

THE INSPECTOR GENERAL'S MESSAGE

This semiannual report of the Office of Inspector General (OIG) details some of our most significant activities for the period October 1, 1997, through March 31, 1998. During this period, the OIG focused its audit and investigative resources on activities that support our accomplishment of the goals established in our strategic plan. These goals reflect the OIG vision to provide the Department of Labor (DOL) and Congress with quality information, recommendations, and technical assistance that improve the impact of DOL programs and operations. Particularly noteworthy during this reporting period have been our accomplishments in:

- identifying and calling attention to the ineffectiveness of the DOL's foreign labor certification programs;
- calling attention to legislative changes needed to improve aspects of the Department's pension, workers' compensation, and program evaluation functions;
- identifying a systemic weakness in the Unemployment Insurance program that has led to significant benefits being paid to ineligible claimants and illegal aliens;
- uncovering fraud against DOL's employment and training and worker benefit programs;
- combating labor racketeering in unions and the workplace through successful indictments and convictions in the areas of employee benefit plans, labor-management relations, and internal union affairs;
- working closely with DOL and the General Accounting Office to be able to remove a long-standing qualification to our opinion on the Department's consolidated financial statements and issue the Department its first clean audit opinion; and
- providing technical assistance to the Department in its implementation of the Government Performance and Results Act.

My staff and I are committed to effecting positive change, reducing vulnerabilities, and contributing to the Department's achievement of its own strategic goals. I look forward to continuing to work effectively with the Secretary in our common goal of ensuring the effectiveness, efficiency, and integrity of the programs that serve and protect American workers and retirees.

Charles C. Masten
Inspector General

TABLE OF CONTENTS

THE INSPECTOR GENERAL’S MESSAGE *i*

TABLE OF CONTENTS *ii*

EXECUTIVE SUMMARY OF OIG ACTIVITIES *iv*

SIGNIFICANT CONCERNS *viii*

SELECTED STATISTICS 1

EMPLOYMENT AND TRAINING 2

Foreign Labor Certification 3

Grant and Contract Management 6

School-To-Work 7

Job Training Partnership Act 9

Job Corps 9

Dislocated Worker Employment Training Assistance 12

Federal Programs 15

Audit Resolution 17

Employment and Training Investigations 20

Job Training Partnership Act 20

Foreign Labor Certification 22

WORKPLACE BENEFITS 24

Pension and Employee Benefit Plan Enforcement 24

Unemployment Insurance Benefits 28

Fraud in the Unemployment Insurance Program 28

Related Audits in the Unemployment Insurance Program 31

Worker Disability Benefits 33

Federal Employees’ Compensation Act 33

Longshore and Harbor Workers’ Compensation Act 40

Black Lung Program 40

WORKPLACE STANDARDS & SAFETY 41

Workplace Standards 41

Wage and Hour 41

Workplace Safety	43
Mine Safety and Health Administration	44
OIG LABOR RACKETEERING PROGRAM	45
Employee Benefit Plans	45
Labor-Management Relations	49
Internal Union Affairs	50
DEPARTMENTAL MANAGEMENT	52
FY 1997 Consolidated Financial Statements	52
Activities to Assist Departmental Management	57
Government Performance and Results Act	57
Contracting Operations	58
Technology Implementation	60
Employee Integrity and Ethics	62
LEGISLATIVE RECOMMENDATIONS	65
APPENDICES	72
Reporting Requirements	73
Explanation of Audit Schedules	74
Audit Schedules	75
Recommendations that Funds be Put to Better Use	75
Questioned Costs	77
Disallowed Costs	78
Audit Activities	79
Unresolved Audits Over 6 Months	80
Final Audit Reports Issued by the OIG	84
Investigations Schedules	85
Breakdown of Accomplishments	85
Complaint Activity	86
Financial Accomplishments	87
Office of Investigations Case List	88
LIST OF ACRONYMS	96

EXECUTIVE SUMMARY OF OIG ACTIVITIES

The following are highlights of some of the OIG's most significant activities contained in this report.

EMPLOYMENT AND TRAINING

Temporary Agricultural Guest Worker Program Found to be Ineffective

An OIG audit of the H-2A, temporary agricultural guest worker program found that the H-2A certification process was ineffective. This is because neither the efforts of the State Employment Security Agencies, nor requirements that employers recruit U.S. workers, resulted in significant numbers of U.S. workers being placed in agricultural jobs for which foreign H-2A laborers had been requested. Moreover, we concluded that the program's ineffectiveness is compounded by a significant illegal workforce that is available to fill the types of jobs that the H-2A program is supposed to protect. Recognizing that changes in ETA's certification procedures would not solve the systemic problems identified in our audit, our recommendations focused on improving the enforcement of program requirements pg.3

Questionable Charges Made to the Administration of JTPA Funds in Missouri

In response to a congressional request, OIG performed an audit of Job Training Partnership Act (JTPA) funds administered by a service delivery area in St. Louis County, Missouri, to determine whether JTPA program staff were actually working on individual programs to the extent claimed. Our audit questioned \$567,737 of direct cost charges made to the program, because the staff routinely charged a disproportionate share of their time to JTPA grants. We questioned an additional \$136,574 for indirect costs which were based on disproportionate direct charges and computed incorrectly pg.14

Improvements Needed in Placement Services Provided to Job Corps Students

The OIG evaluated placement services provided to Job Corps students during Program Year (PY) 1996. We found that although placement results had improved in recent years, improvements are needed in the delivery and documentation of placement services provided to Job Corps students. Our report identified and recommended implementation of best practices being used by placement contractors to improve overall program performance pg. 9

As a result of our continuing efforts to identify criminal activity in the employment and training area, five individuals pled guilty to charges related to a fraud scheme perpetrated against a DOL foreign labor certification program. The investigation resulted in the breakup of an alien smuggling operation where the defendants obtained H-1A non-immigrant work visas, and used those visas to illegally bring 465 foreign nurses into the United States for employment at health care facilities. DOL estimates that this scheme cost American nurses about \$13 million in lost annual salary opportunities pg.22

OIG Investigation Identifies Alien Smuggling Operation

Also, an OIG investigation revealed that a non-profit foundation submitted false written verifications that clients had received and completed training and had been placed in permanent employment, when in fact their clients never received training as required by the contract. The foundation agreed to a civil settlement of \$252,455 pg. 20

The OIG conducted a limited scope audit on the use of Social Security Number (SSN) verification techniques to identify ineligible Unemployment Insurance (UI) claimants. We identified as ineligible UI claimants those individuals who have been using invalid SSNs or using SSNs issued to deceased individuals. The audit found that 2,927 claims totaling \$3.2 million were paid to individuals who had filed for UI benefits under SSNs that had either not been issued or were issued to deceased individuals, and that a substantial portion of these claims were filed by illegal aliens. Among our recommendations was that ETA assist the states in developing and implementing methods of screening UI claimants for valid SSNs pg.31

WORKPLACE BENEFITS

\$3.2 Million Paid to Ineligible UI Claimants

OIG investigations continue to reveal multi-state, UI fraud schemes involving millions of dollars. In one particular case, an individual was sentenced to prison and ordered to pay \$372,113 in restitution after he pled guilty to charges of mail fraud. He defrauded the Connecticut UI program by operating an interstate fictitious employer scheme using six false names and social security numbers. In a written plea agreement, he also admitted to defrauding the UI program in Pennsylvania, New Jersey, New York, and the District of Columbia using the same scheme, filing 42 UI claims, and using 15 false names and social security numbers pg.29

Multi-State UI Fraud Schemes

Reducing Fraud in DOL's Disability Program

The OIG completed many investigations within the ever-complex medical fraud arena. Among the more significant cases was an OIG investigation where an individual, who was a neurologist, psychologist, and attorney, worked 1 day per week and claimed to treat from 30 to 40 patients on a given day. From 1993 to 1994, this physician submitted over \$700,000 in fraudulent bills to OWCP and private insurance carriers *pg.39*

WORKPLACE SAFETY

In the workplace safety area, we investigated two former Mine Safety and Health Administration (MSHA) training instructors who were charged with making false statements, aiding and abetting, and false certification of MSHA forms. The investigation found that the instructors altered MSHA forms to falsely indicate that miners received the required MSHA training. Ultimately, these instructors were indicted by a Federal Grand Jury *pg.44*

OIG LABOR RACKETEERING PROGRAM

Through our labor racketeering operations, we uncovered a number of criminal schemes. For example, we investigated a case involving a businessman who fraudulently under reported hours that his employees worked. As a result of his under reporting hours, he also underpaid his contributions to the miners' pension fund. He was sentenced to 87 months in prison and ordered to pay more than \$4.5 million in restitution for tax evasion, mail fraud, pension fraud, and obstruction of justice *pg.47*

Internal Union Affairs

Following an OIG investigation, four former officials of the United Food and Commercial Workers (UFCW) District Union Local 1 in Utica, New York, pled guilty to embezzling funds from the Local. Three contractors also pled guilty for their part in this scheme. The contractors aided and abetted the union officials by submitting false invoices to the Local for work on personal residences and other goods *pg.50*

Member of the Colombo Organized Crime Family Sentenced

An OIG investigation resulted in the conviction of a member of the Colombo organized crime family for extortion related to his "representation" of organized crime in dealing with the Greater Blouse, Skirt and Undergarment Association. The conviction stems from a scheme in which the individual was a ghost employee of the union, receiving payments for wages and pension benefits for work he did not perform *pg. 49*

In our continuing effort to protect pension benefits, the OIG investigated an attorney and a freight company investor who embezzled and laundered \$525,000 from the Imperial Air Freight Profit Sharing Trust. The investor became the sole trustee for the profit sharing plan, depleted the plan's assets, and bankrupted the plan. The attorney and investor were indicted and convicted of conspiracy, embezzlement, and money laundering pg.47

Pension Plan Fraud

The OIG audited the Department's consolidated financial statements and the various trust funds of the Department. As a result of our audit, on going technical assistance, and work with GAO to ensure that tax revenues collected by the U.S. Department of the Treasury were audited, we were able to remove our related long-standing qualification and issue the Department's first clean opinion pg.52

**DEPARTMENTAL
MANAGEMENT**

The OIG continues with its commitment to help the Department ensure the integrity and ethics of its employees. For example, an OIG investigation revealed that as Deputy Job Corps Director, a Deputy Regional Administrator for the Employment and Training Administration (ETA), conspired with a Job Corps contractor to receive illegal gratuities and steal Government reports to be used in preparation of contract bids submitted to DOL. The ETA employee pled guilty to one count of conspiracy and resigned from the position pg.62

***Ensuring Employee
Integrity and Ethics***

SIGNIFICANT CONCERNS

INEFFECTIVENESS OF DOL FOREIGN LABOR CERTIFICATIONS

DOL participates in the administration of a number of programs intended to protect U.S. workers' jobs and wages, while at the same time allowing employers access to foreign workers to meet domestic labor shortages. The OIG completed audits of three of these programs over the last couple of years and found all three to be ineffective in meeting their legislative intent.

In May 1996, we reported on DOL's employment-based permanent program and the temporary H-1B Labor Condition Application program. We found that, while ETA was doing all it could within its authority, neither program met its legislative intent of protecting U.S. workers' jobs or wages. Overall, we concluded the permanent program was little more than a paper exercise because 75 percent of the aliens certified during our audit period were already working for the employer at the time the employer filed for certification. We found that despite requirements that employers try to hire U.S. workers, before seeking to hire foreign workers, few U.S. workers were actually hired. The audit disclosed that the H-1B program amounted to a rubber stamp of employers' applications. Despite the fact that the H-1B program is intended to provide employers with highly-skilled individuals who must be paid prevailing wages, we found that it served as a probationary, often entry-level, employment program for illegal aliens, foreign students, and foreign visitors to determine if they would be sponsored for permanent status. We recommended these two DOL programs be eliminated and replaced with programs that meet Congress' intent. We also recommended that if the programs were continued, the costs of DOL's activities be fully recovered by charging user fees to the employers who benefit from the program.

