



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 to the Department and the Congress*, which highlights the most significant activities and accomplishments of the U.S. Department of Labor (DOL), Office of Inspector General (OIG), for the six-month period ending September 30, 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 benefit plans, and labor-management relations.

During this reporting period, the OIG issued 13 audit and other reports. Among our many significant findings, we reported the following:

- Seven states generally did not meet established targets for detecting and reducing improper payments and the accuracy of their reporting to the Employment and Training Administration could not be determined.
- Mine Safety and Health Administration districts did not log, assess, and respond to complaints of hazardous mine conditions consistently.
- The Occupational Safety and Health Administration could not demonstrate whether its Special Emphasis Programs were effective in improving safety and health conditions in high-hazard industries and occupations.
- Information security control weaknesses continued to exist or reoccur because the Department has not placed sufficient emphasis on or prioritized available resources necessary to address these deficiencies.

During this reporting period the OIG's investigative work yielded impressive results, with a total of 165 indictments, 158 convictions, and more than \$62.8 million in monetary accomplishments. Highlights of our work include the following:

- Ringleader sentenced to 90 months in prison and ordered to pay restitution and forfeiture of more than \$1.4 million for his leading role in a fictitious employer scheme perpetrated against the Maryland and Pennsylvania Unemployment Insurance programs.
- Texas chiropractor sentenced to 168 months in prison and ordered to pay approximately \$18 million in restitution for receiving kickbacks resulting from his referral of patients covered by the Federal Employees' Compensation Act.
- Former Massey Energy chief executive officer Donald L. Blankenship sentenced to 12 months in prison and 12 months of supervised release, and ordered to pay a \$250,000 fine for conspiring to willfully violate mine safety standards.
- Sacramento dentist sentenced to 46 months in prison and ordered to pay a \$75,000 fine and more than \$700,000 in restitution for defrauding the Northern California General Teamsters Security Fund.

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 of the Department. For more details, I invite you to review our recently issued audit work plan for Fiscal Year 2017, 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 taxpayers, workers, and retirees.



Scott S. Dahl
Inspector General

OIG FY 2015–2019 Strategic Plan

OIG Mission

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

OIG Core Values

Excellence

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

Integrity

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

Independence

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

Service

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

Transparency

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

OIG Strategic Goals

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

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

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

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

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Selected Statistics

Investigative recoveries, cost-efficiencies, restitutions, fines and penalties, forfeitures, and civil monetary action	\$62.8 million ¹
Investigative cases opened	109
Investigative cases closed	385
Investigative cases referred for prosecution	119
Investigative cases referred for administrative/civil action	68
Indictments	165
Convictions	158
Debarments	29
Audit and other reports issued	13
Outstanding questioned costs resolved during this period	\$1.2 million
Allowed	\$0.1 million
Disallowed	\$1.1 million

¹ These accomplishments do not include \$45.3 million in monetary results from cases that involved the participation of multiple agencies.

Significant Concerns

The OIG works with the Department of Labor to provide information and recommendations that will be useful in DOL's management of the Department's programs and operations. The OIG also provides Congress with information and concerns to assist Congress in its oversight of DOL. 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.

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 students and staff. 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, two students were murdered at or near two different Job Corps centers, allegedly by 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 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 9 million establishments under the oversight of the Occupational Safety and Health Administration (OSHA), the OIG remains concerned with OSHA's ability to best target its compliance activities to those areas where they can have the greatest impact. OSHA carries out its 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.

Protecting the Safety and Health of Miners

The ability of the Mine Safety and Health Administration (MSHA) to effectively manage its resources to help ensure the safety and health of miners is a concern for the OIG. Given the significant decline in coal production and closings of coal mines in the last year, MSHA is challenged

Significant Concerns

to appropriately redeploy resources where needed. MSHA is also challenged by the underreporting of occupational injuries and illnesses by mine operators. This underreporting hinders MSHA's ability to focus its resources on the most dangerous mines.

Monitoring and Managing Compounded Drug Medications in the FECA Program

The Department's monitoring and management of compounded drug medications (medications created by combining, mixing, or altering the ingredients of drugs to tailor them to individual patients) in the Federal Employees' Compensation Act (FECA) program is a concern for the OIG. The FECA program, along with other federal and state government health programs and private-sector benefit managers, has experienced a large increase in the use of compounded medications—medications about which there are safety concerns, such as a 2012 meningitis outbreak caused by contaminated compounded injections. The increased use of compounded drug medications has also resulted in skyrocketing costs in the program. Costs for compounded drug medications rose from approximately \$2 million in FY 2011 to \$214 million in FY 2015, a hundredfold increase. The \$214 million in compounded drug medication costs in FY 2015 was more than the cost of all other drugs billed to FECA (\$199 million). This large increase in costs has also been accompanied by an increased risk of fraud. The OIG is conducting numerous fraud investigations involving compounded drug medications, as well as an audit of the Department's management of pharmaceutical benefits in its workers' compensation programs. DOL needs to continue its efforts to determine what it can do to better monitor and manage compounded drug medications within

the laws and regulations governing the FECA program, and seek legislative changes for any needed additional tools.

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 (OALJ). OALJ reported it had 2,690 pending black lung cases at the end of FY 2016, a decline from the 3,137 cases pending at the end of FY 2015.

Ensuring the Solvency of the Black Lung Trust Fund

Miners and their survivors who have been awarded benefits as a result of black lung claims receive lifetime benefits. These benefits are paid by a mine operator when a responsible operator can be located or by the Black Lung Disability Trust Fund (BLDTF) when no responsible operator can

Significant Concerns

be found or when a responsible operator and its insurers can no longer pay. As of the end of FY 2015, the BLDTF was carrying a \$5.6 billion deficit balance. The BLDTF is funded primarily by an excise tax levied on coal production (exempting exports). Year-to-date U.S. domestic coal production decreased by about 25 percent from August 2015 to August 2016, and the U.S. Energy Information Agency projects that this decline will continue in the foreseeable future. Reduced coal production will result in reduced excise tax collections and cash inflows to the BLDTF. In addition, the downturn in the coal industry has resulted in many large coal mine operators' going out of business. This has a dual effect on the BLDTF: first, the mines cease producing coal and contributing to the excise tax, and second, the BLDTF becomes responsible for benefit payments previously made by the mine operators. Finally, the current excise tax rate is due to expire on December 31, 2018, when it will be reduced by 55%. If Congress does not renew the tax rate, the BLDTF will require alternative sources of funding to continue meeting its obligations.

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 of 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.

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 and individuals, and unscrupulous businesses seeking to 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.

Significant Concerns

Improving the Performance Accountability of Job Training Program Results

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 participants 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. As the Government Accountability Office reported in March 2016, state program officials have identified several challenges related to performance reporting under the Workforce Innovation and Opportunity Act (WIOA), including the cost and complexity of integrating data systems, limited staff expertise, and antiquated information technology systems. The Department also faces challenges in assuring that the credentials participants obtain from its training programs are industry recognized and actually help participants obtain jobs in those industries. Our work in the Job Corps program has found its graduates often placed in jobs unrelated to the occupational certifications and skills training they received or in jobs that required little or no training.

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 these data via an embargo, meaning the data cannot be disseminated or used in any

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

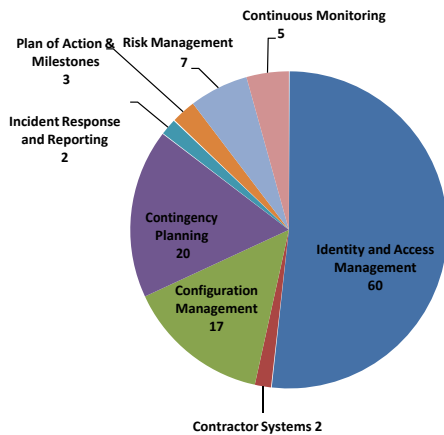
Securing and Protecting Information Management Systems

Safeguarding data and information systems is a continuing challenge for all federal agencies, including DOL. Consistent with findings reported over the past 10 years, in FY 2015, we identified continuing deficiencies in the areas of access controls, configuration management, and contingency planning. For the past 5 years, we have reported deficiencies in third-party oversight, incident response and reporting, risk management, and continuous monitoring.

The Department has not placed sufficient emphasis or prioritized available resources necessary to address these deficiencies. Moreover, an immature

Significant Concerns

**Break down of 116 Identified
Federal Information Security Modernization Act
Security Control Area Deficiencies**



continuous monitoring program has allowed ineffective information security controls to operate without the remediation of the identified deficiencies across all systems. We also have recommended that the Assistant Secretary for Administration and Management realign the organizational structure as it relates to the CIO to address the organizational independence issue we identified.

Reducing Improper Payments

The Department's ability to measure, report, and reduce improper payments in its Unemployment Insurance (UI) and Federal Employees' Compensation Act (FECA) programs continues to be a concern for the OIG. According to the Office of Management and Budget (OMB), in 2015 the UI program had the seventh-highest amount of reported improper payments (\$3.5 billion) among all federal programs. The UI improper payment rate of 10.7 percent remained above OMB's threshold of 10 percent. Fraud continues to be a significant threat to the integrity of the UI program, as identity thieves and organized criminal groups have found ways to exploit program weaknesses. OIG continues to have concerns regarding the completeness of the claims universe used in DOL's

published FECA improper payment estimates for FY 2015. DOL excluded initial payments made in the first 90 days of compensation and compensation payments for nonimaged cases but did not determine and report the full effect of those exclusions on its estimates. Also, DOL needs to identify the FECA improper payment issues identified by fraud investigations and estimate the extent to which these issues exist in the payment population.

