and 2013 complied with section 1502(a) of Title 31, United States Code, commonly known as the bona fide needs rule.

**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 testing performed at Job Corps centers and the reliability of reported 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, their initial job placements, and their job retention. We will also continue our work to determine if placement data reported by Job Corps and its contractors were accurate and reliable.

### ETA

#### Discretionary Audits

#### ETA Grant Programs

**Participant Outcomes: Comparison Regarding Training Services—New.** We will determine if Adult and Dislocated Worker participants that received training services had better performance outcomes after exiting the program than participants that did not receive training services.

**Reintegration of the Ex-Offenders (RExO) Program—New.** We will 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.

**Local Workforce Investment Boards—In Progress.** We will continue our work to determine if Local Workforce Investment Boards provided training and other services to Adult and Dislocated Worker participants and local employers that improved the quality of the local workforce.

**H-1B Technical Skills Grants—In Progress.** We will continue our work to determine if grantees provided training that led to participants receiving and retaining employment in new technology-related or highly skilled occupations. We will also determine if grantees claimed costs that were allowable, allocable, and in accordance with their grant agreements.

**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.

## OIG FY 2016 Audit Work Plan

**Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grant Program—In Progress.** We will continue our work to determine if the TAACCCT program (\$2 billion awarded from FY 2011 through FY 2014) developed, expanded, and improved 2-year-or-less education and training programs so participants could obtain the skills, degrees, and credentials needed to prepare them for employment in high-wage and high-skill occupations.

### Foreign Labor Certification Program

**ETA's H-1B Application Review and Oversight Process—New.** We will determine if ETA's H-1B application review process and oversight sufficiently protected American workers' jobs, wages, and working conditions.

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

### Unemployment Insurance Program (UI)

**Effectiveness of SIDES in Reducing UI Improper Payments—In Progress.** We will continue our work to determine if implementation of the State Information Data Exchange System (SIDES) reduced UI improper payments.

**State Unemployment Tax Act (SUTA) Avoidance—In Progress.** We will continue our work to determine if states have been identifying employers that attempted to evade state unemployment taxes through SUTA dumping or misclassifying employees, and if penalties states levied against these employers have discouraged such practices.

**UI Reemployment and Eligibility Assessments (REA)—In Progress.** We will continue our work to determine if the REA program has assisted UI beneficiaries' return to employment.

### International Labor Affairs Bureau (ILAB)

Discretionary Audits

**ILAB Child Labor, Forced Labor, and Human Trafficking Program—In Progress.** We will continue our work to determine if grantees who received funds to curb child labor activities used the funds effectively.

### Mine Safety and Health Administration (MSHA)

Discretionary Audits

**Vacating Violations—New.** We will determine if MSHA had adequate controls over vacating previously issued citations and orders.

**MSHA Use of Spot Inspections—Brought Forward.** We will determine if MSHA used spot inspections to potentially trigger expanded inspections or additional enforcement strategies.

## OIG FY 2016 Audit Work Plan

**MSHA Response to Hazardous Condition Complaints—In Progress.** We will continue our work to determine if MSHA has received, logged, assessed, and responded to hotline complaints of hazardous mine conditions in accordance with MSHA policies.

**MSHA Emergency Response Plans—In Progress.** We will continue our work to determine if MSHA provided appropriate review and oversight of emergency response plans that underground coal mine operators were required by law to submit.

**MSHA Inspectors' Portable Application for Laptops (IPAL)—In Progress.** We will continue our work to determine if MSHA has adequate IT security controls and oversight to ensure mine inspectors timely update IPAL prior to performing inspections.

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

### Occupational Safety and Health Administration (OSHA)

#### Discretionary Audits

**Cases Contested before the Occupational Safety and Health Review Commission—New.** We will determine if OSHA's review process provided for reasonable assurance that Compliance Safety and Health Officers obtained and used sufficient and appropriate evidence to support citations issued and penalty amounts assessed.

**OSHA Rulemaking Process—In Progress.** We will review OSHA's rulemaking process, including interpretive guidance and policy memos it has issued.

**DOL's Occupational Safety and Health Plan for Job Corps Centers—New.** We will determine what role OSHA played in ensuring safety and health at Job Corps centers and reducing the number of Job Corps student Federal Employees' Compensation Act claims.

**Adequacy and Timeliness of Abatement Verification—In Progress.** We will continue our work to determine if OSHA properly conducted timely abatement verification of safety or health violations cited during inspections.