Our audit this reporting period of the H-2A temporary agricultural guest worker program disclosed that the H-2A certification process was ineffective. We found that neither the efforts of the State Employment Security Agencies, nor requirements that employers recruit U.S. workers, resulted in significant numbers of U.S. workers being placed in agricultural jobs for which foreign H-2A laborers had been requested. Moreover, we concluded that the program's ineffectiveness is compounded by a significant illegal workforce available to fill the types of jobs that the H2A program is supposed to

protect. Recognizing that changes in ETA's certification procedures would not solve the systemic problems identified in our audit, our recommendations focused on improving the enforcement of program requirements.

Based on our findings, it is the OIG's opinion that a re-assessment is needed of whether these programs are the most effective mechanism to protect the jobs and wages of U.S. workers from less expensive foreign labor. If the programs continue, modifications are needed to effectively protect U.S. workers, while ensuring employers have access to workers for occupations where there are skill and labor shortages.

DOL has identified 61 mission-critical systems for which it must ensure Year 2000 compliance, or adequate contingency plans to ensure continuity of operations. DOL's systems are used to carry out a myriad of mission-critical functions such as: generating vital statistics of the U.S. economy such as unemployment rates and the consumer price index; providing income security to millions of workers through a variety of benefit programs; administering nationwide employment and training programs and services; and providing vital information to the public on a variety of employment issues including the security of pension plans, occupational injuries and illnesses, and employment rights.

Since the beginning of this year, we have become increasingly concerned with the DOL's handling of its Year 2000 problem because there has not been sufficient progress in meeting the accelerated performance targets established by the Office of Management and Budget (OMB). As a result, the OIG identified this as a high-risk area for the Department of Labor. Concern with the Department's lack of progress in this area has been raised by OMB and two Congressional Subcommittees.

The Secretary has committed to ensuring Year 2000 compliance for DOL. Her commitment is evident from her decision to raise responsibility for this problem to the Deputy Secretary level and to indicate that Assistant Secretaries will be held personally accountable for their agencies' compliance. After the close of this semiannual reporting period, the OIG entered into an agreement with the Chief Information Officer that established six priorities to ensure Year 2000 compliance. We agreed that the CIO would be

SLOW PROGRESS IN ADDRESSING YEAR 2000 PROBLEM

responsible for addressing the six areas in the agreement, with the OIG providing audit oversight and assistance. In order to ensure that the agreement is successful, adequate management of this problem in the months ahead will be crucial. This includes following a clear plan with specific milestones to address the areas identified in the CIO-OIG agreement; ensuring that the funding needed is more realistically estimated; monitoring closely the replacement of systems and the development of relevant contingency plans to guarantee continuity of operations; and addressing external factors that may impact program agencies' compliance or interfaces with outside entities.

LIMITATIONS ON OIG ACCESS TO DATA

Earnings Data: With passage of the Government Performance and Results Act, the threshold for program evaluation has, in effect, been raised through the Act's requirements that Agencies demonstrate the impact of Federally-funded programs. For the Department of Labor and the OIG, this means an increased need to access earnings and employment information held by other Federal or state entities. In addition, this information is critical in identifying and stopping fraud in certain programs. In many cases, these records are the only accurate source of wage and employment information, and are thus, critical to DOL and OIG activities. However, the OIG is concerned because access to such data for program evaluation or investigative purposes has proven to be a challenge in the past.

While we can currently obtain summary data for groups of people, we are unable to obtain timely and useful information regarding specific individuals' earnings for program evaluation, investigative, and other purposes. Under the Internal Revenue Code, the Social Security Administration (SSA) and the Internal Revenue Service are, in most instances, prohibited from disclosing any personal identifying information. However, information on individuals' earnings is crucial if we are to identify fraud and fully evaluate the effectiveness of DOL's benefits, training and other means-tested or eligibility-based programs.

For example we can match Federal Employees' Compensation Act (FECA) claimant files against SSA wage records to identify the total number of claimants and total wages reported by state. While this technique is useful in identifying the magnitude of a potential problem, it does not identify which specific claimants

may be committing FECA fraud, nor does it allow us to follow up with individuals to reconcile discrepancies or learn more about their individual experiences with the program.

Similarly, some states have interpreted the unemployment compensation provisions of the Social Security Act to effectively limit DOL access to state Unemployment Insurance (UI) wage record data. Although the IG Act provides the OIG with administrative subpoena authority to obtain these records, the enforcement of our subpoenas when states fail to comply is both time-consuming and costly.

BLS Confidential Information: A fundamental tenet of the Inspector General Act is the authority granted to OIGs to have access to agency program data in carrying out their mission. Over the years, this authority has proven to be critical to thousands of audits and investigations we have conducted. However, legislation pending in the Senate (S.1404) would provide the Bureau of Labor Statistics (BLS) with statutory authority to offer confidentiality guarantees to survey respondents. The OIG is concerned because, even without such statutory authority, we have encountered problems in gaining access to source data to verify information generated by BLS. Absent clarification as to the OIG's authority to access such data, this proposal, if enacted in its current form, would have the unintended effect of further limiting OIG access to data and information needed to carry out its oversight of BLS activities.

The OIG remains particularly concerned with an increase in fictitious employers schemes perpetrated against the Unemployment Insurance (UI) system. These schemes are carried out by individuals who set up fictitious employer accounts and, after establishing themselves as liable employers and making minimal tax payments, file numerous fraudulent claims against non-existent companies using assumed names and social security numbers. OIG investigations have documented the multi-state nature of these schemes, the significant losses in benefit payment dollars and tax revenues, and the vulnerability of the system to fraud. Of particular concern to the OIG are the vulnerabilities created by technological advances and policies that allow for electronic filing of claims without adequate safeguards. Further, as we identified in our audit work this reporting period, the lack of

UI FICTITIOUS OR FRAUDULENT EMPLOYER SCHEMES

screening and verification of claimants' social security numbers results in significant amounts of benefits being paid to individuals with invalid social security numbers.

ABUSES BY PENSION PLAN SERVICE PROVIDERS

Private pension plans, with an estimated \$3.5 trillion in assets serve as an attractive target to organized crime elements, corrupt pension plan officials, and service providers who influence the investment activity of the pension assets. Labor racketeering investigations involving the investment of pension plan monies through criminal enterprises, particularly those that are jointly-administered by labor union representatives and management representatives (Taft-Hartley plans), have elevated the OIG's concern over the security of the assets in this segment of the pension plan universe.

OIG investigations have uncovered many criminal enterprises perpetrated by service providers to the Nation's pension plans. Such abuses are committed by sophisticated investment advisors and plan administrators who have the opportunity and ability to structure financial schemes to conceal their criminal activity. Abuses by services providers are particularly egregious since they can result in greater dollar losses because of their potential to affect more than one plan.

Based on recent investigative results and the fact that service providers typically control the investment of hundreds of millions of dollars of pension monies, the OIG has identified this area of the pension arena as especially vulnerable to organized crime activity and abuses.

SELECTED STATISTICS

Office of Audit

Reports Issued On DOL Activities	24
Total Questioned Costs	\$2.8 Million
Dollars Resolved	\$4.4 Million
Allowed	\$1.6 Million
Disallowed	\$2.8 Million
Recommendations That Funds Be Put To Better Use	\$1.8 Million
Other Monetary Impact	\$3.2 Million

Office of Investigations

Cases opened	258
Cases closed	293
Cases referred for prosecution	232
Cases referred for administrative/civil action	166
Indictments	175
Convictions	119
Debarments	23
Recoveries, cost efficiencies, restitutions, fines, penalties, forfeitures, and civil monetary actions	\$ 22.8 Million

EMPLOYMENT AND TRAINING

The Department of Labor is charged with providing employment and training services for the unemployed and underemployed, employment security for workers, and for administering programs that are directed to the employment needs of U.S. workers and the workforce needs of employers. The Department's Employment and Training Administration (ETA) administers a number of statutes related to this function. This function is accomplished through grants to states and through National programs. In Fiscal Year 1998, over \$8.5 billion was appropriated for DOL's employment and training programs.

This continues to be a critical time in DOL's history with respect to employment and training because DOL's programs are an important factor in the implementation of welfare reform. The Department's ability to provide effective training and employment services to help individuals transition from dependency on public assistance to self-sufficiency is key to the success of welfare reform. Of equal importance is the fact that with the passage of the Government Performance and Results Act (GPRA), Congress and the Administration are mandating that programs be effective, have a positive impact, and produce a positive return on the taxpayers' investment.

Because of the importance of DOL's employment and training activities, the OIG has a goal under its 6-year GPRA Strategic Plan "to optimize the use of funds appropriated for employment, training, and welfare-to-work programs by enhancing program performance and accountability." Accordingly, the OIG is utilizing its extensive, in-house experience with these programs to provide information to the Department and Congress regarding key programs.

During this reporting period, the OIG devoted significant resources toward achieving our employment and training strategic goal. The OIG completed audits relating to various key programs that identified performance problems and financial compliance weaknesses. Illustrations of our audit activities follow:

The Department of Labor administers a number of certification and enforcement programs designed to protect U.S. workers' jobs and wages from foreign labor, while at the same time allowing employers access to foreign workers to meet domestic labor shortages. One of these programs is authorized under the Immigration Reform and Control Act's (IRCA) temporary agricultural guest worker program. Known as the H-2A Program, it is used by agricultural employers to bring in foreign agricultural workers. Two agencies within DOL have responsibilities under this program. ETA administers a certification process in which employers must demonstrate that they have actively recruited U.S. workers. Employers must also show that they have cooperated with DOL-funded State Employment Security Agencies (SESAs) in further efforts to recruit U.S. workers before aliens can obtain visas to legally work in the United States. The Employment Standards Administration (ESA) enforces H-2A contract wage and working condition standards to ensure that foreign workers who are admitted do not erode the working conditions and pay of similarly employed U.S. workers.

The OIG conducted an audit of the effectiveness of DOL's certification procedures regarding the H-2A temporary agricultural guest worker program.

Audit Findings

Ineffectiveness of Certification Process: The OIG audit found the H-2A certification process administered by ETA was ineffective. Many studies point to a surplus of agricultural workers. Yet, our sample of Fiscal Year (FY) 1996 H-2A certifications indicated that neither the efforts of the SESAs, nor requirements that employers recruit U.S. workers, resulted in significant numbers of U.S. workers being placed in agricultural jobs for which foreign H-2A laborers had been requested. Only 2 percent of our sample of agricultural job openings for which growers had requested foreign workers (252 out of 10,134) were filled by domestic workers.

Recruitment Efforts by SESAs: The SESAs are ETA's partners in helping to recruit U.S. workers for agricultural jobs. However, most agricultural employers used means other than

FOREIGN LABOR CERTIFICATION

**Consolidation of Labor's
Enforcement
Responsibilities for the
H-2A Program Could Better
Protect Agricultural
Workers**

the SESAs to recruit farm workers. We found that SESAs' efforts to recruit U.S. workers for H-2A jobs were often passive, resulting in few referrals of such workers to employers. Some SESAs were hesitant to refer U.S. workers to H-2A employers because they believed sincere efforts to employ them would not be made. We also found that consolidation of H-2A requests from many agricultural employers' requests, covering large geographic areas, may dampen U.S. workers' interest in the jobs because they would be subject to relocation. Workers simply may not be able to accept job offers because of travel restraints or family obligations. Finally, information on employers' efforts to recruit U.S. workers, which ETA uses to determine whether or not to certify workers, was often incomplete. Moreover, information to help manage the program or determine its effectiveness (e.g., number of applications certified, number of job openings, etc.) was not collected.

Challenges to the Program's Effectiveness from Illegal Immigrants: A more fundamental concern is whether the environment in which the H-2A program operates will allow for the protection of agricultural workers' jobs, wages, and working conditions. ETA certified only 17,355 H-2A agricultural crop workers in FY 1996 -- barely 1 percent of an estimated temporary agricultural workforce of 1.6 million. This means that the vast majority of temporary workers were hired through means other than H-2A. A recent DOL study conservatively estimated that 37 percent of agricultural workers employed in the U.S. are unauthorized immigrants. Most employers, therefore, hire temporary agricultural workers from a labor pool that includes a significant population of unauthorized immigrants.