Managing Information Technology Investments

Ensuring proper management of multimillion-dollar information technology systems is also of concern to the OIG. Most significantly, the Department has encountered difficulties in managing its financial system due to the sudden legal and bankruptcy issues faced by the private-sector firm that was providing these services. In July 2014 the Department procured the financial system assets and entered into an interagency agreement for a federal shared services provider to assume operations and maintenance of the system at a cost of more than \$2 million per month. The Department continued to operate under a time-and-materials contract to run and maintain the financial system for two years. In July 2016, the Department entered into a delivery order contract with some fixed-price line items. The Department needs to continue its efforts to better define its requirements so that it can move more of the services provided by the contractor to a fixed-price structure.

Significant Concerns

Providing Access to DOL Electronic Data

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

DATA Act Implementation

The Digital Accountability and Transparency Act of 2014 (DATA Act) was enacted May 9, 2014, to establish governmentwide financial data standards and increase the availability, accuracy, and usefulness of federal spending information. It requires federal agencies to report financial and spending data in accordance with data standards established by the Treasury and OMB and make the data available on a public website developed by the Treasury by May 2017. The website increases transparency in federal spending by linking grant, contract, loan, and other financial data. We are concerned the Department is not on track to effectively implement the DATA Act requirements by May 2017 because it has not been able to demonstrate that key tasks have been completed.



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.

States Challenged in Detecting and Reducing Unemployment Insurance Improper Payments

To determine the effectiveness of states' efforts to control UI improper payments, we audited seven states and found they generally did not meet established targets for detecting and reducing improper payments. In addition, the accuracy of their reporting to ETA could not be determined. The states indicated that their difficulties in meeting these targets were due in part to a significant and unprecedented increase in UI claims, combined with frequent changes to the complex Extended Benefits and Emergency Unemployment Compensation programs, for which the American Recovery and Reinvestment Act of 2009 had provided additional funding. ETA said many states also struggled with antiquated and inflexible information technology systems that impacted their ability to address program integrity issues.

Strategy	California	Colorado	New York	North Carolina	Pennsylvania	Indiana	Iowa
Claimant Messaging							
Cross-Functional Task Force							
Employer Messaging							
ES Registration		N/A	N/A	N/A	N/A		
National Directory of New Hires							
State Information Data Exchange							
State Quality Service Plan							
State-Specific Strategies							
Treasury Offset Program							
Implemented Not implemented Partially implemented Implemented after our audit period Implemented in December 2012, with collections beginning in February 2013 N/A Not applicable; ES registration error rates were below three percent.							

Worker and Retiree Benefit Programs

All seven states had implemented four of the nine ETA national strategies but had mixed results in implementing the four others that applied to all seven states. The ninth strategy, employment service (ES) registration, applied to only two states because ETA required its implementation only for states with error rates exceeding 3 percent.

Although the states implemented these strategies, they could not provide evidence of the strategies' impact on improper payments. Some strategies had an indirect impact that could not be measured in a meaningful way. With regard to other strategies, the states did not collect information in a manner that allowed for evaluation of their effectiveness. Similarly, the states lacked data to assess whether the state-specific strategies they had implemented were working as intended.

Measuring the national strategies' impact and leveraging certain state-specific strategies could improve the states' ability to detect and reduce improper payments. ETA needs to assist the states in determining which state strategies are most effective and should assess whether any should be adopted as national strategies.

For more details, go to www.oig.dol.gov/public/reports/oa/2016/18-16-005-03-315.pdf (Report Number 18-16-005-03-315, August 2, 2016).

Worker and Retiree Benefit Programs

Ringleader Sentenced to 90 Months in Prison for \$1.4 Million Unemployment Insurance Scheme

On August 29, 2016, Diameter Akala was sentenced to 90 months in prison and ordered to pay restitution and forfeiture of more than \$1.4 million for his leading role in a fictitious employer scheme perpetrated against the Maryland and Pennsylvania UI programs. Eight of Akala's co-conspirators were previously sentenced to prison for their roles in the scheme.

From 2012 to 2015, Akala created at least nine fictitious companies in Maryland and Pennsylvania, and filed wage reports falsely stating that the bogus entities employed and paid wages to hundreds of individuals. Akala used personally identifiable information of individuals who had given permission to have their information used, as well as many who had not. He filed benefit applications by posing as individuals who had been laid off by the fictitious businesses, causing hundreds of UI debit cards to be mailed to various commercial and residential addresses controlled by Akala or a co-conspirator, including locations in Maryland, Virginia, New York, Pennsylvania, and the District of Columbia. Akala took steps to ensure continued weekly funding of the debit cards, which he and his co-conspirators used to withdraw cash and make personal purchases. Akala also filed paperwork to begin the execution of similar schemes in Connecticut and Massachusetts.

This was a joint investigation with the U.S. Postal Inspection Service. *United States v. Diameter Akala et al.* (D. Maryland)

New Jersey Man Sentenced to 9 Years in Prison for Fictitious Employer Scheme

On June 7, 2016, Ricardo Santiago was sentenced to 9 years in prison and ordered to pay more than \$215,000 in restitution to the New Jersey Department of Labor and Workforce Development (NJLWD) for his role in a fictitious employer scheme that defrauded the NJLWD of more than \$215,000 in UI benefits.

Between January 2013 and February 2015, Santiago filed or facilitated the filing of numerous fraudulent UI claims with NJLWD for purported former employees of DLS & Associates Consulting, LLC (DLS), a fictitious company, and The Taper's Club, a barbershop located in Union City, New Jersey. In addition to being involved with the submission of these UI claims, Santiago further supported the claims by engaging in an affidavit process whereby he reported false wages to NJLWD and provided false documents that he manufactured, including W-2 forms and pay stubs.

This was a joint investigation with the Essex County (New Jersey) Prosecutor's Office and NJLWD. *State of New Jersey v. Ricardo Santiago*

Worker and Retiree Benefit Programs

Nevada Family Members Sentenced for Benefits Fraud

On July 18, 2016, Frederick Williams was sentenced to 87 months in prison and ordered to pay more than \$297,000 in restitution, including more than \$218,000 to the Nevada UI program, for his role in a scheme to defraud various federal benefit programs. Frederick Williams, along with his wife, Denise Williams, and two of his sisters, Jacqueline Gentle and Carolyn Willis-Casey, conspired to fraudulently collect government benefits.

On June 29–30, 2016, Gentle, Willis-Casey, and Denise Williams were sentenced for their roles in the scheme. Gentle and Willis-Casey were sentenced to terms of incarceration of 65 and 30 months, respectively, and Denise Williams was sentenced to 24 months of probation. Gentle, Willis-Casey, Denise Williams, and Frederick Williams were each ordered to pay joint and several restitution of \$218,000 to 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, and sisters, Willis-Casey and Gentle, then conspired to submit fraudulent claims and collect more than \$218,000 in UI benefits. Frederick Williams and Gentle were also convicted on charges relating to their fraudulent receipt of more than \$79,000 from other government programs, including Social Security, food stamps, Pell Grants, and Medicaid.

This was a joint investigation with the 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 (HHS)–OIG. *United States of America v. Frederick Vernon Williams* (D. Nevada)

Southern California Man Found Guilty in \$5 Million Unemployment Insurance Fraud Scheme

On August 15, 2016, after a six-day trial, a federal jury in Sacramento, California, found Andre Walters guilty of four counts of mail fraud for his involvement in a scheme to defraud the California unemployment insurance program of at least \$5 million.

According to evidence presented at trial, Walters was a “manager” in the scheme, which Walters and others carried out from approximately 2008 to 2011. The scheme involved registering fictitious businesses with the State of California, listing “employees” as having earned wages at those fictitious businesses when in fact they never worked there, and then filing for unemployment benefits on behalf of those employees. Walters recruited people to pose as these “employees,” managed their unemployment claims once filed, and split the resulting proceeds of the unemployment claims. Walters is the sixth individual to be convicted for participating in this fraud scheme. This is a joint investigation with the FBI and the California Employment Development Department. *United States v. Parks et al.* (E.D. California)

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.

Texas Chiropractor Sentenced to 14 Years in Prison for His Role in Multimillion-Dollar Kickback and Money Laundering Scheme

On June 10, 2016, Garry Wayne Craighead, former chiropractor and former owner of Union Treatment Centers (UTC), was sentenced to 168 months in prison and ordered to pay approximately \$18 million in restitution for receiving kickbacks resulting from his referral of patients covered by FECA. Craighead was also ordered to forfeit property consisting of land located in Williamson County, Texas, and a Mooney M20J aircraft. In addition, on September 30, 2016, HHS–OIG formally barred Craighead from participating in any federal health care program as a provider or in a similar capacity for a minimum of 50 years.

In 2007, Craighead formed and began operating UTC. From 2011 through 2014, Craighead formed clinics in Dallas–Fort Worth, San Antonio, Austin, Corpus Christi, Killeen, and Weslaco, Texas, under various names, including GreenTree Health, Creekside Surgical, Creekside Diagnostics, New Help, and CCM&D Consulting, LLC. In January

2007, UTC began referring patients to doctors, hospitals, and pharmacies throughout Dallas, Austin, Houston, Beaumont, Corpus Christi, and other surrounding Texas areas in exchange for monthly kickbacks. All the kickbacks were processed through Craighead's consulting company, CCM&D Consulting.

Craighead, individually and through his various clinics, courted FECA claimants who were employees of numerous federal agencies, including the Bureau of Prisons, the Department of the Army, the Department of Veterans Affairs, the U.S. Postal Service, and Customs and Border Protection. He also built relationships with union leaders within these federal agencies and encouraged their membership to use UTC clinics. As a result, the clinics developed and maintained a substantial flow of injured federal employees who were covered by FECA. Craighead's influence with the clinics empowered him to refer these claimants to other health care providers of his choosing, including surgical clinics, medical specialists, pharmacies, and hospitals. Craighead devised a scheme to defraud the Office of Workers' Compensation Programs (OWCP) by knowingly and willfully

Worker and Retiree Benefit Programs



Union Treatment Center's San Antonio Location

soliciting and receiving illegal remuneration from health care providers in exchange for referring FECA claimants for goods, services, and items that would be paid for by OWCP.