**OSHA's Usage of Special Emphasis Programs (SEPs)—In Progress.** We will continue our work to determine if OSHA appropriately developed and utilized SEPs to improve working conditions in high-hazard industries and occupations.

## OIG FY 2016 Audit Work Plan

**OSHA Voluntary Protection Program (VPP)—In Progress.** We will continue our efforts to determine if OSHA implemented effective processes within the VPP to follow up in a timely manner on worker fatalities and catastrophes that VPP participants experienced.

### Office of Administrative Law Judges (OALJ)

Discretionary Audits

**OALJ Black Lung Case Management—In Progress.** We will determine if OALJ's Black Lung Case Management systems and processes ensured resources were effectively used to reduce its case backlog.

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

Mandatory Audits

**Federal Information Security Management Act Audits—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.

### OASAM

Discretionary Audits

**Effectiveness of DOL's Management of Mobile Telecommunications Services and Devices—New.** We will determine if DOL has effectively managed its acquisition and oversight of mobile telecommunications services and devices, including security.

**Application Software Security—In Progress.** We will determine if DOL has taken adequate measures to secure its public websites.

**IT Modernization Project Control—New.** We will determine if controls over ongoing and planned IT modernization projects are adequate to manage project deliverables and control-related costs.

**DOL Acquisition Planning—Brought Forward.** We will determine if DOL has developed and implemented an effective acquisition planning process.

**DOL's Cloud Implementation Process—In Progress.** We will continue our work to determine if DOL's cloud implementation process met federal guidance and requirements and if DOL has effectively managed its cloud solutions.

**FY 2015 IT Exemptions—In Progress.** We will continue our work to determine if DOL's IT exemption process ensured system risks were identified, assessed, tracked, and monitored.

# OIG FY 2016 Audit Work Plan

## Office of the Chief Financial Officer (OCFO)

### Mandatory Audits

**The Digital Accountability and Transparency Act of 2014 (DATA Act)—In Progress.** We will assess DOL's readiness to report spending data in accordance with the DATA Act.

**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, 2015. 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 required 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

## OCFO

### Discretionary Audits

**DOL Working Capital Fund Audit—New.** We will determine if DOL effectively administered the Working Capital Fund, including its cost allocation methodologies.

## Office of Workers' Compensation Programs (OWCP)

### Mandatory Audits

**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, 2015; and 2) the 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, 2015.

**District of Columbia's 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, 2015.



# OIG FY 2016 Audit Work Plan

## OWCP

### Discretionary Audits

**OWCP Oversight of Prescription Drug Fees and Distribution Guidelines—New.** We will determine if OWCP’s FECA monitoring and oversight activities effectively ensured prescription and drug refill approvals and payments were proper.

**FECA Second Opinion and Referee Medical Exams—New.** We will review OWCP’s process for selecting medical examiners and its management and oversight of related contracts.

**The Energy Employees Occupational Illness Compensation Program Act—Brought Forward.** We will determine if OWCP’s monitoring of the home health care provider billing process adequately ensured home health care providers charged reasonable amounts for needed services.

**FECA Benefits Cross-Match—Brought Forward.** We will determine the viability of identifying overpayments by cross-matching FECA benefits to various benefit and wage databases.

## Veterans’ Employment and Training Service (VETS)

### Discretionary Audits

**Homeless Veterans Reintegration Program (HVRP) Grantees—New.** As a follow-up to our 2010 audit, we will determine if VETS ensured participants received the services needed to obtain and retain employment.

**Processing of Uniformed Services Employment and Reemployment Rights Act (USERRA) Complaints—In Progress.** We will continue our work to determine if VETS effectively investigated USERRA complaints.

## Wage and Hour Division (WHD)

### Discretionary Audits

**WHD Inspection Process for Complaints—In Progress.** We will continue our work to determine if WHD processed and investigated complaints effectively and timely.

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

# OIG FY 2016 Audit Work Plan

## Multiagency

### 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.

## Multiagency

### Discretionary Audits

**Grant and Contract Audits.** We plan to conduct financial and performance audits of selected DOL grants and contracts to determine if they were awarded properly, costs were allowable, and they obtained desired results.

**Complaint Response.** The OIG receives complaints and referrals alleging fraud, waste, abuse, and misconduct from a variety of sources, including federal managers and employees, state and local grantee officials, DOL program participants, and private citizens. All complaints are reviewed and prioritized for further research based on the nature, magnitude, and specificity of the allegation or complaint. As a result of the research, we perform audits of some complaints to determine if the allegation or complaint has merit and if corrective actions are required.

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