Further complicating the recruitment process, as demonstrated by our work and that of others, is agricultural workers' widespread use of fraudulent documents that are not detected by the Immigration and Naturalization Service's (INS) Form I-9 requirements. As a result, employers, DOL, and the SESAs often cannot distinguish unauthorized foreign workers from U.S. workers, or other authorized workers. We found evidence suggesting that the SESAs had in some instances referred unauthorized workers to fill requested H-2A jobs, believing they were U.S. workers based on documents they presented. Consequently, attempts to fill agricultural jobs with U.S. workers

are hobbled. Moreover, DOL's ability to serve agricultural employers' interests or protect U.S. workers' jobs, wages, or working conditions is called into question.

Enforcement: Enforcement responsibilities for the H-2A program's provisions are presently fragmented between ETA and ESA's Wage and Hour Division (WHD). We found little evidence of coordination between the two entities in matters related to H-2A investigations.

Recognizing that changes in ETA's certification procedures would not solve the systemic problems identified in our audit, we recommended that:

Recommendations

- The Secretary and the Assistant Secretaries for ETA and ESA work with the Congress and other affected agencies to obtain necessary changes in the Immigration Reform and Control Act (IRCA) provisions to 1) consolidate DOL enforcement responsibility within the WHD for examination of employer compliance with H-2A program recruitment, wage and working condition assurances. WHD authority should be expanded to allow sanctions against employers such as debarment, for violating program requirements, and 2) shift ETA resources currently used in the certification process to the WHD to assist in its expanded role.
- Employers be required to maintain evidence of their efforts to recruit U.S. workers and to continue cooperating with the SESAs in local, intrastate and interstate recruitment efforts; and
- Employer assurances in work contract provisions continue to be required to ensure wage and working condition protections for H-2A workers.

Control of illegal immigration, through an effective means of denying unauthorized workers U.S. jobs, is essential. Therefore, we also encouraged the Secretary to work with the Congress and other affected agencies in developing a reliable means of verifying individuals' legal status before they are hired.

DOL Response

ETA and ESA provided a joint response that indicates general agreement with our findings and recommendations. The agencies suggest that changes to DOL's employment-based immigration responsibilities might be better considered in tandem with a broader set of reforms for all foreign labor certification programs administered by DOL, some of which have previously been found to be ineffective by OIG and GAO. The response also indicates that the Secretary will continue to support development of an effective employment eligibility verification system. However, it is noted in the response that control of illegal immigration is the principal responsibility of the Attorney General and Commissioner of the Immigration and Naturalization Service. (Report No. 04-98-004-03-321; issued March 31, 1998)

**GRANT AND
CONTRACT
MANAGEMENT**

ETA administers over \$7 billion in appropriated grant funds that are awarded to state and local governments and other private entities for job training services. Most of the grants operate on an advance basis, whereby grantees draw down cash before incurring expenses. When excess cash is not returned to the Department, it becomes vulnerable to misuse. Moreover, the Federal Government unnecessarily incurs interest expense because the Treasury must borrow money to cover the cash held at the states or other grantees. Therefore, to ensure the integrity of the funds and to preclude the Government from incurring unnecessary expenses, it is imperative to have adequate controls to ensure that cash balances held by grantees are kept to a minimum.

**Audit of ETA's National
Grants/Contracts Cash
Management**

The OIG performed an audit on ETA's Grant/Contract Management Information System (GCMIS). The purpose of the audit was to determine whether the GCMIS provides adequate and accurate financial information on ETA's grants and contracts.

During our audit, we found that expenditures from many grantees and contractors had not been posted to the GCMIS and that, in many instances, expenditure reports were not submitted to ETA by grantees and contractors. In other instances, reports had been received, but the financial data had not been entered because the reports had not been forwarded to the accounting section.

The GCMIS indicated that the 58 terminated grants and contracts we sampled had excessive cash balances that totaled \$15 million. However, we found that \$13.8 million of grantees' and contractors' expenditures had simply not been posted to the GCMIS, leaving \$1.2 million of the balance unresolved.

We also found that ETA did not promptly close expired grants and contracts. At the time of our fieldwork, up to 46 months elapsed since the grants and contracts had terminated, yet the accounts remained open. We also found grants and contracts for which periods of performance had been extended, although the GCMIS indicated they had ended.

As a result, we recommended that ETA improve its fiscal monitoring and ensure that grants and contracts are promptly closed and all financial data entered into the GCMIS. We also recommended ETA investigate and resolve all discrepancies between cash receipts and expenditures reported by grantees and contractors. Finally, we recommended changes in ETA procedures that would direct grantees' and contractors' financial reports to the accounting section, immediately upon their receipt, so the data may be promptly entered into the GCMIS.

ETA responded that corrective action has been taken to better collect, organize, and record prior period reports which were delinquent or filed improperly. ETA is relying on improvements to the closeout process to address reporting for terminated grants and contracts. (Letter Report No. 04-98-002-03-001; issued October 9, 1997)

The School-to-Work Opportunities Act of 1994 provides opportunities for states and localities to establish School-to-Work (STW) systems using Federal funding provided and administered jointly by the U.S. Departments of Education and Labor. Federal funds are to be used as venture capital to underwrite the initial costs of establishing statewide STW systems that will eventually be maintained with other Federal, state, and local resources. Consistent with our commitment to provide technical assistance to the Department, the OIG worked with the National School-to-Work Opportunities Office to develop those elements that are indicative of a sustainable STW system.

Recommendations

SCHOOL -TO- WORK

**Maryland School-to-Work
Opportunities Program
System Sustainability**

The State of Maryland received Federal funding to establish a STW system. The OIG conducted a joint audit with the Department of Education OIG on the sustainability of the Maryland STW program. Specifically, our objective was to determine if Maryland had institutionalized the elements identified as indicative of a sustainable STW system. In Maryland, the STW system is identified as Career Connections. Career Connections is administered by the Maryland State Department of Education (MSDE).

Our audit disclosed that Maryland had initiated numerous actions that, when fully implemented, should ensure the sustainability of the Career Connections initiative after the expiration of STW Federal funding, slated for September 30, 2000. Some notable examples include: the establishment of major policies, strategies, and initiatives; the active participation of the Governor and key stakeholder groups; and the establishment of matching requirements in criteria for obtaining Federal funding for Career Connections.

However, our audit identified the following six potential limitations where enhancements may be needed to ensure the program's sustainability:

- MSDE organization function statements and position descriptions do not emphasize Career Connections.
- Career Connections officials do not have future funding plans for the collection of student performance measures data or the continuation of Employer Incentive Funds.
- Student participation in Career Connections is not a graduation requirement.
- State certification requirements for teachers and guidance counselors lack mandatory Career Connections training.
- Skill certificates or portable credentials are not finalized.
- The Career Connections marketing strategy is not firmly targeted towards employers.

MSDE officials concurred with all findings except those regarding the graduation requirement and teacher certification. With respect to making Career Connections a graduation requirement, MSDE believes that there is no need to require program participation because of the state's service learning requirement and MSDE's practice of implementing changes through local school improvement planning efforts rather than through "top down" process mandates. Regarding the finding of the lack of mandatory certification requirements for teachers and guidance counselors, MSDE states that this type of training is not a requirement specified in the Act. However, Maryland will continue to offer in-service credits for teacher participation in Career Connections professional development opportunities and market the opportunities to teachers and administrators as an effective approach to improving student achievement. ETA did not respond to the draft report but issued a final findings and determinations concurring with MSDE's position.

The Job Training Partnership Act (JTPA) is the largest training program administered by ETA. The purpose of JTPA is to prepare youth and adults facing serious barriers to employment for participation in the labor force by providing them with training and other services that will result in increased employment and earnings.

The Job Corps Program is authorized under Title IV of JTPA and is funded at over \$1 billion per year. Job Corps is a residential education and training program to assist disadvantaged youth to become more employable and productive citizens. Since 1964, Job Corps has served more than 1.7 million young men and women. There are currently 113 Job Corps centers located throughout the country.

In a joint effort with the Office of Job Corps, we conducted an audit of the services being provided by a sample of placement contractors. Job Corps employees provided valuable program insight and expertise to the audit effort. Placement contractors play a critical role in Job Corps' efforts to find jobs for its students. Job Corps spent over \$20 million in Program Year (PY) 1996 on placement assistance contracts with private com-

JOB TRAINING PARTNERSHIP ACT

Job Corps

Adopting Best Practices Can Improve Placement Services to Students

panies and State Employment Security Agencies. The purpose of the audit was to evaluate the nature and extent of placement services provided to Job Corps students during PY 1996 and, more importantly, to identify best practices being used by placement contractors.

Even though there have been significant improvements in placement results in recent years, our audit demonstrates that improvements are needed in the delivery and documentation of placement services provided to Job Corps students.

On the other hand, some of the best practices we identified included:

- Contacting students early in their training to ensure they understand the importance of placement and where to go and who to contact in order to receive services.
- Ensuring that comprehensive assessments are conducted and documented by using a model assessment form which standardizes the required elements and prompts placement specialists to ensure that all required elements are addressed.
- Enhancing placement opportunities by identifying demand occupations, making and maintaining contact with employers, and involving employers more directly in student training.
- Ensuring follow-up with students after placement by establishing policies requiring that follow-up be made on a periodic basis and implementing tracking systems to notify placement specialists when follow-up needs to be conducted.

Recommendations

We recommended that Job Corps communicate the best practices to all placement contractors and encourage them to implement these practices wherever possible. To follow up on the implementation of the best practices, we recommended that future Job Corps monitoring efforts focus on assessing the quality of placement services as well as the achievement of placement goals.

Job Corps agreed with the findings and recommendations reported and is forming a workgroup to develop the necessary policy statements and related products to implement the OIG recommendations. (Final Report No. 03-98-006-03-370; issued March 31, 1998)

The Fort Simcoe Job Corps Center is a Civilian Conservation Center operated by the U.S. Bureau of Reclamation (USBR) of the U.S. Department of Interior. The OIG performed an audit of the center's program performance statistics and reported expenditures for PY 1995 (July 1, 1995, through June 30, 1996).

Audit of the Ft. Simcoe Job Corps Center

We concluded that Job Corps could not rely on financial or program information reported by the center. While performance results regarding General Education Development (GED) and High School Diploma (HSD) attainments are accurate, performance results regarding overall vocational and academic achievements are not supported. Vocational training records did not support that the center had properly trained students before certifying their completion of vocational training and allowing them to enter the workforce. Academic achievement claims were based on data that had been improperly manipulated and not corrected by center management. In our opinion, these problems significantly reduce the reliance Job Corps can place on reported performance statistics to evaluate program accomplishments of the center.

We also concluded that financial systems used to report costs for the center need significant improvements. Until improvements are made, we do not believe that Job Corps can rely on the financial systems to produce accurate and timely financial information. As a result of the identified weaknesses, PY 1995 costs were overreported by \$460,429. In addition, USBR could not provide adequate supporting documentation for \$120,056 billed for various services.

We made recommendations to ETA to correct these deficiencies, including requiring that: the center establish a management system to ensure all training has been completed and recorded before students are considered as vocational completers; USBR review its management control system dur-

ing monitoring reviews; and that center management reassess and correct the impact of testing improprieties.

In response to the draft report, USBR generally agreed with the program performance findings. However, they disagreed with the report's conclusion that the current financial systems do not produce accurate and timely financial information. Also of major concern to them was the implication that the financial and program deficiencies identified by the report, based on the center's conditions in Program Year 1995, still exist.

Job Corps, in response their response to the draft report, state that as of June 1996, testing procedures have been corrected, and the prescribed procedures are now in place. In regard to the recommendation that all students tested during the period of January through June 1996 be identified and retested if still enrolled, the OIG requested that the Job Corps Data Center (JCDC) identify such students. Based upon the JCDC report, only two students are still enrolled in the program. Ft. Simcoe will reassess and retest those individuals.

The Office of Job Corps has reviewed its placement outcomes for the period of this review. Based on the positive placement results during this time period, Job Corps indicated that Ft. Simcoe students are adequately prepared for employment and that this audit finding primarily discloses a recordkeeping issue, rather than a training issue. Job Corps did not comment on the financial finding or recommendations, pending a review of the Bureau of Reclamations response. (Final Report No. 09-98-001-30-370; issued March 31, 1998)

**Dislocated Worker
Employment
Training
Assistance**

DOL provides services to dislocated workers through programs administered under JTPA Title III. Services are provided to eligible dislocated workers who have been terminated or laid off; those who have received a notice of termination or layoff; those who are unemployed or self-employed; on a long-term basis and displaced homemakers.