From January 2007 through July 2014, UTC and its various entities owned by Craighead billed OWCP for more than \$203 million, of which OWCP paid UTC in excess of \$98 million.

This is a joint investigation with the United States Postal Service (USPS)–OIG, the FBI, IRS Criminal Investigation, and the Army Criminal Investigation Division. *United States v. Garry Wayne Craighead* (W.D. Texas)

Texas Medical Providers and Former Federal Employees Sentenced in \$9.5 Million Health Care Scheme

Four individuals were sentenced in August 2016 for their involvement in a scheme to defraud OWCP. Former OWCP claims examiner Perry Rowell was sentenced to 15 months in prison. Retired OWCP supervisor Ifeanyi “Tim” Egbuchunam was sentenced to 51 months in prison and ordered to pay more than \$2 million in restitution. Robert Mandell, MD, was sentenced to 36 months of probation and ordered to pay more than \$450,000 in restitution. Willie Atkins, a licensed professional counselor, was sentenced to 9 months of home confinement and 36 months of probation, and ordered to pay approximately \$300,000 in restitution.

Rowell, Egbuchunam, Mandell, and Atkins, each of whom pled guilty in January 2016, are among 30 defendants charged in November 2015 with various crimes related to their roles in a substantial health care fraud scheme that involved bribes, unnecessary medical treatment, fraudulent billing, and falsification of medical documents to fraudulently bill OWCP for more than \$9.5 million. Lead defendant Larry Washington, of Desoto, Texas, was sentenced in May 2016 to 78 months in prison and ordered to pay more than \$7.7 million in restitution to OWCP.

From January 2009 to September 2014, Washington ran Mind Spa, Inc., 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.

Worker and Retiree Benefit Programs

Therefore, he enlisted the assistance of others to carry out a scheme to fraudulently bill OWCP on a continuing basis.

Washington recruited Mandell, who submitted to OWCP medical reports that fabricated claimant medical conditions so as to establish eligibility for long-term treatment. Washington also recruited Atkins to provide counseling services to OWCP claimants. Washington, Mandell, and Atkins all routinely billed OWCP for services not rendered to patients.

Washington also enlisted the help of Egbuchunam, paying him \$10,000 a month to use his position as an OWCP claimant representative to direct claimants to seek their treatment at Mind Spa. Egbuchunam paid cash to Rowell, who used his position as an OWCP claims examiner to perform unauthorized case queries of OWCP claimant data, falsify claimant records, and expedite payments. Rowell's employment was terminated following his conviction in January 2016. This is a joint investigation with the USPS–OIG and the U.S. Department of Veterans Affairs–OIG. *United States v. Larry Washington et al.* (N.D. Texas)

Maryland Doctor Sentenced to Prison for \$3.1 Million Health Care Fraud Scheme

On April 11, 2016, Dr. Paramjit Ajrawat was sentenced to 111 months in prison and 36 months of supervised release, and was ordered to forfeit and pay restitution of more than \$3.1 million for defrauding numerous federal health benefit programs, including the FECA program administered by OWCP, Medicaid, Medicare, Tricare, and the Federal Employees Health Benefits Program. The restitution order specifically requires

that Ajrawat pay more than \$475,000 directly to OWCP.

Ajrawat and his wife, both licensed physicians, owned and operated Washington Pain Management Center, a pain clinic located in Greenbelt, Maryland. From at least January 2011 through May 2014, the Ajrawats engaged in a variety of fraudulent billing schemes to defraud OWCP, using billing codes for more expensive procedures than were preformed, billing for services not rendered, and otherwise billing for services for which OWCP would automatically pay without requiring documentation. Co-conspirator Dr. Sukhveen Ajrawat passed away on February 1, 2016, prior to sentencing.

This was a joint investigation with the FBI, Defense Criminal Investigative Service, USPS–OIG, HHS–OIG, and Office of Personnel Management–OIG. *United States v. Paramjit Singh Ajrawat* (D. Maryland)

Kentucky Man Sentenced to Prison for Schemes to Defraud OWCP and Evade Taxes

On August 30, 2016, former federal employee John Maddux was sentenced to 10 years in prison, ordered to pay more than \$130,000 in restitution to DOL, and ordered to forfeit his interests in various properties worth at least \$45 million. The sentence was imposed for Maddux's criminal conduct relative to two separate but related schemes, the first involving false statements to DOL to obtain workers' compensation benefits, and the second involving a large-scale tax evasion scheme.

Maddux pled guilty in May 2016 to charges that he had made false statements to DOL as part of an ongoing effort to receive workers' compensation

Worker and Retiree Benefit Programs

payments to which he was not entitled as a result of his involvement with numerous business enterprises. He also pled guilty to numerous criminal charges related to his leading role in a scheme to evade at least \$48 million in taxes through his operation of several mail-order and Internet businesses involved in illegal sales of cigarettes to customers in the United States and abroad.

This was a joint investigation with the Bureau of Alcohol, Tobacco, Firearms and Explosives; IRS Criminal Investigation; and the Food and Drug Administration. *United States v. Maddux et al.* (E.D. Kentucky)



Employee Benefit Plans

The Department's Employee Benefits Security Administration (EBSA) is responsible for protecting the security of retirement, health, and other private-sector employer-sponsored benefit plans for America's workers and retirees and their families. EBSA is charged with protecting about 149 million workers, retirees, and family members who are covered by nearly 685,000 private retirement plans, 2.2 million health plans, and similar numbers of other welfare benefit plans that together hold estimated assets of \$9.1 trillion.

Colorado Woman Sentenced for Defrauding Health Care Clients

On August 29, 2016, Kimberly Cileno, former owner and operator of EZ Flex, Inc., was sentenced to 24 months in prison and ordered to pay more than \$230,000 in restitution for embezzling health care plan assets.

EZ Flex was a third-party administrator responsible for administering a flexible spending plan that offered benefits to approximately 36 participating employers and more than 500 participating employees. Participating employers forwarded designated payroll deductions to EZ Flex, and participants submitted claims for reimbursement of eligible expenses directly to EZ Flex. The investigation revealed that between January 12, 2011, and December 10, 2012, Cileno embezzled more than \$230,000 in EZ Flex client funds, which she used on personal purchases, including home renovations and a vacation.

This was a joint investigation with EBSA. *United States v. Kimberly S. Cileno* (D. Colorado)

Connecticut Man Found Guilty in Multimillion-Dollar Stranger-Originated Life Insurance Scheme

On June 6, 2016, a federal judge in Hartford, Connecticut, found Daniel Carpenter guilty of 57 counts of conspiracy, mail and wire fraud, money laundering, and illegal monetary transaction offenses. Carpenter schemed to defraud insurance companies by having them issue insurance policies on the lives of elderly people for the benefit of the defendant and other investors, also known as a stranger-originated life insurance scheme. The verdict followed a five-week-long bench trial.

Carpenter controlled a series of companies that developed the Charter Oak Trust (the Trust), an employee welfare benefit plan and trust whose primary objective was to secure insurance policies on the lives of elderly individuals that could be held by Carpenter's companies as investments or resold on the life insurance settlement market, a third-party market for life insurance policies. Carpenter, working with insurance agents, caused to be submitted to several insurance providers numerous insurance applications that contained several material misrepresentations, including falsely denying that third parties were paying the premiums for the insurance, falsely denying discussions about the resale of the policies, falsely inflating the net worth and/or income of the insured,

Worker and Retiree Benefit Programs

and falsely claiming that the insurance was being purchased for legitimate estate planning–related needs. Two of the insurance policies had a combined death benefit of \$30 million, which the insurer paid to the Trust in May 2009.

Based on the false applications that were submitted to the insurance providers, the Trust procured 84 insurance policies that had a total aggregate death benefit of more than \$459 million on the lives of 76 different straw insureds. In addition, another company controlled by Carpenter received more than \$12 million in commissions from the insurance providers, who would not have paid the commissions had they known about the false representations on the insurance applications and the true nature of the Trust.

This is a joint investigation with EBSA and the Special Inspector General for the Troubled Asset Relief Program. *United States v. Daniel Carpenter* (D. Connecticut)



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.

MSHA Districts Did Not Log, Assess, and Respond to Complaints of Hazardous Mine Conditions Consistently

In our audit of MSHA handled complaints of hazardous mine conditions, we found that each MSHA district had developed its own processes based on how it interpreted the MSHA Hazard Complaint Procedures Handbook; therefore, none of the six districts we visited handled hazardous condition complaints in the same way. A 2006 OIG audit had found that MSHA's Coal Mine Safety and Health Administration did not timely evaluate or inspect a significant number of hazardous condition complaints.

The guidance outlined in the MSHA handbook at the time of our audit—which MSHA updated in June 2015—was vague and did not require consistency across districts. We found that one district did not immediately notify mines of imminent dangers, and two districts did not have timeline goals for completing inspections. Consistent complaint-handling procedures are required to ensure that districts take appropriate and prompt action to identify and abate hazardous mine conditions.

We also found that some complaints lacked critical information that would have better focused investigations. This occurred because call center staff lacked sufficient training in mine-specific terminology and an understanding of mining operations. Staff sometimes did not ask important follow-up questions, and complaints they routed to MSHA had insufficient information to identify issues with specificity. Vague complaints may cause MSHA to expend additional, unnecessary inspection resources in trying to determine the exact nature of the hazard. Any delays in communicating information about an imminent danger can increase the time that hazards go unabated and place miners' safety and health at unnecessary risk.