**Central Texas Council of
Governments JTPA Title
III Demonstration Grant**

The OIG conducted an audit of a JTPA Title III grant awarded to the Central Texas Council of Governments (CTCOG). Our objective was to determine how the Career Management Ac-

counts (CMAs) are operated under this grant and to determine if there was a significant difference between the training strategies and outcomes for the CMA program participants and a control group of regular JTPA Title III participants. Our audit found that:

- Twenty percent of the grant funds were paid in stipends to all CMA participants regardless of need or amount of time spent in the classroom. JTPA requires that direct support payments to participants must be based on need. We questioned \$117,785 in stipend payments.
- Program outcomes for control group participants were better than the CMA participants. Only 51 percent of CMA participants obtained jobs after training compared to 71 percent for control group participants. Furthermore, the starting wages of CMA participants were \$10.45 per hour compared to \$12.65 per hour for control group participants.
- Many CMA participants were already enrolled in college prior to enrollment in JTPA. Therefore, they enrolled in JTPA to obtain financial aid to continue with their education. To allow either undergraduate or advanced degree college students to enroll in JTPA diminishes available funds for those dislocated workers who need the services to return to the labor market.
- Participants were not terminated from the grant after 90 days of inactivity as is required to ensure accurate statistics on terminations.

We recommended that the Assistant Secretary for ETA:

- Disallow the \$117,785 in questioned stipend payments during our audit period and any such additional payments after the audit period.
- Ensure that all grantees operating demonstration grants currently, and in the future, follow guidelines regarding participants' termination from the programs after inac

tivity for 90 days to allow for non-biased comparisons of program outcomes between demonstration programs and regular JTPA programs.

- Encourage grantees operating Title III demonstration grants, and other Title III programs, to limit enrollment to those participants who are dislocated workers, not college students seeking a financing source for their education. (Final Report No. 06-98-003-03-340; Issued February 6, 1998)

Special Review of St. Louis County Administration of JTPA Funds

In response to a congressional request, OIG performed an audit of JTPA funds administered by Service Delivery Area (SDA) 13 in the State of Missouri. SDA 13 provides employment and training opportunities to JTPA eligible participants in St. Louis County.

Our audit was to determine whether JTPA program staff were actually working on individual programs to the extent claimed. Our audit questioned \$567,737 of direct cost charges made to the JTPA Title III program, because the staff routinely charged a disproportionate share of their time to the Title III grants. We questioned an additional \$136,574 for indirect costs, which were based on the disproportionate direct charges and were computed incorrectly.

Our audit covered the period July 1, 1994, to March 31, 1997. More than 80 percent (15 of 18) of the current and former staff we interviewed indicated that the time charged to the JTPA Title III program was not accurate. Moreover, most Title III services were subcontracted to and performed by St. Louis Community College. We concluded that the cumulative effect of the documentation we obtained discredited the time and attendance reports prepared by the staff as a reliable source for reporting and charging costs to the Title III program.

We recommended that the Assistant Secretary for Employment and Training direct the State of Missouri to: 1) determine the Title III activities performed by the staff and recover the costs questioned that cannot be substantiated as valid and reliable Title III charges; and 2) require St. Louis County and the Private Industry Council for SDA 13 to establish control and review

procedures sufficient to assure that all costs charged to Title III grants are properly supported by reliable documentation. (Report No. 05-98-002-03-340; issued March 3, 1998)

Under JTPA Title IV, DOL also administers a number of Federal programs to provide employment and training services to targeted groups including veterans, Native Americans, and farm workers. Services are provided through a series of grants to various private, public and nonprofit entities at the local level.

The OIG conducted a limited scope financial audit of a Training and Technical Assistance Grant DOL issued to SER-Jobs for Progress National, Inc. (SER National). SER National formulates initiatives to increase services to Hispanics in the areas of education, training, employment, business, and economic opportunity. SER National is the training and technical assistance arm for its affiliates located throughout the U.S. In addition to the financial audit, we attempted to determine what services SER National provided to local SER offices under the grant.

Our audit found that SER National used grant funds as a last resort for financially troubled local SER offices. Our audit resulted in \$54,924 of questioned costs. The audit disclosed that SER National took control of the Central Los Angeles SER office when it became insolvent and used \$46,322 of grant funds to run the day-to-day operations of the office, until it was shut down. The grant was also charged for travel costs when the travel expenses (\$3,854) were paid by other parties and when the expenses (\$4,748) were used for trips relating to corporate activities.

We concluded that the staffing of a local SER office for 9 months before closing the office goes beyond technical assistance and that maintaining and closing local offices would appear to be a corporate responsibility. Moreover, the grant does not provide for the staffing of local SER offices.

The OIG recommended that the Assistant Secretary for Employment and Training: (1) disallow the \$54,924 questioned costs, and (2) review the purpose of the noncompetitive grant

Federal Programs

Training and Technical Assistance Grant

**United Sioux Tribes
of South Dakota
Development
Corporation**

with SER National and periodically monitor the grantee's performance under the grant to ensure that the grant's purpose is being achieved. (Final Report No. 06-98-001-03-340; issued November 5, 1997)

ETA awarded the United Sioux Tribes of South Dakota Development Corporation (UST) with \$1.3 million in JTPA grant funds. The purpose of the grant was to provide training and other services to Native Americans residing in the State of South Dakota and Knox County, Nebraska, who face serious barriers to employment. The objective of the OIG audit was to determine UST's effectiveness in providing these services.

The OIG questioned \$303,615 in claimed costs and found that UST had not been effective in providing the services under the grant. In fact, OIG found that in PY 1995 the training and supportive services UST provided to the participants amounted to only less than 30 percent of the budget, while in PY 1996 the percentage dropped to under 20 percent. UST had budgeted for 52 percent of these funds to be spent on these categories in PY 1995 and 36 percent in PY 1996. Therefore, a substantial portion of costs programmed for participant training and supportive services was spent instead on operating costs.

In addition, OIG found that UST: (1) reported administration costs that exceeded the 20 percent ceiling limitation; (2) charged JTPA with costs that should have been charged to the organization as a whole and to another Federal grant; (3) charged the training assistance cost category with administrative salary costs that should have been charged to administration, causing the administration costs to further exceed the 20 percent limit; (4) failed to obtain documentation for payments made directly to participants for supportive service costs; (5) paid the Executive Director for leave that exceeded the allowable carryover amount; and (6) paid an individual for services, but OIG could not determine what services, if any, were performed.

The OIG recommended that the ETA Grant Officer disallow: \$225,998 by which UST exceeded its administration cost ceiling; \$53,630 that should have been charged to UST and its

other Federal grant program; \$13,086 of undocumented supportive service payments; and \$10,901 UST claimed for annual leave payments to the Executive Director, which includes \$4,847 salary paid to an employee for work that UST could not demonstrate had been performed.

We also recommended that ETA direct UST to: develop a cost allocation plan to enable them to equitably distribute costs to programs and activities; develop a policy and procedure that requires them to obtain supporting documentation for purchases; and follow its own policies and procedures regarding annual leave. We also recommended that ETA provide UST with technical assistance.

UST did not agree with our findings and recommendations. ETA agreed that UST should explain how costs are justified and questioned the results of the grantee-procured OMB Circular A-133 single audit, which did not identify the problems found by the OIG. (Final Report No. 18-98-006-03-355; issued March 13, 1998)

The Job Corps' National Training Contractors (NTCs) are organizations which have union and/or industry affiliations and are long-standing providers of services at Job Corps centers. Nine NTCs are collectively awarded about \$41 million annually to provide vocational training and placement services to Job Corps students, primarily in the construction industry. The contracts have traditionally required the provision of only initial placement services for students who have completed their vocational training.

In September 1997, the OIG issued an audit of the Plasterers and Cement Masons Program. A primary finding of the report was that a sizable percentage of former students were having difficulty obtaining and/or keeping employment, and most students needed placement assistance more than once during the first few months of their entry into the labor force. The OIG also found that minimal post-placement follow-up services were being provided to these former students. Given the significant amount of resources invested in the students' Job Corps training, we recommended that additional post-placement follow-up

AUDIT RESOLUTION

Placement Followup Workgroup to Improve Job Corps Placement Services

services be provided to improve the students' post-program employment experiences. This includes requiring NTC contractors to provide former students with placement services, as needed, for up to 1 year after the initial placement into their training-related employment. The Office of Job Corps concurred that every effort must be made to improve student employability and attachment to the labor market.

In the time since the OIG's finding and recommendation, the Office of Job Corps established an "NTC Placement Follow-up Workgroup," comprised of representatives from all nine NTCs, the Office of Job Corps, and the OIG. The NTC representatives have independently developed expanded post-placement follow-up procedures for their respective organizations, together with specific goals and timetables for implementation. Following implementation of the expanded procedures, the Workgroup plans to meet periodically to share results and provide each organization an opportunity to adopt the most effective procedures for its organization. In June, the Workgroup expects to issue its first written report to Job Corps on the implementation of its expanded post-placement follow-up procedures. (Report No. 18-97-033-03-370; issued September 30, 1997)

**\$472,936 of Claimed
Costs Disallowed for Job
Corps Contract**

EVKO Productions, Inc., was awarded a contract to implement a marketing and communications campaign to publicize the opportunities offered by the Job Corps. The OIG audited all the costs claimed by EVKO and questioned \$281,022 of direct costs and \$239,916 of indirect costs, the total of which represented 54 percent of contract expenditures. The Grant Officer has disallowed \$233,020 of direct costs and all the indirect costs questioned.

The majority of the direct costs were disallowed because of inadequate or nonexistent support documentation (\$169,835) and duplicate or otherwise improper consultant payments (\$43,654). The questioned indirect costs were all disallowed because of EVKO's substantial noncompliance with the terms and conditions of the contract, the cost reimbursement principles mandated by the Federal Acquisition Regulations, and major inadequacies in the accounting records which could not be audited. (Report No. 18-96-006-07-735; issued April 12, 1996)

An OIG audit of the Central Valley Opportunity Center (CVOC) resulted in questioned direct and indirect costs as well as non-monetary administrative findings. The audit questioned \$215,005 of direct expenditures claimed for the period July 1992 to June 1994; \$79,585 of indirect costs claimed for the period October 1992 to September 1994; and made certain administrative recommendations. On October 15, 1997, ETA disallowed \$150,564 of the direct costs that were questioned. DOL had previously disallowed the \$79,585 of indirect costs questioned and accepted audit-recommended indirect cost rates for the audited period. (Report No. 18-95-014-07-735; issued July 20, 1995)

DOL Disallows \$230,149 in the Migrant and Seasonal Farmworker Grant

The OIG questioned \$322,093 because, at the time of the audit, the City of Los Angeles Community Development Department (LACDD) had not met the matching requirements of its grant. The OIG also questioned \$125,777 in overpayments to LACDD due to the matching fund deficit. Subsequently, the LACDD provided ETA documentation that it had satisfied the requirement for matching fund contributions, and ETA allowed these questioned costs. However, ETA disallowed \$55,520 of space rental expenses (mortgage payments) because LACDD did not obtain prior ETA approval to purchase the building, and \$4,848 in unsupported subrecipient charges to the grant. ETA also disallowed \$87,239 of subrecipient administrative expenses which exceeded the maximum allowed by the agreements between LACDD and the subrecipients. However, dependent on LACDD's subsequent closeouts with the subrecipients, which restrict final payment for administrative costs to an amount allowed by the agreements, ETA did not make this amount subject to debt collection. (Final Report No. 18-97-013-03-356; issued February 11, 1997)

\$147,607 Disallowed; \$60,368 Subject to Debt Collection for City of Los Angeles Youth Fair Chance Grant

The OIG audited (1) the direct costs claimed by Opportunities Industrialization Centers of America, Inc. (OICA) under four separate grants awarded to OICA for the period October 1, 1993 to September 30, 1995, and (2) the indirect costs/rates proposed by OICA for Fiscal Years 1994 and 1995. The audit questioned \$96,668 of direct costs claimed for reimbursement under the grants and \$17,387 of charges to the indirect cost pool for Fiscal Year 1995.

DOL Disallows \$114,055 in Costs Claimed by the Opportunities Industrialization Centers of America, Inc.

Although, OICA's response to the draft report indicated that they agreed with all the findings and were taking prompt corrective actions, OICA was not responsive to ETA's efforts to resolve the questioned direct costs and the Grant Officer disallowed all questioned and unsupported direct costs. The Office of Cost Determination agreed with the OIG findings on questioned indirect costs and adjusted OICA's indirect cost proposal to reflect a corresponding decrease in OICA's indirect cost pool for Fiscal Year 1995. (Final Report No. 18-96-012-03-340; issued May 22, 1996)

EMPLOYMENT AND TRAINING INVESTIGATIONS

OIG investigations continue to reveal that the Department's employment and training programs remain vulnerable to fraud and abuse. Our efforts resulted in a total of 6 indictments, 4 convictions, and \$292,386 in monetary accomplishments. Listed below are illustrations of the OIG's accomplishments in this area during this 6-month reporting period.

Job Training Partnership Act

Chicago Non-Profit Organization Agrees to Civil Settlement

The Safer Foundation, a privately operated, non-profit organization that functions to provide employment assistance to ex-convicts, received JTPA funds through the Chicago Mayor's Office of Employment and Training. An OIG investigation revealed that the Foundation submitted various false written verifications that their clients had received and completed training and had been placed in a permanent employment situation, when in fact their clients never received training as required by the contract. On March 12, 1998, the Foundation agreed to a civil settlement in the amount of \$252,455. *U.S. v. Safer Foundation* (N.D. Illinois)

Director of Technical School Diverts JTPA Funds

The Council of Jewish Organizations of Borough Park, Inc., ("COJO") had received about \$1.9 million in JTPA funds to train students and purported to have subcontracted about \$1.3 million of the JTPA contracts to a S/Y/R/I/T Computer School Systems ("SYRIT"), a technical school. On March 17, 1998, Elliot Amsel was charged with diverting about \$500,000 in JTPA funds directly into his personal accounts in banks located in New York and Israel. As director of SYRIT, Amsel allegedly diverted funds by falsely categorizing JTPA deposits as "personal loans" from Amsel to the school. He subsequently caused the school to issue him checks as "repayment" of these loans.

Amsel also diverted funds through other corporate entities that he controlled. This investigation was conducted jointly with the U.S. Attorney's Office and the City of New York. *U.S. v. Amsel* (E.D. New York)

An OIG investigation revealed that Gary Abdullah, an on-the-job (OJT) training subcontractor, submitted false reimbursement invoices to the San Francisco Private Industry Council. Abdullah had entered into two OJT contracts with them to train and hire four OJT participants at the rate of \$20 per hour and then to train and hire two more OJT participants also at \$20 per hour. Our investigation determined that Abdullah only paid each participant between \$5 and \$10 per hour. As a result of this scheme, the loss of JTPA funds is \$18,400. On March 16, 1998, Abdullah pled guilty to embezzling employment and training funds. He is awaiting sentencing. *U.S. v. Abdullah* (N.D. California)

An OIG investigation conducted jointly with the Denver District Attorney's Office disclosed that Thomas Monroe Higgs, Jr., along with five other individuals, forged and cashed \$18,235 in checks from the Summer Youth Training and Employment Program (SYTEP). The funds were taken from an account of the Curtis Park Community Center, which operates a SYTEP program in Denver. Our investigation disclosed that Higgs issued the fraudulent checks, recruited five other individuals to cash them, and then split the proceeds of the checks with them. Higgs was arrested on March 12, 1998, in Kansas City, MO. His arrest stems from theft, forgery, and conspiracy charges filed on December 3, 1997, in Denver, Colorado. This investigation was conducted jointly with the City of Denver District Attorney's Office. *Colorado v. Higgs*

On March 10, 1998, Tommy J. Arnold, a former maintenance engineer for the Crystal Springs Job Corps Center, pled guilty to two counts of embezzlement of job training funds. A Mississippi Circuit Judge sentenced Arnold to two 4-year prison terms, to be served consecutively. His plea and sentencing follows an OIG investigation that resulted in a 13-count indictment that charged Arnold and the center's finance manager, Anna Davidson, with embezzlement, grand larceny, and conspiracy. Our investigation revealed that Arnold embezzled

On-The-Job Training Subcontractor Pleads Guilty to Theft

Individual Arrested for Stealing from Denver Summer Youth Program

Mississippi Job Corps Center Employees Plead Guilty to Charges of Embezzlement

approximately \$17,000 by generating and submitting false invoices for items allegedly for the center. Davidson would then approve the invoices. Arnold also embezzled funds by submitting and receiving reimbursement for several hundred dollars worth of false receipts from a local hardware store. In addition, Arnold purchased over \$3,000 of air conditioning equipment, charged it to the center, and had the equipment delivered to his home. Davidson was indicted and is awaiting trial. This case was conducted jointly with the Crystal Springs, Mississippi Police Department. *U.S. v. Arnold*

Foreign Labor Certification

Individuals Plead Guilty in Visa Fraud Scheme

On January 14, 1998, five individuals pled guilty to charges related to a visa fraud and alien smuggling scheme. Billy D. Jewell pled guilty to conspiracy, wire fraud, and aiding and abetting charges. Holly Arthur Estreller, Haesook C. Kim, Sidney Hewitt, and Veronica Hewitt pled guilty to visa fraud and aiding and abetting charges. An OIG investigation resulted in the breakup of an alien smuggling operation where the defendants obtained H-1A non-immigrant work visas and used those visas to bring 465 foreign nurses into the United States. The nurses were brought into the United States illegally for employment at health care facilities at substandard wages. The Department estimates that this scheme cost American nurses approximately \$13 million in lost salary opportunities per year. The remaining four defendants are awaiting sentencing. This investigation, entitled "Operation Windmill," was conducted jointly by the INS, the State of Texas, DOL, and the U.S. Attorney's Office. *U.S. v. Jewell, et al.* (N.D. of Texas)

Texas Immigration Attorney Defrauds Aliens

James T. Garrett, an immigration attorney, and Martha E. Polanco, his office manager, were indicted on March 2, 1998, for a scheme to defraud DOL and the Texas Employment Commission (TEC). Garrett represented undocumented aliens who sought labor certifications and permanent residence visas to remain in the United States. Between March 1993 and February 1996, the defendants told over 800 alien clients that their labor certification applications had been filed with the TEC when, in fact, only five applications were referred to DOL for approval. Garrett and Polanco charged each alien between \$800 and \$1,000 to file labor certification applications. The indictment also charges that Garrett and Polanco encouraged undocumented aliens to enter and/or remain in the United

States by issuing letters of representation to them claiming that the letters were “amparos,” which would shelter and protect the aliens from arrest by immigration authorities. The indictment charges both Garrett and Polanco with 1 count of conspiracy; 9 counts of mail fraud; and 10 counts of encouraging unlawful immigration. This investigation was conducted jointly with the INS, the IRS, and the Postal Inspection Service. *U.S. v. Garrett* (S.D. of Texas)

WORKPLACE BENEFITS

The U.S. Department of Labor administers several programs designed to protect the workplace benefits of workers and retirees. These include the Employee Retirement Income Security Act (ERISA), Unemployment Insurance (UI) program, and Federal disability programs such as the Federal Employees' Compensation Act (FECA) program.

Protection of workplace benefits is critically important because it affects the lives of millions of workers and retirees, and because it involves billions of taxpayer dollars. The OIG has established, as a goal, under its 6-year strategic plan, "To help workers and retirees by safeguarding workplace employment, unemployment and disability benefits and enhancing DOL's effectiveness in administering related programs." During this reporting period, the OIG completed several important audits and investigations related to achieving this goal.

PENSION AND EMPLOYEE BENEFIT PLAN ENFORCEMENT

Over the past several years, the OIG has seen a significant rise in the private sector plans that are subject to various criminal abuses. This proliferation has primarily come in the form of "white collar" criminal activity in the pension arena, with regard to sophisticated investment schemes. In addition to the "white collar" criminal activity, organized crime has also become involved in pension scams. Unfortunately, these criminal activities have been met by an unfocused and unintegrated law enforcement strategy to fully address the effects of organized crime in the pension arena.

In order to meet the goals contained within our 6-year strategic plan, the OIG aims to coordinate with the Pension and Welfare Benefits Administration (PWBA) and outside agencies to target pension investment scams; identify changes within ERISA to better deal with deficient plans and deficient plan service providers; and begin to more aggressively target corrupt unions, providers and participants involved in pension investment criminal activity. The OIG continues to be greatly concerned about this troublesome trend and plans on making pension investigations one of our highest priorities.

The OIG conducted an audit of the PWBA enforcement strategy. Our objective was to determine whether the program's current enforcement strategy was appropriate, given the characteristics of the regulated universe and the results of enforcement.

Pension and Welfare Benefits Administration Enforcement Strategy

Overall, we concluded that PWBA's enforcement strategy is appropriate and has disclosed significant ERISA violations and large monetary results. PWBA's enforcement program relies on a highly knowledgeable staff committed to ensuring that participants and beneficiaries receive promised benefits. Since 1986, PWBA has developed and refined its enforcement strategy, by empowering the regional offices to enhance their case selection strategies. PWBA has also improved technical assistance efforts to follow up on participant and beneficiary complaints.

With this said, PWBA could improve enforcement efforts by reallocating investigative resources to involve more effective case selection techniques. In short, PWBA's current enforcement program does not fully utilize targeting techniques, or results that would direct resources to plans with greater potential for ERISA violations. We found that the lack of responsiveness is due primarily to:

- Incomplete analysis of program results achieved from resource investments.
- Program goals that are not based on program results linked to resource investments.
- Internal Revenue Service (IRS) temporary refusal of access to its Centers.

As a result, PWBA commits disproportionately high resource expenditures to cases less likely to have ERISA violations and low resource expenditures to cases with greater potential for ERISA violations. Enforcement data demonstrates that PWBA allocated 1 percent of their investigative resources, expended in the first 3 quarters of FY 1997, to a targeting method responsible for 43 percent of the monetary results, from cases opened in FY 1995 and FY 1996.

Recommendations

The OIG recommended that the Assistant Secretary for PWBA strengthen the agency enforcement program by:

- Developing and implementing a periodic analysis of proactive targeting results.
- Using the periodic analysis to deploy investigative resources to those effective targeting methods that demonstrate the highest return on investment.
- Working with the Internal Revenue Service to resolve the issues relating to the denial of access to the Annual Reports Form 5500 at their Centers.

We estimated an additional \$20 million in monetary results might be achieved with better allocation of investigative resources.

Agency Response

PWBA agreed with our findings and recommendations. PWBA has, in the past, conducted detailed studies of the source of cases and analyzed the results according to those sources. Although, because of the priority of health-related issues, there has been a lapse in these studies. PWBA further noted that, since 1990, the agency has regularly reviewed progress on its national and regional enforcement initiatives. PWBA agreed, however, that increased analysis would be part of a proposed reorganization being developed. PWBA also stated that the National Office would instruct regional directors to pay more attention to this type of analysis. PWBA has resolved the issues raised by the IRS in denying PWBA access to their Centers and again has access to the Forms 5500. (Report No. 09-98-002-12-121; issued March 27, 1998)

Streamlining the ERISA Filing Acceptance System and Development of the Enforcement Management System

The OIG continues to provide PWBA with audit assistance on the following two system development initiatives:

- The ERISA Filing Acceptance System (EFAST) and the associated task to redesign/revise the Form 5500 series for annual reporting.
- The Enforcement Management System (EMS) development to improve information collection and reporting on enforcement outcomes.

At the conclusion of our fieldwork, PWBA and OIG agreed on a number of actions that PWBA must take to ensure the overall success of the streamlining effort including:

- Evaluate the proposals submitted by contractors for the design and development of EFAST and award contracts by June 1, 1998. This will allow the system to be operational in time to handle the first Form 5500s that will be received July 1, 2000. PWBA also needs to develop an EFAST contingency plan in order to be prepared for the possibility that the EFAST system may not be completed on time or fail to meet system requirements.
- Review the oral and written comments provided by the public and announce by mid-May the data elements of the new Form 5500. This will allow plan administrators and service providers to make necessary adjustments to their management information systems. By November 1998, publish in the Federal Register, the final computer-scannable Form 5500 with the electronic filing option.