Effective management of MSHA's hazardous conditions complaint program is vital to ensuring that appropriate and prompt action is taken to identify and abate hazardous conditions in the nation's mines. MSHA needs to implement consistent organizationwide guidelines for handling hazardous condition complaints, provide additional training to district personnel, and improve call center scripts and training for call center staff.

For more details, go to www.oig.dol.gov/public/reports/oa/2016/05-16-002-06-001.pdf (Report Number 05-16-002-06-001, September 30, 2016).

Worker Safety, Health, and Workplace Rights

Former CEO of Massey Energy Sentenced to Prison for Conspiracy to Violate Mine Safety Standards

On April 6, 2016, Donald L. Blankenship was sentenced to 12 months in prison and 12 months of supervised release, and was ordered to pay a \$250,000 fine. Blankenship was previously found guilty at trial of conspiring to willfully violate mine safety standards during a period before the 2010 Upper Big Branch (UBB) Mine explosion. At the completion of an administrative proceeding, DOL debarred Mr. Blankenship, effective September 13, 2016, which prohibits his participation in all government procurement and nonprocurement programs for three years.



Entrance to the Upper Big Branch Mine; where the fatal explosion occurred

The OIG's Massey Energy UBB Mine investigation was initiated after a devastating explosion ripped through the UBB Mine on April 5, 2010, killing 29 miners. At the trial, witnesses testified that Blankenship, Massey Energy's CEO, perpetuated health and safety violations at the mine despite being aware that doing so could result in accidents and fatalities. Witnesses also testified that Massey personnel, under Blankenship's leadership, engaged in organized efforts to routinely interfere with MSHA inspections of the UBB Mine.

This was a joint investigation with MSHA and the FBI. *United States v. Donald L. Blankenship* (S.D. West Virginia)

Occupational Safety and Health Administration

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

OSHA Does Not Know Whether Special Emphasis Programs Have Long-Term Effect

In our audit of the OSHA's Special Emphasis Programs (SEPs), we found that OSHA could not demonstrate whether these programs were effective in improving safety and health conditions for workers in high-hazard industries and occupations. Our prior audits had raised concerns about how OSHA targeted these industries and determined the impact of its inspection programs.

OSHA and state occupational safety and health agencies conduct approximately 50,000 SEP inspections per year through national and local emphasis programs. OSHA uses SEPs to direct enforcement resources toward high-hazard industries or occupations posing the greatest risk of death or severe injury/illness to workers.

While most SEPs had goals to improve safety and health conditions in targeted industries, OSHA did not establish outcome-based performance metrics to assess whether the SEPs were achieving those goals. OSHA's SEP studies and reviews typically reported inspection statistics related to the one-time correction of hazards identified during specific inspections, but did not demonstrate whether the programs had any long-term impact on safety and health conditions in the targeted industries or occupations.

In addition, OSHA did not have a documented risk assessment methodology for building a risk model each year that captured emerging trends and the latest data regarding high-hazard industries and occupations. OSHA did not develop guidelines to formally weigh all available information on hazards, identify the industries and occupations with the highest level of hazard risk, and then proactively develop and use SEPs for those industries and occupations.

OSHA needs to establish and use outcome-based performance metrics for all SEPs and a documented risk assessment methodology for identifying high-hazard industries and occupations.

For more details, go to www.oig.dol.gov/public/reports/oa/2016/02-16-201-10-105.pdf (Report Number 02-16-201-10-105, September 28, 2016).

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. 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.

South Carolina Restaurant Owner Sentenced to Prison for Scheme to Deceive Wage and Hour Investigators

On August 26, 2016, Jose Jaime Villalpando, owner of Senor Tequila Mexican Restaurants in Charleston, South Carolina, was sentenced to five months in prison and ordered to pay more than \$75,000 in restitution for submitting false statements in response to a DOL-WHD investigation into whether Senor Tequila was paying its employees proper minimum wage and overtime pay in compliance with the Fair Labor Standards Act.

In 2011, a WHD investigation found that Senor Tequila had failed to pay several employees more than \$105,000 in minimum wage and overtime pay over approximately two years. In response to WHD findings, Villalpando agreed to pay full back wages to the affected employees. However, instead of paying all the back wages, he devised and executed a scheme to deceive WHD investigators and avoid payment of more than \$75,000 of the back wages he had agreed to pay.

The DOL-OIG investigation revealed that Villalpando issued back-wages paychecks to employees and then took the employees to a bank, where he had them set up accounts and deposit the paychecks. Over the next several weeks, Villalpando instructed the employees to withdraw

the amounts of their back-wages paychecks in increments and give the money back to him. Villalpando then mailed letters to WHD stating that he had paid the employees, and he attached copies of the canceled back-wages paychecks in an attempt to deceive WHD that he had in fact paid the employees. *United States v. Jose Jaime Villalpando* (D. South Carolina)

California Clothing Factory Manager Found Guilty of Offering Bribe to Wage and Hour Investigator

On April 26, 2016, Howard Quoc Trinh, manager of Seven-Bros. Enterprises (Seven-Bros.), was found guilty by a federal jury of offering to pay bribes to a DOL-WHD investigator in exchange for closing an investigation into wage violations at Seven-Bros.

The WHD investigation, initiated in March 2015, found that Seven-Bros. had underpaid its employees by approximately \$100,000 during the period May 2012 through March 2015. Evidence presented at trial established that Trinh offered to pay a \$10,000 bribe, and actually paid \$3,000, to the investigator during a recorded meeting monitored by DOL-OIG agents. As part of the bribery scheme, Trinh promised to pay the balance after the investigation was closed with no finding of any wrongdoing. This was a joint investigation with WHD. *United States v. Howard Quoc Trinh* (C.D. California)

Employment and Training Programs



Foreign Labor Certification Programs

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

New York Husband and Wife Plead Guilty to H-1B Visa Fraud Scheme

On June 9, 2016, husband and wife Loreto Kudera and Hazel Kudera pled guilty to conspiring to defraud DOL's H-1B visa program. In doing so, the Kuderas also agreed to pay joint forfeiture of \$1 million.

Hazel Kudera owned and operated two health care staffing companies, NYC Healthcare Staffing and LHK Consulting, which provided registered nurses (RNs) and certified nursing assistants (CNAs) to various medical facilities in and around New York. She and her husband, New York attorney Loreto Kudera, utilized the H-1B visa program to obtain workers to provide to Hazel Kudera's clients. Because neither RN nor CNA is an H-1B qualified position, the Kuderas conspired to falsify job titles, job duties, and/or work locations on H-1B visa applications and petitions. As a result, they were able to obtain more than 100 approved H-1B visas for immigrant nurses to staff out to medical facilities in and around New York, as well as to fulfill New York State Department of Education contracts.

This is a joint investigation with DSS and HSI.
United States v. Kudera et al. (D. Vermont)

Ohio Labor Recruiters and Minnesota Farm Owner Convicted of Visa Fraud Conspiracy

Three individuals have been found guilty of conspiring to collect illegal fees and kickbacks from foreign workers on H-2A visas. On August 8, 2016, after a one-week jury trial, labor recruiter Sandra Lee Bart was found guilty of wire fraud, mail fraud, and conspiracy to commit visa fraud for her role in the scheme. Bart's business colleague, Wilian Socrate Cabrera, and farm owner John Svihel had previously pled guilty on July 14, 2016, and June 16, 2016, respectively, to conspiracy to commit fraud in foreign labor contracting.

From 2010 through 2015, Bart and Cabrera operated Labor Listo, an unregistered business, which they used to recruit employers like Svihel, who ran Svihel Vegetable Farm in Foley, Minnesota, to use their services to hire temporary foreign workers under DOL's H-2A visa program. DOL's H-2A visa program, which provides temporary visas to agriculture workers, requires that employers pay for workers' housing and travel expenses to and from their home country, and prohibits employers from collecting recruitment fees or wage kickbacks. Nevertheless, Bart, Cabrera, and Svihel devised and executed a scheme to collect cash kickbacks from Svihel's H-2A workers, including a wage kickback for every hour worked

Employment and Training Programs

at Svihel Vegetable Farm and a kickback equal to the cost of the workers' flights to and from the United States. In total, workers were forced to pay illegal fees in excess of \$198,000. As part of his plea agreement, Svihel agreed to pay more than \$575,000 in civil monetary penalties for unpaid wages to H-2A workers affected by the scheme.

This is a joint investigation with WHD, the Bureau of Diplomatic Security, and HSI. *United States v. Cabrera* (D. Minnesota)



Senior Community Service Employment Program

The Senior Community Service Employment Program (SCSEP) is a community service and work-based job training program for older Americans. Authorized by the Older Americans Act, the program provides community service employment, including training opportunities, for low-income, unemployed seniors. Participants also have access to employment assistance through American Job Centers.

Interim Report on Experience Works' Senior Community Service Employment Program Grant

We issued an interim report to alert the Employment and Training Administration (ETA) to certain issues we identified during our audit of SCSEP grantee Experience Works, which received \$104 million—24 percent—of that program's grant funds for program year 2014.

ETA issued a report on its financial compliance review of Experience Works in December 2015 that included \$1.6 million in questioned costs and 13 findings related to the grantee's financial mismanagement. This raised serious concerns about Experience Works' financial stability and its ability to operate successful and compliant federally funded programs.

ETA is in the process of competing SCSEP grants for a new four-year award period, and we found that the agency's scoring criteria for this grant competition included elements that could allow financially unstable organizations or organizations with significant operating deficiencies to score high and receive a grant award.

ETA needs to consider the issues identified in its report and Experience Works' current financial stability when assessing its grant proposal, as well as proposals from any prime grantee that may make a subaward to Experience Works. ETA also needs to ensure that future grant solicitations' award criteria provide for appropriate assessment of financial stability, quality of management systems, and history of performance.

For more details, go to www.oig.dol.gov/public/reports/oa/2016/26-16-001-03-360.pdf (Report Number 26-16-001-03-360, September 30, 2016).

Labor Racketeering



Labor Racketeering

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

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

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

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

Sacramento Dentist Sentenced to Prison for Defrauding Union Health Plan

On May 5, 2016, David Lewis, a Sacramento dentist, was sentenced to 46 months in prison and ordered to pay a \$75,000 fine for defrauding the Northern California General Teamsters Security Fund. The matter of restitution was delayed until July 14, 2016, when Lewis was ordered to pay more than \$700,000 in restitution to the fund. Pursuant to a settlement agreement reached between Lewis and the fund, and accepted by the court, Lewis was able to satisfy restitution by making an immediate payment of \$300,000.

Lewis defrauded the fund of more than \$700,000 by submitting false statements regarding the health of his patients' teeth and billing for services

not rendered. Lewis would routinely drill patients' healthy teeth and perform unwarranted root canals in order to bill the fund for the work. Lewis's criminal conduct resulted in injury to his patients, whose teeth sustained prolonged and obvious disfigurement as a result of unnecessary dental procedures. As part of the scheme, Lewis recruited United Parcel Service employees, who had 100 percent coverage with no annual limits, to use his dental practice by offering cash and other incentives.

This was a joint investigation with the Employee Benefits Security Administration (EBSA) and the California Dental Board. *United States v. David M. Lewis* (E.D. California)

Labor Racketeering

Former New York Union Leader Sentenced to Prison for Racketeering and Hobbs Act Conspiracy

On August 31, 2016, Mark Kirsch, former president and business manager of International Union of Operating Engineers Local 17 (IUOE Local 17), was sentenced to 36 months in prison and ordered to pay more than \$198,000 in restitution for his role in leading a 10-year criminal enterprise, which had as its objective the extortion of property from various construction firms throughout western New York. In March 2014, after an eight-week trial, a federal jury convicted Kirsch of conspiracy to commit racketeering, conspiracy to commit extortion, and attempted extortion.



Homemade metal “stars” used by Local 17 members to flatten tires of vehicles belonging to nonunion workers

Under Kirsch’s leadership, officials of IUOE Local 17 targeted nonunion contractors who refused to sign their collective bargaining agreements with IUOE Local 17 by damaging their construction equipment, threatening and intimidating their employees, and causing property damage on picket lines by flattening tires and breaking

windshields on construction vehicles owned by the nonunion contractors.

As a result of his conviction, Kirsch is barred from acting in any official capacity or exercising discretionary control over the assets of any labor organization or employee benefit plan for 13 years.

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

Illinois Concrete Contractor Officials Plead Guilty to Defrauding Workers of More Than \$2.5 Million

On June 3, 2016, A Lamp Concrete Contractors, Inc., vice president and part-owner Joseph Lampignano and superintendent Giovanni “John” Traversa pled guilty to mail fraud and making false statements, respectively, for their roles in a scheme to defraud workers of more than \$2.5 million in wages and required pension fund contributions.

From approximately 2008 to 2013, Lampignano violated collectively bargained agreements with the Construction and General Laborers’ District Council of Chicago and Vicinity by failing to pay the union wage rate to certain laborers, underpaying them by a total of more than \$1.5 million. Over the same time period, Lampignano also submitted false reports to the union’s pension and welfare funds that underreported the number of hours worked by certain laborers, thereby underfunding pension and welfare fund contributions by more than \$1 million.

Lampignano and Traversa further solicited and collected cash kickbacks from certain laborers who had received settlement proceeds from A Lamp in resolution of a 2011 civil lawsuit. In 2013, A Lamp paid approximately \$540,000 to 24 employees

Labor Racketeering

to satisfy unpaid wages and resolve the lawsuit brought by the union. Subsequently, Lampignano directed Traversa to recoup approximately \$140,000 by approaching certain laborers and asking them to repay a portion of the money they had received pursuant to the settlement agreement. In doing so, Lampignano and Traversa used their positions of authority to induce certain laborers to pay cash kickbacks of at least \$64,000. This is a joint investigation with the FBI, EBSA, and the Cook County Sheriff's Office. *United States v. Lampignano et al.* (N.D. Illinois)

Illinois Businessman Pleads Guilty to \$1.9 Million Union Fraud Scheme

On August 11, 2016, former Chicago construction company president Yashvant Patel pled guilty to mail fraud and making false statements in connection with a scheme to defraud the benefit funds of the Construction and General Laborers' District Council of Chicago and Vicinity of approximately \$600,000.

From January 2009 through October 2010, while serving as president of My Baps Construction Corp., Patel underreported approximately 33,000 hours worked by employees of My Baps and a sister company, Vijay Construction Corp., resulting in lower employer contributions to the union's benefit funds. Patel also underpaid his workers by approximately \$1.3 million during the same time frame and paid off-the-books cash wages to many individuals who were not legally authorized to work in the United States.

This is a joint investigation with the FBI. *United States v. Yashvant C. Patel* (N.D. Illinois)



Departmental Management



Departmental Management Program

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

DOL Could Do More to Reduce Improper Payments and Improve Reporting

Our annual review of DOL's compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) found that DOL met four of the six IPERA requirements. Specifically, DOL (1) published its FY 2015 Annual Financial Report (AFR) and posted it on the DOL website, (2) conducted specific risk assessments for each program and activity, (3) published improper payment estimates for programs identified as susceptible to significant improper payments, and (4) published programmatic corrective action plans in the AFR.

However, DOL did not meet its improper payments reduction target in FY 2015 for the Workforce Investment Act grants program, and it reported an FY 2015 Unemployment Insurance improper payment rate of 10.73 percent, which did not meet the IPERA requirement of less than 10 percent. In addition, the Federal Employees' Compensation Act (FECA) improper payment estimates DOL reported in the AFR were likely understated because the Office of Workers' Compensation Programs excluded initial payments made in the first 90 days of compensation and compensation payments for nonimaged cases.

As we reported last year, DOL needs to improve its improper payment estimation methodology for the FECA program, report in the AFR any limitations to the program's sampling methodology, and develop effective procedures to ensure timely identification of FECA benefit adjustments for claimants who receive Social Security retirement benefits. These unimplemented recommendations from previous years address the concerns raised in our FY 2015 report; therefore, we did not make any additional recommendations.

DOL reported that it will assess the improper payment risk for its new Workforce Innovation and Opportunity Act grants program and determine whether reporting an improper payment estimate is warranted. We will evaluate DOL's risk assessment and estimation methodology as part of our FY 2016 IPERA review.

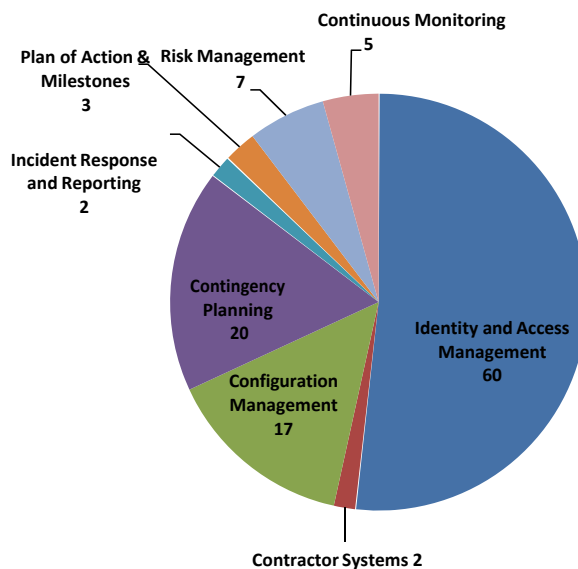
For more details, go to www.oig.dol.gov/public/reports/oa/2016/03-16-002-13-001.pdf (Report Number 03-16-002-13-001, May 13, 2016).

Departmental Management

Ongoing Information Technology Security Deficiencies Exist

As part of FY 2015 Federal Information Security Management Act (FISMA) work completed during this reporting period, we found that the Department had not fully implemented controls or the controls were not operating effectively to meet minimum FISMA security requirements. More than half of the 116 deficiencies we identified were related to access controls, a key control area for ensuring that an authenticated user accesses only what he or she is authorized to access and no more. We also identified numerous deficiencies in the areas of contingency planning and configuration management.

Break down of 116 Identified FISMA Security Control Area Deficiencies



We identified similar deficiencies in our previous reports, and these deficiencies continue to exist or reoccur, representing ongoing, unnecessary risks to the confidentiality, integrity, and availability of DOL's information. The Chief Information Officer (CIO) needs to work with program agency management to develop corrective actions for the deficiencies identified during our review and monitor progress to ensure they are completed in a timely manner. Additionally, the Assistant Secretary for Administration and Management needs to realign the organizational structure as it relates to the CIO to address the organizational independence issue we identified.

(Report Number 23-16-002-07-725, September 30, 2016).

The Department Needs to Ensure That It Is on Track to Implement DATA Act Requirements

Our audit to determine whether the Department is on track to implement Digital Accountability and Transparency Act of 2014 (DATA Act) requirements by the May 2017 deadline found that the Department (1) was unable to demonstrate that it had completed major milestones, (2) was not accurately tracking the status of required tasks, and (3) had not effectively implemented its risk mitigation strategy.

Although the Department reported to the Office of Management and Budget (OMB) in August 2016 that it had completed the tasks aligned with two major milestones—performing an inventory of agency data and mapping those data from agency source systems to the DATA Act schema—the Department did not have supporting documentation to demonstrate that it had in fact completed these tasks.

In addition, the Department did not accurately track the status of key tasks required for successful implementation. Its project plan, which we were told was used for monitoring purposes, did not accurately reflect completion dates or task statuses. Inaccuracies in the project plan occurred because the Department did not adhere to the program management oversight process described in the implementation plan it submitted to OMB, or establish an effective compensating monitoring process.