The OIG reported, in its September 1997 Semiannual Report, issues related to the increased use of electronic filing (E-filing) within the regulated community. The Office of the Solicitor (SOL) provided an opinion on whether E-filing can be mandated under current ERISA legislation. The opinion, as provided by SOL, in summary stated that, "...general grants of rule-making authority in title I, together with the lack of limiting language in the statute on the manner for filing the reports, would permit the Department to require such electronic filing by regulation."

Because of additional programming requirements, the cost of EMS has risen by \$483,905, from \$1.21 million to \$1.69 million. In order to minimize risk of cost overruns and maximize design efficiency, the OIG recommended that PWBA must:

- Establish a new time table and provide appropriate individuals with information that outlines when the EMS will be operational, including a schedule for designing, developing, and testing the new system.

- Carry out system integration testing from March through May 1998. End-user testing will occur from June through August 1998.
- Establish, as a priority for the development team, the requirement that test plans be completed by the end of April 1998.
- Ensure that all EMS data elements will be available for retrieval in the new system and the EMS will be fully capable of generating reports to meet GPRA requirements.

The OIG will continue to work with PWBA on the design, development and implementation of the EFAST, the revisions to the Form 5500 series, and the EMS. The OIG will provide independent insight and expertise in assessing PWBA's information technology plans and investments. (Report No. 17-98-001-12-001; issued March 27, 1998)

UNEMPLOYMENT INSURANCE BENEFITS

The Department administers the multi-billion dollar Unemployment Insurance (UI) program which assists workers who lose their jobs through no fault of their own. During this reporting period, our office has devoted significant resources in investigating and auditing the UI program.

Fraud in the Unemployment Insurance Program

Our investigations involving Unemployment Insurance (UI) fraud resulted in 68 indictments, 37 convictions, and \$1.8 million in monetary recoveries. Our investigations in this area continue to identify fraudulent claims for benefits by individual claimants and incidents of embezzlement by employees who administer the program (particularly at the state level). The OIG remains particularly concerned with an increase in fictitious employer schemes perpetrated against the UI program in which individuals set up fictitious employer accounts and, after establishing themselves as a liable employer and making minimal tax payments, file numerous fraudulent claims against non-existent companies using assumed names and social security numbers. Many of these schemes are carried out in multiple states. The following cases represent recent investigative activity involving priority areas identified by the OIG including internal investigations and fictitious employer schemes.

Kathryn L. Fox, a former Customer Service Representative with the Colorado Department of Labor and Employment (CDLE), entered a guilty plea on March 12, 1998, to one count of theft of federal funds. From March to September 1997, Fox participated in a scheme in which she manipulated the CDLE computer system to steal UI benefits. Fox queried the computer system and identified UI claimants who had not exhausted their UI benefits. She then changed the addresses of these claimants to her own address and caused 50 UI checks to be issued under her alias name. The investigation was conducted jointly with the CDLE and the Employment Criminal Enforcement Division. *U.S. v. Fox* (D. of Colorado)

Colorado State Employee Uses Computer to Steal Claimant Money

Bernard Ulissi was sentenced to 1 year and 4 months in prison, 3 years probation, and ordered to pay \$372,113 in restitution after he pled guilty to charges of mail fraud. Ulissi defrauded the Connecticut DOL UI program by operating an interstate fictitious employer scheme using six false names and social security numbers. In a written plea agreement, Ulissi also admitted to defrauding the UI program in Pennsylvania, New Jersey, New York, and the District of Columbia using the same scheme. In operating this scheme, Ulissi established non-existent companies outside the states where he would file for benefits and used Mail Receiving Agencies and Post Office boxes for addresses for the companies and claimants. Ulissi also established three bank accounts, using false identities, and deposited all the UI checks at numerous ATM machines. From 1991 to 1997, Ulissi filed 42 UI claims, using 15 false names and social security numbers. *U.S. v. Ulissi* (D. of Connecticut)

Multi-State UI Scam Thwarted

Thomas Allard and James Thompson pled guilty in a scheme to defraud the Washington Employment Security Department of over \$125,900 in UI benefits. Both individuals pled guilty to conspiracy and mail fraud charges and Thompson was ordered to pay \$7,993 in restitution. The scheme involved the defendants filing fraudulent employer quarterly reports of employee wages for two phony companies and then reporting that the "companies" had ceased their business operations. *U.S. v. Thomas Allard, James Thompson, and Dale Sutley et al.* (E.D. of Washington)

Washington State UI Program Defrauded of Over \$125,000

**Multi-State Fraud Scheme
Carried out through
12 Phony Businesses**

Cathryn Parker pled guilty to charges of mail fraud related to an interstate fictitious employer scheme in which she obtained over \$70,000 in UI benefits. She perpetuated schemes in California, Hawaii, Washington, Arizona, and Connecticut by creating 12 phony businesses, using more than 29 aliases, and false social security numbers to file over 16 fraudulent UI claims against these non-existent companies. Sentencing is pending. *U.S. v. Parker* (N.D. of California)

**Maryland DOL Defrauded
of \$75,000**

A joint OIG, Postal Inspection Service, and Social Security Administration's OIG investigation has resulted in Joseph G. McDermott being sentenced to 1 year and 5 months in prison and 3 years probation after having pled guilty to mail fraud charges and probation violations from prior involvement in another fictitious employer scheme. The investigation revealed that between 1995 and 1997, McDermott created two phony businesses and filed UI claims with the State of Maryland's Department of Labor, Licensing and Regulation (DLLR) for more than 14 fictitious employees. Through this scheme, McDermott defrauded the DLLR of more than \$75,000. *U.S. v. McDermott* (D. of Maryland)

**State of Michigan
Defrauded of Over
\$700,000**

Jeanette Harris was sentenced to 1 year and 2 months imprisonment, 3 years probation, and was ordered to pay \$447,371 in restitution. Harris, the owner of a company known as JVH Inc., knowingly participated in a scheme to defraud the Michigan Employment Security Commission (MESC) by recruiting individuals to file fraudulent UI claims and arranging for verification of false employment information for JHV Inc. and other companies. The investigation conducted jointly with the Michigan Employment Agency determined that MESC paid over \$447,371 to fraudulent UI claims to over 50 individuals. Another individual, Dorothy Hanshaw, received the same sentence and was ordered to pay \$255,264 in restitution for her involvement in a similar scheme. Hanshaw allowed various individuals to file false applications for unemployment benefits with the MESC. *U.S. v. Hanshaw, U.S. v. Harris* (E.D. of Michigan)

In addition to our investigations, we also performed several audits on the UI programs. Summaries of these audits conducted during this reporting period follow.

The OIG conducted a limited scope audit on the use of Social Security Number (SSN) verification techniques to identify ineligible UI claimants. We identified ineligible UI claimants as those individuals who have been using invalid SSNs or using SSNs issued to deceased individuals. We used computer programs to screen claim files in four states against ineligible UI claimants.

We found that 2,927 claims totaling \$3.2 million were paid to individuals who had filed for UI benefits under SSNs that had either not been issued or were issued to deceased individuals. Our testing also showed a substantial portion of these claims were filed by illegal aliens.

We obtained evidence of the legal status of 241 claims in our samples and found 54 percent (129) of the claimants were illegal aliens, who had improperly received \$200,291 of UI benefits. Many claimants we interviewed admitted using counterfeit identification to obtain employment and subsequent UI benefits.

We recommended that ETA assist the states in developing and implementing methods of screening UI claimants for valid SSNs, and delaying or deferring benefit payments to claimants without valid SSNs. We also recommended that ETA seek changes to immigration laws to allow states to delay payments to alien claimants where there are material discrepancies in alien information. We concluded that the screening of UI claimants' SSNs would prevent millions of dollars in UI benefits from being misspent annually. Federal requirements establish that each claimant provide his or her SSN to the State Employment Security Agencies (SESAs) as a condition for UI benefits. Thus, benefits may not have to be paid to claimants who provide an invalid SSN until discrepancies are resolved.

ETA responded that significant improvements could be made in areas that our audit report addressed. A UI directive has been issued ordering SESAs to deny payments to alien claim-

Related Audits in the UI Program

\$3.2 Million Paid to Ineligible Unemployment Insurance Claimants

ants when the alien verification process indicates that the claimant is not the same person as the alien registered with INS. Initiatives currently being considered are an on-line verification of SSNs, and feedback to employers from the National Directory of New Hires. ETA disagreed with our recommendation that UI benefits should not be paid to individuals without valid SSNs. We believe ETA's position is inconsistent with the *Deficit Reduction Act of 1984* which requires that UI claimants provide their SSNs in order to receive benefits, and continue to recommend delay or deferral of benefits to claimants without valid SSNs. (Report No. 04-98-001-03-315; issued March 2, 1998)

Iowa Workforce Development

In September 1995, the Iowa Department of Employment Services, now known as Iowa Workforce Development (IWD) entered into an agreement with Verification of Income and Employment, Inc. (VIE), a wholly owned subsidiary of Norwest Mortgage, Inc. The agreement allows VIE to obtain electronic access to state unemployment insurance wage reporting records for the purpose of consumer credit verification. VIE, in turn, has agreements with subscribers who can access the wage records through VIE. The purpose of the agreement is to provide consumers with a vehicle to expedite the loan approval process by furnishing their wage record information to third party lending institutions. Access is based upon the consent of the individual consumer whose wage record is the subject of the inquiry.

On May 31, 1996, the Unemployment Insurance Service (UIS) issued Unemployment Insurance Program Letter (UIPL) No. 23-96 to clarify the Department's position regarding disclosure. In summary, the Department permits the disclosure of wage records if state law permits such disclosure and if certain conditions related to informed consent, safeguards, and income and costs are satisfied.

We performed a program audit of the first State Agreement subject to the UIPL to determine compliance with the UIPL provisions. We audited the procedures associated with the Agreement between IWD and VIE for the period August 1, 1995 through May 19, 1997.

Our audit disclosed that IWD is in compliance with the informed consent provision of the UIPL. With respect to the UIPL safeguard provision, IWD has not developed written policies and procedures for conducting periodic audits to assure that the information is not misused. We also found that IWD has adequate controls for reporting costs and revenues and IWD assured us that all excess revenue from the VIE project will be used solely to fund unemployment compensation programs. Finally, we determined that the VIE reimbursement covered IWD's costs of system design changes and additional equipment.

We recommended that program management: 1) require IWD to develop written policies and procedures for conducting periodic audits of VIE's audit process to assure that each subscriber has on file a written release authorizing access; 2) require IWD to develop written policies and procedures for conducting periodic audits to assure that the information is not being misused; and 3) direct the UIS to monitor VIE project revenues received by IWD to ensure that excess revenues are used only for UI purposes. IWD officials generally concurred with our audit findings. (Report No. 05-98-003-03-315; issued March 27, 1998)

The Department administers three major disability compensation programs under the Employment Standards Administration (ESA) that provide benefits to workers who experience work-related injuries or diseases, and survivors of employees who died from job-related injuries or diseases. The three programs include the Federal Employees' Compensation Act (FECA), the Longshore and Harbor Workers' Compensation Act (LHWCA) and the Coal Mine Workers Act (Black Lung).

FECA provides wage replacement (compensation) benefits and payment for medical services to Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and the beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Benefits are paid from the Office of Workers'

WORKER DISABILITY BENEFITS

Federal Employees' Compensation Act

Compensation Programs (OWCP) and primarily funded through a charge-back to the employing agency. FECA covers about 3 million Federal employees and postal workers.

FECA's Excess Payment Recovery Procedures Needs Improvement

The OIG performed an audit on the uncollected excess payments found in the FECA program. The purpose of the audit was to determine the adequacy of FECA's efforts to recover excess payments and determine why such payments occurred.