Finally, while the Department developed a risk mitigation strategy to identify, address, and monitor risks to DATA Act implementation, it did not follow that strategy. The Department's implementation plan stated that it would maintain a risk register of all risks identified throughout the project. The Department determined this was unnecessary because it did not identify any risks; however, it did not document any analysis supporting this conclusion. Without an effective risk management strategy, the Department cannot provide reasonable assurance it can meet the completion dates it established in its project plan and successfully implement the DATA Act requirements.

The Principal Deputy Chief Financial Officer needs to ensure that all tasks reported as completed by the Department are accurately reported and documented, that the implementation plan submitted to OMB and the project plan are updated as necessary, that risks are identified using a risk register, and that mitigation strategies are developed and documented for each risk.

For more details, go to www.oig.dol.gov/public/reports/oa/2016/17-16-002-13-001.pdf (Report Number 17-16-002-13-001, September 30, 2016).

Compliance with Cybersecurity Act of 2015, Section 406

Section 406 of the Cybersecurity Act of 2015 focuses on logical access controls and information security management monitoring controls. Congress required the Inspectors General to submit a report on the security controls identified in Section 406 for information systems that provide access to personally identifiable information (PII).

As of August 10, 2016, DOL reported that it had 62 systems containing PII and therefore subject to the requirements of Section 406. DOL had policies and guidelines in place that complied with the requirements of Section 406, except for deficiencies in the following two areas: (1) two information systems did not require personal identity verification using multifactor authentication for privileged users per the DOL Computer Security Handbook, and (2) DOL lacked automated tools for monitoring information systems for unauthorized access and had no automated capabilities for data loss prevention, visibility, or digital rights management.

DOL is at increased risk of malicious attacks on systems that do not use multifactor authentication. Additionally, the lack of automated capabilities and tools to perform continuous monitoring raises the risk of unauthorized access to networks and systems.

The Chief Information Officer needs to take corrective actions to address the deficiencies identified during our review.

For more details, go to www.oig.dol.gov/public/reports/oa/2016/23-16-007-07-720.pdf (Report Number 23-16-007-07-720, August 15, 2016).

Single Audits

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

Single Audits Identify Material Weaknesses or Significant Deficiencies for 53 DOL Grantees

The OIG reviewed 90 single audit reports this period covering DOL expenditures of about \$27 billion. For 53 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 172 findings and 172 related recommendations identified in these 53 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 single audit requirements. The OIG is currently cognizant for 17 entities and is required to periodically perform quality control reviews of their single audits. During this reporting period, we conducted quality control reviews of single audits for the PathStone Corporation for the year ended September 30, 2014, and Senior Service America, Inc., for the year ended June 30, 2015. We found that the PathStone Corporation audit was conducted in accordance with applicable standards under OMB Circular A-133 and met single audit requirements. For Senior Service America, Inc., we identified a reporting issue that the audit firm corrected.

Employee Integrity Investigations

The OIG is responsible for investigating possible misconduct or criminal activities involving DOL employees or individuals providing services to the Department. The following cases are illustrative of our efforts in this area.

OSHA Compliance Officer Improperly Released Confidential Materials and Violated Ethics Rules

In January 2014, the OIG received a referral from the DOL Occupational Safety and Health Administration (OSHA) that an OSHA compliance officer (CO) had allegedly been communicating with a filmmaker while the CO had an open investigation of interest to the filmmaker. It was further alleged that the CO attended the film's premiere and accepted free lodging from the filmmaker. Subsequently, the OIG received a complaint alleging that the CO had released official OSHA investigative documents and confidential litigation documents related to the OSHA investigation.

The OIG conducted an investigation and provided an investigative report to OSHA on January 13, 2015. The report concluded that the CO, improperly and without authorization, provided OSHA investigative documents and litigation materials to third parties. The OIG also concluded that the CO had violated the Standards of Ethical Conduct for Federal Employees related to the duty to act impartially and the duty to avoid any actions creating the appearance that federal ethical standards have been violated.

The OIG's investigative report was forwarded to OSHA for appropriate administrative action, which remains pending after more than 21 months.

Finding of Procurement Irregularities Related to Labor Classifications and Billable Rates

In conjunction with an OIG investigation related to time and attendance violations by Wage and Hour Division (WHD) employees, the OIG found that WHD officials failed to act responsibly and appropriately with respect to a related procurement matter. Specifically, the OIG found that WHD procured the services of an individual through contract vehicles that did not support the type of work performed and that did not allow for a labor classification and billable rate that was commensurate with this individual's work experience and with the work that was actually performed.

As a result, WHD paid significantly more for these services than was warranted. The OIG found that, from December 2011 through December 2014, the contractor in question billed WHD \$540,524 for these services, and the OIG estimated that there was an overpayment of \$234,449. The individual's actual annual salary from the contractor was approximately \$34,000.

The OIG's completed investigative report was forwarded to WHD officials on April 10, 2015.

OIG Whistleblower Activities



OIG Whistleblower Activities

Whistleblower Protection Ombudsman

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

- prepared a slide presentation on whistleblower protections, which is available on the DOL and OIG websites and has been provided to all DOL employees;
- established a dedicated e-mail address to receive and respond to whistleblower-related inquiries from DOL employees;
- obtained a 2302(c) certification from the Office of Special Counsel (OSC) on behalf of the OIG (November 2014) and worked with DOL to help obtain its own 2303(c) certification (still pending at the end of the reporting period); and
- monitored whistleblower retaliation complaints received by the OIG as well as whistleblower retaliation investigations conducted by the OIG.

Whistleblower Retaliation Investigations

Allegations of improper or illegal retaliation received from DOL employees are usually referred by the OIG to OSC for review and/or investigation. However, the OIG can initiate its own investigations of such allegations on a discretionary basis. Further, pursuant to the pilot program established by Section 828 of the National Defense Authorization Act of 2013 (codified at 41 U.S.C. § 4712) (“Section 828”), the OIG is required, with some exceptions, to investigate retaliation allegations made by employees of DOL contractors or grantees.

During this reporting period, the OIG concluded investigations of retaliation allegations made by two former employees of DOL contractors/grantees and submitted reports, pursuant to Section 828, to the Secretary of Labor.

At the conclusion of this reporting period, the OIG had three pending Section 828 investigations.

Legislative Recommendations



Legislative Recommendations

The Inspector General Act requires the OIG to review existing or proposed legislation and regulations and to make recommendations in the semiannual report concerning their impact both on the economy and efficiency of the Department's programs and on the prevention of fraud, waste, and abuse. The OIG continues to believe that the following legislative actions are necessary to increase efficiency and protect the Department's programs.

Allow OIG Direct Access to NDNH Records

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

Granting the OIG statutory access to NDNH data would provide the OIG with a valuable source of information for both audits and investigations. For example, OIG auditors could use these records to verify the eligibility of Workforce Innovation and Opportunity Act participants and 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 accountants who are auditing pension plans

Legislative Recommendations

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

Legislative Recommendations

the waiting period at the end of the 45-day continuation-of-pay period, thereby negating its purpose. Legislation passed in 2006 placed the waiting period immediately after an employment-related injury for postal employees. If the intent of the law is to have a true waiting period before applying for benefits, then it should likewise come immediately after an employment-related injury for all federal workers, not just postal employees.

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

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



Appendixes

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Reporting Requirements Under the Following Acts

Inspector General Act of 1978

REPORTING REQUIREMENT	PAGE	
Section 4(a)(2)	Review of Legislation and Regulation	46
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	57
Section 5(a)(4)	Matters Referred to Prospective Authorities	58
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	53
Section 5(a)(7)	Summary of Significant Reports	ALL
Section 5(a)(8)	Statistical Tables on Management Decisions on Questioned Costs	52
Section 5(a)(9)	Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	51
Section 5(a)(10)	Summary of Each Audit Report over Six Months Old for Which No Management Decision Has Been Made	57
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	59
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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	1	0.4
Issued during the reporting period	<u>0</u>	<u>0</u>
Subtotal	1	0.4
For which a management decision was made during the reporting period:		
• Dollar value of recommendations that were agreed to by management		0.0
• Dollar value of recommendations that were not agreed to by management		0.0
For which no management decision had been made as of the end of the reporting period	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	168.1
For which management or appeal decisions were made during the reporting period	<u>0</u>	<u>0.0</u>
Subtotal	4	168.1
For which final action was taken during the reporting period:		
• Dollar value of recommendations that were actually completed		107.0
• Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		0.0
For which no final action had been taken by the end of the period	3	61.1

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

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)	13	1.9
Issued during the reporting period	<u>12</u>	<u>7.5</u>
Subtotal	25	9.4
For which a management decision was made during the reporting period:		
• Dollar value of disallowed costs		1.1
• Dollar value of costs not disallowed		0.1
For which no management decision had been made as of the end of the reporting period	17	8.2
For which no management decision had been made within 6 months of issuance	5	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)	49	24.2
For which management or appeal decisions were made during the reporting period	<u>3</u>	<u>1.1</u>
Subtotal	52	25.3
For which final action was taken during the reporting period:		
• Dollar value of disallowed costs that were recovered		0.9
• Dollar value of disallowed costs that were written off by management		0.0
• Dollar value of disallowed costs that entered appeal status		0.0
For which no final action had been taken by the end of the reporting period	51	24.4

* 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 (\$)
Unemployment Insurance				
Recovery Act: States Challenged in Detecting and Reducing Unemployment Insurance Improper Payments; Report No. 18-16-005-03-315; 08/02/16	2	0	0	0
Agency Total (1 Report)	2	0	0	0
Federal Employees' Compensation Act				
Service Auditors' Report on the Integrated Federal Employees' Compensation System for the Period October 1, 2015 to June 30, 2016 and Service Auditors' Report on the Central Bill Processing System for the Period October 1, 2015 to March 31, 2016; Report No. 22-16-007-04-431; 09/30/2016	0	0	0	0
Agency Total (1 Report)	0	0	0	0
Longshore and Harbor Workers' Compensation				
Longshore and Harbor Workers' Compensation Act Special Fund Financial Statements and Independent Auditors' Report, September 30, 2015 and 2014; Report No. 22-16-005-04-432; 08/03/16	0	0	0	0
District of Columbia Workmen's Compensation Act Special Fund Financial Statements and Independent Auditors' Report, September 30, 2015 and 2014; Report No. 22-16-006-04-432; 09/08/16	5	0	0	0
Agency Total (2 Reports)	5	0	0	0
Occupational Safety and Health Administration				
OSHA Does Not Know If Special Emphasis Programs Have Long-term Industrywide Effect; Report No. 02-16-201-10-105; 09/28/16	5	0	0	0
Agency Total (1 Report)	5	0	0	0
Mine Safety and Health Administration				
MSHA Can Improve How It Responds To and Tracks Hazardous Condition Complaints; Report No. 05-16-002-06-001; 09/30/2016	5	0	0	0
Agency Total (1 Report)	5	0	0	0
Final Audit Report Total (6 Reports)	17	0	0	0

Other Reports

Report Name	# of Nonmonetary Recommendations
Employment and Training Administration	
Older Workers Program	
Quality Control Review: Single Audit of the PathStone Corporation and Affiliates for the Year Ended September 30, 2015; Report No. 24-16-004-03-360; 09/07/16	0
Quality Control Review: Single Audit of Senior Service America, Inc. for the Year Ended June 30, 2015; Report No. 24-16-003-03-360; 09/19/16	3
Interim Report on Audit of Experience Works' Senior Community Service Employment Program Grant; Report No. 26-16-001-03-360; 09/30/16	2
Agency Total (3 Reports)	5
Office of Assistant Secretary for Administration and Management	
Information Technology Center	
Report on U.S. Department of Labor's Policies and Guidelines in Accordance with the Cybersecurity Act of 2015, Section 406; Report No. 23-16-007-07-720; 08/15/16	0
Information Assurance	
FISMA Fiscal Year 2015: Ongoing Security Deficiencies Exist; Report No. 23-16-002-07-725; 09/30/16	2
Agency Total (2 Reports)	2
Office of the Chief Financial Officer	
DOL Could Do More to Reduce Improper Payments and Improve Reporting; Report No. 03-16-002-13-001; 05/16/16	0
The Department Needs to Ensure It Is On Track to Implement Data Act Requirements; Report No. 17-16-002-13-001; 09/30/16	5
Agency Total (2 Reports)	5
Other Report Total (7 Reports)	12

Single Audit Reports Processed

Program/Report Name	# of Nonmonetary Recommendations	Questioned Costs (\$)
State of Colorado; Report No. 24-16-597-03-390; 09/28/16	11	
University of Illinois; Report No. 24-16-596-03-390; 09/28/16	11	
State of Minnesota; Report No. 24-16-594-03-390; 09/28/16	1	
State of Iowa; Report No. 24-16-593-03-315; 09/28/16	5	
Los Angeles Communities Advocating for Unity, Social Justice and Action for the Year Ended June 30, 2011; Report No. 24-16-592-03-390; 09/28/16	4	907
Newark Workforce Investment Board, Inc.; Report No. 24-16-591-03-390; 09/28/16	2	
Los Angeles Communities Advocating for Unity, Social Justice and Action for the Year Ended June 30, 2014; Report No. 24-16-590-03-390; 09/28/16	4	
The National Association of State Workforce Agencies and Subsidiary; Report No. 24-16-588-03-315; 09/28/16	2	
Navajo Nation; Report No. 24-16-587-03-355; 09/28/16	2	
Government of Guam; Report No. 24-16-586-03-390; 09/28/16	2	
Center for Community Alternatives; Report No. 24-16-585-03-390; 09/28/16	4	
State of West Virginia; Report No. 24-16-584-03-315; 09/28/16	3	
Memphis Leadership Foundation, Inc.; Report No. 24-16-583-03-390; 09/28/16	1	
T.A. Lawson State Community College; Report No. 24-16-582-03-330; 09/28/16	1	
Siouxland Investment Development Partnership; Report No. 24-16-579-03-390; 08/03/16	1	
State of Arizona; Report No. 24-16-572-03-315; 08/03/16	4	6,240
State of Nevada; Report No. 24-16-595-03-315; 07/13/16	3	
Mississippi Delta Council for Farm Workers Opportunities, Inc., for the Year Ended June 30, 2012; Report No. 24-16-560-03-390; 07/13/16	1	
Mississippi Delta Council for Farm Workers Opportunities, Inc., for the Year Ended June 30, 2010; Report No. 24-16-575-03-390; 07/13/16	1	
Mississippi Delta Council for Farm Workers Opportunities, Inc., for the Year Ended June 30, 2011; Report No. 24-16-576-03-390; 07/13/16	1	
State of Montana; Report No. 24-16-574-03-315; 07/13/16	1	
State of Wyoming; Report No. 24-16-573-03-390; 07/13/16	1	
State of Washington c/o Office of Financial Management; Report No. 24-16-571-03-315; 07/13/16	2	10,945
State of Oregon; Report No. 24-16-570-03-390; 07/13/16	1	8,347
Private Industry Council of Passiac County, Inc.; Report No. 24-16-569-03-390; 07/13/16	1	
Prince George's Community College; Report No. 24-16-568-03-390; 07/13/16	1	181,062
Rocky Mountain SER Jobs for Progress, Inc. Tribes Technical College; Report No. 24-16-566-03-390; 07/13/16	3	
State of Hawaii Department of Accounting and General Services; Report No. 24-16-565-03-390; 07/13/16	2	
New Mexico Aging and Long Term Services Department; Report No. 24-16-564-03-390; 07/13/16	1	
State of Vermont; Report No. 24-16-567-03-315; 06/28/16	3	

Single Audit Reports Processed, continued

State of Rhode Island and Providence Plantations; Report No. 24-16-563-03-315; 06/28/16	5	
Economic Development and Industrial Corporation of Boston; Report No. 24-16-562-03-390; 06/28/16	3	
State of Connecticut; Report No. 24-16-561-03-390; 06/28/16	8	
State of New Jersey; Report No. 24-16-559-03-315; 06/28/16	2	
Commonwealth of Pennsylvania; Report No. 24-16-558-03-390; 06/28/16	5	
State of Kansas; Report No. 24-16-557-03-315; 06/28/16	6	
State of Delaware; Report No. 24-16-556-03-390; 06/13/16	3	6,300
Baltimore County, Maryland; Report No. 24-16-555-03-390; 06/13/16	0	642
State of Tennessee; Report No. 24-16-554-03-315; 06/13/16	9	5,584,105
Commonwealth of Puerto Rico Department of Labor and Human Resources; Report No. 24-16-553-03-390; 06/13/16	10	
Experience Works, Inc. and Affiliates; Report No. 24-16-552-03-390; 06/13/16	2	1,619,324
State of Louisiana; Report No. 24-16-551-03-390; 05/16/16	1	
Commonwealth of Kentucky; Report No. 24-16-550-03-390; 05/11/16	5	4,055
State of Texas c/o Comptroller of Public Accounts; Report No. 24-16-547-03-390; 05/11/16	1	
South Carolina Department of Employment; Report No. 24-16-528-03-390; 05/11/16	2	
State of Florida; Report No. 26-16-549-03-390; 04/27/16	4	
State of Florida; Report No. 24-16-548-02-201; 04/27/16	1	
State of Ohio; Report No. 24-16-546-03-315; 04/27/16	1	23,246
Commonwealth of Virginia; Report No. 24-16-545-03-315; 04/27/16	3	
Arizona Diversity Business Development Center; Report No. 24-16-544-03-390; 04/27/16	1	
Safer Foundation and Subsidiaries; Report No. 24-16-543-03-390; 04/27/16	1	
Clovis Community College; Report No. 24-16-542-03-390; 04/27/16	1	
Commonwealth of Puerto Rico Labor Development Administration; Report No. 24-16-535-03-390; 04/27/16	4	16,800
Single Audit Report Total (53 Reports)	157	7,461,973