Since excess payments are compensation benefit payments issued subsequent to a FECA recipient's death, our audit found that, in most cases, excess payments were made because FECA had not been notified of a claimant's death. However, in 19 percent of the cases, additional excess payments were made because FECA failed to promptly terminate compensation benefit payments. Additionally, we also found that FECA's district offices were not following existing procedures for recovering excess payments. For example, in 63 percent of the excess payments we reviewed, our audit also discovered that the required document (Standard Form 1184) which would immediately notify the U.S. Treasury of each erroneous payment, had not been sent out by the Division of Federal Employees' Compensation (DFEC). Moreover, FECA's district offices did not track or account for excess payments to ensure that all excess payments were recovered. As a result, we project that approximately \$439,086 in excess payments made during calendar years 1995 and 1996 remain uncollected.

We recommended the Assistant Secretary for Employment Standards: (1) strengthen internal controls to ensure that compensation benefit payments are immediately terminated upon notification of the death of a FECA recipient; (2) ensure that Standard Form 1184s have appropriate Stop Reason Codes and are immediately submitted to Treasury; (3) record the date and amount of excess payments and track their recovery; and (4) revise current excess payment recovery procedures to ensure that they properly delineate FECA's responsibilities in recovering outstanding excess payments including prompt notification to financial institutions and survivors/estates. The Employment Standards Administration agreed to

strengthen internal controls to ensure that compensation benefit payments are immediately terminated upon notification of death and complete and accurate Standard Form 1184s are timely submitted to Treasury.

While ESA accepts some responsibility under Treasury's procedures to collect outstanding compensation payments, it maintains that excess payments are not subject to its overpayment collection procedures. To fulfill its responsibility over FECA funds, we believe that ESA should follow Treasury's procedures so that every reasonable effort is made to recover excess payments. (Report No. 03-98-003-04-431; issued March 31, 1998)

The Department has the responsibility to provide actuarial liability and benefit payment data to 24 Chief Financial Officers (CFO) Act agencies in regard to future workers' compensation benefits. The purpose of this report was to assist these agencies in the audit of their FY 1997 financial statements.

Special Report Relating to the Federal Employees' Compensation Special Benefit Fund

As part of this audit, we performed detailed testing of the FECA population for a 8-month period October 1996 through May 1997. During the period, the FECA program disbursed compensation benefits of \$980 million (81,823 cases) and medical bill payments of \$296 million (1.3 million payments). We tested 261 compensation and 290 medical statistically selected payment items. Additionally, we tested non-statistical items in regard to potential duplicate payments, multiple claim compensation payments, third party payment cases, gross override cases and high dollar compensation and medical payments.

- **Benefit Payments** - The rate of error of benefit payments was acceptable given the materiality limits established by the sample. We projected that compensation and medical bill payments are understated by as low as \$2.8 million but overstated as high as \$18.2 million. Our procedures disclosed other errors; however, the effect did not exceed the materiality limits, did not impact eligibility, or result in payment errors.

- ***EDP General Controls and Security*** - FECA's electronic data processing systems were not sufficiently documented, an appropriate disaster plan was not in place, user IDs and passwords were not safeguarded, and Year 2000 changes within the charge-back system had not yet been made. We did not identify any errors or incorrect payments as a result of these weaknesses. (Report No. 12-98-001-04-431; issued January 9, 1998)

Medical Providers Overbill FECA Millions Each Year

In our September 1997 audit report, we estimated that at least \$7 million is lost annually because of improper or abusive medical provider billings. We also identified a number of billings which we believed the OWCP should analyze for improprieties. In that report, we recommended the OWCP procure a commercial system to screen medical billings for code manipulation in the FECA program and pursue collection actions, if warranted.

The OWCP agreed with our recommendations and is currently pursuing budget authority to procure a commercial code detection package. In addition, OWCP took action to pursue collection of \$1.4 million in potential overbillings.

To aid in their collection efforts, we provided OWCP staff with the actual bills in which the medical services provided were questioned. We assisted them in developing a data base for tracking medical provider responses to the collection letters sent by OWCP.

OWCP mailed collection letters to approximately 2,000 medical providers and received responses from 755. OWCP received refunds totaling \$142,081 from 294 providers. Additionally, 461 providers appealed the overpayment findings and OWCP is evaluating the basis for the appeal. OWCP also plans to send 1,245 second letters to providers who failed to reply to the first mailing. Additionally, based on our audit work, we developed a list of 143 potential problem providers which we referred to our Office of Investigations.

As a result of OWCP's evaluation of the reasons many of the medical providers appealed the overbillings, OWCP identified areas within program operations that could be strengthened.

Program officials plan to implement the following actions to improve control over the bill paying process by:

- Providing training to FECA data entry staff.
- Increasing review of data input accuracy.
- Closely monitoring the use of bypass codes (allows staff to override system control edits for duplicate bills).
- Developing guidelines for the authorization and/or payment of services (i.e., psychiatric visits, medical report writing, etc.).
- Adding maximum fee schedule amounts for services not currently included in the fee schedule (i.e. special supplies). (Report No. 09-97-200-04-431, issued September 29, 1997)

In addition to devoting audit resources to the identification of systemic problems, we continue to dedicate our efforts to investigate FECA claimant and medical provider fraud. During this reporting period, the OIG's Office of Investigations achieved a total of 34 indictments, 20 convictions, and \$5.3 million in monetary accomplishments were achieved in the FECA claimant and medical provider fraud area.

Robert E. Reed, Sr., a former civilian employee of the U.S. Navy, was indicted by a Federal Grand Jury in Springfield, Missouri for fraudulently obtaining FECA benefits. Our investigation revealed that from September 1992 to December 1995, Reed withheld employment information and provided false information to ensure continued receipt of workers' compensation benefits from a job related injury claim in 1968. During this period, he was involved in a number of business activities while fraudulently receiving over \$130,000 in benefits. This investigation was conducted jointly with the Naval Criminal Investigative Service. *U.S. v. Reed* (W.D. of Missouri)

A Federal Grand Jury in California returned a 16-count indictment against a former Peace Corps official, John George

Claimant & Medical Provider Fraud

**Former Civilian Navy
Employee Received
Over \$130,000**

**Former Peace Corps
Official Schemes to
Obtain Benefits**

Dalessio, charging him with fraudulently obtaining FECA benefits as well as tax fraud. Our joint investigation with the Peace Corps' OIG and the Internal Revenue Service determined that Dalessio under-reported his employment as an attorney to OWCP while receiving disability benefits. Dalessio was also involved in a scheme to obtain disability insurance policies from private insurance companies by making false representations about his health and prior receipt of disability benefits. Dalessio lied to the insurance companies by saying that he was a practicing attorney with a gross income of over \$200,000 and had never previously received disability benefits. *U.S. v. Dalessio* (C. D. of California)

**Former Army Medical
Center Employee
Defrauds FECA
of \$98,000**

A former Walter Reed Army Medical Center worker and his wife were indicted by a Federal Grand Jury in Maryland on charges that they fraudulently obtained \$98,000 in lost wages and medical services from the Department of Labor. Walter Roberts and his wife, Carolyn Roberts, were charged with committing mail fraud, wire fraud and making false statements. The joint OIG investigation with the Postal Inspection Service and the Walter Reed Medical Center revealed that the couple prepared and submitted a fraudulent claim for wage compensation benefits, and said that Walter had suffered an on-the-job injury inflicted by a fellow worker, but the injuries actually occurred behind a liquor store, during a fight Walter engaged in with someone not employed by the medical center. *U.S. v. Roberts* (D. of Maryland)

**EX-DOD Electrician
Sentenced**

A former Defense Department electrician, James Stopp, was sentenced to 10 months in prison, 3 months probation and ordered to pay over \$104,000 in restitution. Stopp's sentence was the result of his fraudulent receipt of workers' compensation benefits from a back injury he reportedly suffered in 1989. The investigation determined that while he was receiving FECA benefits he was employed as a postal contract carrier in Tennessee. *U.S. v. Stopp* (E. D. of Tennessee)

**Utah Individual Pleads
Guilty**

Kirk T. Myers, a former U.S. Army employee, pled guilty to charges of making false statements to fraudulently receive over \$118,930 in FECA benefits. Our investigation disclosed that while continuing to receive FECA benefits for a back injury he allegedly suffered in 1995, Myers had been working as a pri-

vate investigator and had eventually formed his own agency specializing in civil domestic investigative casework. *U.S. v. Myers* (D. of Utah)

Charles Gary Henry, a former construction foreman with the Bureau of Prisons, was sentenced to serve 1 year in prison and ordered to pay \$35,442 in restitution. A joint investigation with the Department of Justice's OIG revealed that Henry did construction and remodeling work while receiving FECA benefits from a back injury claim in 1980. Henry has received approximately \$379,000 in FECA benefits. *U.S. v. Henry* (D. of Wyoming)

**Former Construction
Foreman from Bureau
of Prisons Sentenced**

Operation Mailmen is a continuing joint OIG and Postal Inspection Service probe to detect fraud in the FECA program. During this reporting period, our joint probe has resulted in filing criminal charges against 7 individuals who have unlawfully collected FECA benefits totaling over \$610,000. *U.S. v. Sforza, et al.* (S.D. of New York)

**Operation Mailman
Probe Finds Fraud
of Over \$610,000**

A 20 count indictment was returned against John E. Mills, the owner of United Counseling Services, Inc., charging him with mail fraud and false claims as part of a scheme to defraud the FECA program. Since 1988, Mills and his company (formerly Universal Resources Center) collected over \$711,000 from DOL under a contractual agreement with the Department to provide rehabilitation services to injured federal workers. Between 1991 to 1997, Mills submitted false and fraudulent rehabilitation bills for services which he never provided. Based on a review of only 14 injured worker files submitted by Mills, our investigation determined that 40 percent (or approximately \$284,000) of the amount billed were inflated or fraudulent. *U.S. v. Mills* (District of Columbia)

**Vocational Rehabilitation
Counselor Defrauds
OWCP of Over \$280,000**

Dr. Bernard Dolenz, owner and operator of the Dolenz Clinic in Texas, was indicted on charges of mail fraud and false claims in a scheme to defraud OWCP and private insurance carriers. The joint OIG investigation with the FBI disclosed that Dr. Dolenz, a neurologist, psychologist and attorney, worked one day per week and claimed to treat from 30 to 40 patients on that day. He billed OWCP and private insurance carriers for a

**Dallas Doctor
Defrauds OWCP
and Private Companies
of Over \$700,000**

45 to 50 minute psychotherapy session and a 40 minute comprehensive medical exam for each patient. Interviews with patients disclosed that some had not been seen on the dates which were billed, while other patients only saw him for less than 15 minutes per visit. During 1993 through 1994, Dr. Dolenz submitted bills to OWCP and private insurance carriers for over \$1 million, of which, \$700,000 were fraudulent. *U.S. v. Dolenz* (N.D. of Texas)

Longshore and Harbor Workers' Compensation Act

Claimant Fails to Report Previous Injury

Danny Joe Lowery pled guilty to one count of making a false statement to obtain Longshore and Harbor Workers' Compensation Act (LHWCA) benefits. The plea resulted from an indictment which charged Lowery with willfully and knowingly failing to disclose a pre-existing back injury to OWCP. An investigation determined that Lowery withheld the fact that he injured his back in a boating accident 4 months before filing for Longshore compensation benefits from an alleged off-shore injury. Lowery collected over \$200,000 in benefits. *U.S. v. Lowery* (S.D. of Alabama)

Black Lung Program

Medical Providers Charged in Scheme to Defraud DOL Program of Over \$1 Million

A Federal Grand Jury returned a 20 count indictment against Independent Home Medical Rentals and the owners, Doris Jean McConnell and Marsha L. McConnell. Within the same indictment the Grand Jury further charged Southern Air Home Equipment and the owners, Gertrude Burdine and Yolanda Yates. The defendants were charged with a scheme to defraud the Black Lung Trust Fund by submitting grossly overinflated bills for oxygen and other supplies to claimants. The defendants are alleged to have fraudulently obtained approximately \$1.2 million from OWCP to continue with their businesses, pay relatives cash, purchase recreational vehicles, cars, and boats. *U.S. v. McConnell, Burdine, Yates, et al.* (W.D. of Virginia)

WORKPLACE STANDARDS & SAFETY

Another major function of the Department is the administration of programs designed to protect workplace standards and ensure workplace safety. To help the Department ensure the protection of workplace standards and safety, the OIG has established a goal for our 6-year GPRA Strategic Plan “to optimize the use of funds appropriated for workplace safety, health, and standards programs by enhancing program performance and accountability.” Listed below are OIG activities completed during this reporting period that contribute toward achieving this important goal.