Appendixes

Unresolved Audit Reports over 6 Months Old

Agency	Report Name	# of Nonmonetary Recommendations	Monetary Amount (\$)
Nonmonetary Recommendations and Questioned Costs			
Final Management Decision / Final Determination Issued Did Not Resolve; OIG Negotiating with Agency			
EBSA	Changes Are Still Needed in the ERISA Audit Process to Increase Protection for Employee Benefit Plan Participants; Report No. 09-12-002-12-121; 09/28/12	1	0
EBSA	EBSA Needs to Provide Additional Guidance and Oversight to ERISA Plans Holding Hard-to Value Alternative Investments; Report No. 09-13-001-12-121; 09/30/13	1	0
EBSA	Limited-Scope Audits Provide Inadequate Protections to Retirement Plan Participants; Report No. 05-14-005-12-121; 09/30/14	5	0
ETA	Controls Over the Release of the UI Weekly Claim Report Need Improvement; Report No. 17-14-001-03-315; 01/02/14	1	0
ETA	Effectiveness of Pennsylvania in Detecting and Reducing Unemployment Insurance Improper Payments and Implementation of Employment and Training Administration National Strategies; Report No. 18-15-001-03-315; 03/31/15	3	0
ETA	Recovery Act: Effectiveness of Indiana in Detecting and Reducing Unemployment Insurance Improper Payments and Implementation of Employment and Training Administration National Strategies; 18-16-004-03-315; 11/24/15	1	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
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
OCFO	DOL Could Do More to Reduce Improper Payments and Improve Reporting; Report No. 03-15-001-13-001; 05/15/15	3	0
OSEC	Alert Memorandum: DOL Needs to Strengthen Its Oversight of NCFMS to Control Costs; Report No. 22-15-007-01-001; 06/02/15	2	0
OSEC	The Department Remains Vulnerable To Premature Release of Embargoed Economic Data; Report No. 17-16-001-01-001; 03/25/16	1	0
OWCP	OWCP And ECAB Did Not Monitor the Representatives' Fees Process to Protect FECA Claimants From Excessive Fees; Report No. 03-16-001-04-431; 03/31/16	2	0
Final Determination Not Issued by Close of Period			
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
ETA	Partners of the Americas, Inc.; Report No. 24-16-521-03-001; 02/01/16	2	0
ETA	Goodweave International; 24-16-534-03-001; 03/09/16	3	13,391
ETA	Tri-County (Peoria) Urban League, Inc.; Report No. 24-16-504-03-390; 10/16/15	3	250
ODEP	National Disability Institute; Report No. 24-16-531-01-080; 02/10/16	1	0
Total Nonmonetary Recommendations, Questioned Costs		36	702,476
Cost-Efficiencies			
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
Total Cost-Efficiencies		0	398,729
Total Audit Exceptions, Cost-Efficiencies, and Other Monetary Impact		36	1,101,205

Investigative Statistics

	Division Totals	Total
Cases Opened:		109
Program Fraud	73	
Labor Racketeering	36	
Cases Closed:		385
Program Fraud	322	
Labor Racketeering	63	
Cases Referred for Prosecution:		119
Program Fraud	94	
Labor Racketeering	25	
Cases Referred for Administrative/Civil Action:		68
Program Fraud	57	
Labor Racketeering	11	
Indictments:		165
Program Fraud	127	
Labor Racketeering	38	
Convictions:		158
Program Fraud	119	
Labor Racketeering	39	
Statutory Debarments:		29
Program Fraud	16	
Labor Racketeering	13	

Recoveries, Cost-Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:		\$62,851,780
Program Fraud	\$48,723,757	
Labor Racketeering	\$14,128,023	

Recoveries: The dollar amount/value of an agency's action to recover or to reprogram funds or to make other adjustments in response to OIG investigations	\$2,079,712
Cost-Efficiencies: The one-time or per annum dollar amount/value of management's commitment, in response to OIG investigations, to utilize the government's resources more efficiently	\$11,446,637
Restitutions/Forfeitures: The dollar amount/value of restitutions and forfeitures resulting from OIG criminal investigations	\$47,723,232
Fines/Penalties: The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations	\$627,034
Civil Monetary Actions: The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, and other penalties resulting from OIG criminal investigations	\$901,165
Total:	\$62,851,780*

* These accomplishments do not include \$45.3 million in monetary results from cases that involved the participation of multiple agencies.

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 Investigative Function

The Social Security Administration Office of Inspector General (SSA-OIG) conducted a peer review of the system of internal safeguards and management procedures for DOL-OIG’s investigative function for the period ending September 30, 2016. The OIG has been advised that the review did not identify any deficiencies with our investigative program. The OIG is awaiting the final report from SSA-OIG at this time.

Peer Review of DOL-OIG Audit Function

The Department of Education OIG conducted a peer review of the system of quality control for DOL-OIG’s audit function for the period ending September 2015. The peer review report, which was issued on March 29, 2016, resulted in an opinion that the system of quality control was suitably designed and provided reasonable assurance of DOL-OIG’s conforming to professional standards in the conduct of audits. The peer review gave DOL-OIG a pass rating and made no recommendations.

OIG Hotline

The OIG Hotline provides a communication link between the OIG and persons who want to report alleged violations of laws, rules, and regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. During the reporting period April 1, 2016, through September 30, 2016, the OIG Hotline received a total of 1,072 contacts. Of these, 250 were referred for further review and/or action.

Complaints Received (by Method Reported):	Totals
Telephone	344
E-mail/Internet	535
Mail	160
Fax	32
Walk-In	1
Total	1,072
Complaints Received (by Source):	Totals
Complaints from Individuals or Nongovernment Organizations	1,027
Complaints/Inquiries from Congress	4
Referrals from the Government Accountability Office	1
Complaints from Other DOL Agencies	13
Complaints from Other (Non-DOL) Government Agencies	27
Total	1,072
Disposition of Complaints:	Totals
Referred to OIG Components for Further Review and/or Action	102
Referred to DOL Program Management for Further Review and/or Action	103
Referred to Non-DOL Agencies/Organizations	45
No Referral Required / Informational Contact	844
Total	1,094*

* 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 2017 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 continue our work to determine if EBSA has been conducting adequate oversight of the Thrift Savings Plan.

Plan Administrator Fidelity Bonding. We will determine if EBSA exercised sufficient oversight of bonding requirements for plan administrators and if the minimum bond requirements adequately protect plan assets.

Employment and Training Administration (ETA)

Mandatory Audits

Job Corps

Integrity of Center Information System Data. We will determine if Job Corps has effective controls in place to ensure the integrity and reliability of performance metrics and student data processed within its Center Information System.

Center Operator Risk Mitigation. We will determine if Job Corps and ETA effectively evaluated and managed 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.

Review of Job Corps Center Safety—In Progress. We will continue our work reviewing 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.

OIG FY 2017 Audit Work Plan

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, initial job placements, and job retention. We will also continue our work to determine if placement data reported by Job Corps and its contractors were accurate and reliable.

ETA

Discretionary Audits

ETA Grant Programs

WIOA Implementation Readiness Review. We will assess ETA's readiness to implement program changes, as required by the Workforce Innovation and Opportunity Act (WIOA). The work will be limited to WIOA Title I (Adult, Dislocated Worker, or Youth Formula programs).

Reintegration of the Ex-Offenders (RExO) Program. 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' training led to participants receiving and retaining employment in an industry or occupation for which employers are using H-1B visas to hire foreign workers. 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.

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.

OIG FY 2017 Audit Work Plan

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

Foreign Labor Certification Program

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

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

H-1B Application Review and Oversight Process. We will continue our work to determine if OFLC's H-1B application review process and oversight of employers' self attestations 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 properly managed the PERM program.

Unemployment Insurance Program

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

Modernization of States' Unemployment Insurance (UI) Information Technology (IT) Systems. We will determine if states used UI IT modernization funds as intended.

Inappropriate Federal Unemployment Tax Act (FUTA) Tax Credits to Employers Who Underpay State Unemployment Insurance Taxes. We will determine the impact on federal funds of FUTA tax credits given to employers that engage in tax avoidance schemes.

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

State Unemployment Tax Act (SUTA) Avoidance—In Progress. We will continue our work to determine if states identified employers that attempted to evade state unemployment taxes through SUTA dumping or misclassified employees, and if penalties states levied against these employers 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.

OIG FY 2017 Audit Work Plan

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

MSHA Mine Emergency Operations. We will determine if MSHA had an effective strategy to staff, equip, and train MSHA personnel for mine emergency response operations.

Vacating Violations. We will determine if MSHA had adequate controls over issued citations and orders.

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

Occupational Safety and Health Administration (OSHA)

Discretionary Audits

Risk-Based Targeting. We will review how OSHA uses data to target its compliance assistance and enforcement resources on the highest hazard states, industries, and occupations.

Severe Injury Reporting. We will review how OSHA implemented the relatively new Severe Injury Reporting Program, and determine if the program enhanced OSHA's ability to target resources to save lives and prevent further injury and illness.

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

Office of Administrative Law Judges (OALJ)

Discretionary Audits

OALJ Black Lung Case Management—In Progress. We will continue our work to determine if OALJ was appropriately resourced, and if its systems and processes ensured resources were effectively used to reduce its case backlog.

OIG FY 2017 Audit Work Plan

Office of Federal Contract Compliance Programs (OFCCP)

Discretionary Audits

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

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

DOL Suspension and Debarment Program. We will determine if DOL has an effective suspension and debarment program.

Fleet Management. We will determine if DOL adequately manages its fleet operations.

Grant Closeout. We will perform a risk assessment of DOL's grant closeout process.

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

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

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

DOL Acquisition Planning—In Progress. We will continue our work to determine if DOL 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 2017 Audit Work Plan

Office of the Chief Financial Officer (OCFO)

Mandatory Audits

DATA Act Audit. We will determine if DOL complied with the DATA Act, which identified requirements for agencies, including DOL, to make publicly available their spending data.

DOL Consolidated Financial Statements Audit—Annual. We will determine if DOL’s consolidated financial statements presented fairly, in all material respects, the financial position of DOL as of September 30, 2016. 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

Enterprise Risk Management (ERM) Readiness Review. We will assess DOL’s readiness to comply with ERM requirements described in OMB Circular A-123.

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

Office of Workers’ Compensation Programs (OWCP)

Mandatory Audits

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, 2016; and 2) internal controls over financial reporting related to the Schedule were in compliance with laws and regulations that could have a direct and material effect on the Schedule.

Longshore and Harbor Workers’ Compensation Act (LHWCA) Special Fund—Annual. We will determine if DOL’s LHWCA Special Fund financial statement presented fairly, in all material respects, the financial position of the LHWCA Special Funds on September 30, 2016.

OIG FY 2017 Audit Work Plan

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, 2016.

OWCP

Discretionary Audits

OWCP Bill Pay Edits. We will determine if OWCP implemented edit checks to the medical bill payment systems.

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

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

Wage and Hour Division (WHD)

Discretionary Audits

WHD Inspection Process for Complaints. We will determine if WHD processed and investigated complaints effectively and timely.

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

Multi-Agency

Mandatory Audits

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

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

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