The Department’s Employment Standards Administration (ESA) is charged with administering and enforcing a number of statutes related to Federal labor standards. Workplace standards cover a wide range of employment issues, including: minimum wages, prevailing wages for contractors and sub-contractors for Federal projects, child labor, overtime, family and medical leave, and other laws and regulations governing employment standards and practices.

ESA’s Wage and Hour Division (WHD) is responsible for improving and protecting the wages and working conditions of workers in the private and local government sectors. The WHD is also responsible for determining the prevailing wage and fringe benefits rates for particular geographic areas as required by the Davis-Bacon Act.

Davis-Bacon Act

The Davis-Bacon Act requires that each contractor and sub-contractor involved in construction, alteration or repair of Federal property pay its employees no less than “locally prevailing” wages and fringe benefits. WHD establishes prevailing rates through data voluntarily provided by employers and third parties, including union and trade associations.

WORKPLACE STANDARDS

Wage and Hour

Review of Davis-Bacon Modernization Funding

In FY 1997, Congress appropriated \$3.75 million to ESA's WHD for the purpose of developing and implementing improvements to the wage survey and wage determination systems. At the request of the House Appropriations Committee, the OIG prepared a compilation of funds used for Davis-Bacon improvements.

We found that the \$3.75 million was spent on the following activities:

- **Data Verification.** Wage and Hour obligated \$512,389 for a public accounting firm to verify the accuracy of information on WD-10 forms by on-site review of contractors' payroll records.
- **Bureau of Labor Statistics (BLS) Surveys.** Wage and Hour obligated \$313,950 in startup costs for BLS to conduct four fringe benefit surveys in FY 1998 and 1999.
- **Computer Systems Reengineering.** Wage and Hour obligated \$620,595 for a computer consulting contractor to perform a Reengineering Requirements Analysis and to begin design of a new computer system.
- **Automatic Data Processing (ADP) Hardware/Software.** Wage and Hour obligated \$2,187,591 for ADP hardware, software, and telecommunications equipment for a new computer system.
- **Local Area Network (LAN) Managers.** Wage and Hour obligated \$117,513 for its pro rata share of one computer system manager and nine LAN managers in the Wage and Hour Division's regional and district offices.

The Wage and Hour Division also received \$3.75 million in FY 1998 to continue Davis-Bacon improvements. Wage and Hour is spending \$1,628,700 on two Bureau of Labor Statistics (BLS) fringe benefit surveys and one union status survey currently under way. Wage and Hour plans to spend about \$2 million on computer systems contractors who are designing and developing the new computer system. The remainder will be spent on data verification and ADP hardware/software. (Report No. 04-98-003-04-420; issued February 19, 1998)

Davis-Bacon Fraud

Our efforts in this area continue with the investigation of matters related to Davis-Bacon Act violations.

A joint investigation with the OIG, FBI and the HUD's OIG resulted in the arrest of Peter Hoffman, David Abrahamson, Bella Schon, and Harry Schwartz, who all were former partners and associates of Blackstone Reality Management (Blackstone). Since the early 1990s, Blackstone has received over \$50 million in federal monies to operate several HUD-funded buildings. The four defendants entered into a scheme to create maintenance companies, such as Old York Contracting and Old Colony Contracting, to handle the repairs and maintenance of HUD-funded buildings. In addition to providing poor maintenance and upkeep, these maintenance companies billed Blackstone, and ultimately HUD, labor cost of \$35 to \$45 per hour for work, such as electrical and plumbing, done by reportedly licensed laborers and professionals. In reality, the labor was performed by unlicensed laborers who were paid \$5 to \$10 per hour. The difference, which totaled over \$10 million, was skimmed by the defendants. *U.S. v. Hoffman* (E. D. of New York)

The Occupational Safety and Health Administration (OSHA) administers the Occupational Safety and Health Act of 1970. OSHA develops, reviews, and promulgates occupational safety and health standards to assure safe and healthful working conditions for the American worker.

The OSHA provided a \$3 million Federal grant to the Virginia Department of Labor and Industry (L&I) to operate a safety and health program in the Commonwealth of Virginia. The purpose of the grant was to assist the Commonwealth in administering and enforcing occupational safety and health programs. At the request of the OSHA regional administrator, we performed an audit to determine whether direct labor charges to the grant reflected time actually spent on activities approved in the Federal FY 1997 grant agreement. The audit concentrated on 13 positions, totaling \$580,164 in direct labor charges to the grant.

HUD Landlord Caught in Scheme of Under Paid Wages

WORKPLACE SAFETY

Review of OSHA's FY 1997 Enforcement Grant to Virginia

The audit found three positions that should not have been charged to the enforcement grant. This resulted in overcharges of \$12,685 to OSHA. The audit recommended that OSHA recover the overcharge and require L&I to maintain appropriate documentation to support the amount of direct time spent on Virginia's Occupational Safety and Health activities and allocate the direct labor charges accordingly. (Report No. 03-98-002-10-105; issued November 24, 1997)

**Mine Safety
and Health
Administration**

**MSHA Training
Documents Falsified by
Mine Owner**

Philip L. Hoy and Deidre K. Parsons, former Mine Safety and Health Administration (MSHA) training instructors, were indicted by a Federal Grand Jury in Cheyenne, Wyoming. While both Hoy and Parsons were charged with making false statements and aiding and abetting, Hoy was also charged with three counts of false certification of MSHA forms. The joint OIG investigation with MSHA's Special Investigations revealed that Hoy and Parsons altered MSHA forms to falsely indicate that miners received the required MSHA training. The joint investigation further revealed that Hoy certified that miners completed the "24 Hour Newly Employed Inexperienced Miner Training" required by MSHA. The miners who were employed by Hoy were then sent onto mine sites to conduct work without any on-site training. *U.S. v. Hoy, et al.* (D. Of Wyoming)

OIG LABOR RACKETEERING PROGRAM

In 1986, the President's Commission on Organized Crime (PCOC) published a report on the impact of organized crime on American society which found that organized crime in this nation is entrenched in the marketplace, organized crime owns and operates legitimate businesses, and, in some instances, it controls entire industry segments. Historically, organized crime has distorted the cost of doing business by way of theft, extortion, bribery, price fixing, and restraint of trade. The PCOC found that, in many instances, the key to this marketplace corruption is the control and exploitation of labor unions by organized crime. Although the report was released over 10 years ago, the results of OIG labor racketeering investigations continue to support the conclusions and findings of the PCOC.

The OIG is mandated by Congress to carry out a criminal enforcement program to combat organized crime and labor racketeering in the workplace. Traditionally, organized crime has demanded payoffs from unions in return for labor unity, as well as exploiting unions' operational and employee benefit funds. Organized crime has also used the labor union as a tool to obtain market control through the manipulation of supply and the cost of labor, raising competitors' costs, enforcing price fixing, bid-rigging, and other anti-competitive practices. The highest costs, however, are paid by the public. Because organized crime's exercise of market power is usually concealed from public view, millions of consumers unwittingly pay what amounts to a surcharge for a wide range of goods and services. Unfortunately, these activities continue today.

Therefore, as a part of the OIG's 6-year Strategic Plan, the OIG established a specific goal and objectives to combat labor racketeering and corruption in employee benefit plans, labor-management relations, and internal union affairs.

The greatest concentration of OIG resources is focused on organized crime and labor racketeering within union benefit and pension plans. As of 1993, there were over 3,100 union-

**EMPLOYEE
BENEFIT PLANS**

related pension plans comprising over \$224 billion in assets. The performance of the stock market over the past 5 years has significantly increased the value of these assets and, subsequently, the OIG is concerned that these pension funds are ripe targets for organized crime.

In turn, the OIG has made the protection of union employee benefit plans a top priority. During this reporting period, a total of 21 indictments, 20 convictions, and \$14.2 million in monetary accomplishments were achieved in the employee benefit plan area. Listed below are some of the most significant cases reported.

Several Sentenced in \$10 Million New York Teamster Pension Fund Fraud

Glenn P. Pelligren, a Louisiana securities dealer, was sentenced to serve 60 months in a federal prison for his part in a scheme to embezzle over \$400,000 from the Teamsters Local 875 Pension Fund of New York. Another defendant, Albert DeAngelis, a former official and trustee of the pension fund, was sentenced for receiving kickbacks and received 9 months home detention, 36 months of probation, and was ordered to pay over \$53,000 in restitution to the pension fund. Additional defendants, Sanford Pollack and his partner, Burton R. Horowitz, as counsel to the pension fund, were indicted for receiving kickbacks to influence the pension fund to invest over \$9 million of the fund's money in prime bank debentures. Horowitz was charged in a superseding indictment of conspiracy to accept kickbacks, commit mail fraud, and attempting to receive kickbacks. Finally, two other individuals, Mulk Raj Drass and Chloe Peterson of the Infinity Investment Group, were also indicted for their role in a scheme to embezzle \$9.3 million from the Teamsters Local 875 Pension Trust. These investigations were conducted jointly with the FBI. *U.S. v. Pollack* (E.D. of New York)

Related New York Teamsters Pension Fund Fraud Involves Investors

In a related scheme involving the same account used in the Local 875 case (listed above), Michael Hedges (the former managing director of Bear, Sterns and Co.), David Friedmann (a Texas financial management consultant involved with the account), and Xavier Fazio (a New York attorney also involved with the account) were all indicted in the Eastern District of New York on charges of conspiracy, wire fraud, and money laundering. All three individuals allegedly participated in a

scheme to defraud investors of approximately \$250,000. This scam promised several investors high rates of return on investments deposited into Mercantile Investment Group at Bear Stearns, New York. Thereafter, Hedges, Friedmann, and Fazio shared the investors' money and used it for personal expenses. This same Mercantile account was set up for the purpose of handling a sale of a \$10 million prime bank debenture note to the IBT Local 875 Pension fund, and the same pension fund that lost \$9 million on the transaction. *U.S. v. Fazio, et al.* (E.D. of New York)

A Pennsylvania businessman, Frank V. Carlow, was sentenced to 87 months in federal prison and ordered to pay more than \$4.5 million in restitution for tax evasion, mail fraud, pension fraud, and obstruction of justice. Carlow's coal mining companies employed approximately 400 miners. Carlow fraudulently under reported hours that his employees worked and, as a result of his under reporting hours, he also underpaid his contributions to the miners' pension fund. In addition, Carlow provided false records to the United Mine Workers of America, Local 5, in order to conceal his failure to pay employee medical bills. This investigation was part of a task force conducted jointly with the Internal Revenue Service (IRS), the Federal Bureau of Investigation (FBI), and the U.S. Secret Service. *U.S. v. Carlow* (W.D. of Pennsylvania)

Harry Kapralos, a Long Island attorney, and Thomas Barnetas embezzled and laundered \$525,000 from the Imperial Air Freight Profit Sharing Trust from 1990-1991. The Imperial Air Freight Company was purchased by Maro Investment Properties, Inc., and listed as its sole stockholder was Barnetas. Barnetas became the sole trustee for the profit sharing plan and depleted the plan's assets and, in turn, bankrupted the plan. Barnetas and Kapralos were indicted and convicted of conspiracy, embezzlement, and money laundering. They were sentenced in the Eastern District of New York, Barnetas received 21 months of prison time and was ordered to pay restitution of \$1.5 million. Kapralos received 121 months in prison and was ordered to pay restitution of \$2 million. This investigation was conducted jointly with the FBI and the DOL Pension and Welfare Benefits Administration. *U.S. v. Kapralos, et al.* (E.D. of New York)

Coal Mine Owner Defrauds Pension Fund

Individuals Ordered to Pay \$3.5 Million to Pension Trust

**Reinsurance Scam
Brought to an End**

Dallas Bessant, a British citizen, pled guilty to wire fraud for his involvement in a scheme to defraud policy holders insured by the State of Pennsylvania. Bessant created sham offshore reinsurance companies located in Ireland and the Netherlands. These reinsurance companies acted as shell companies, but contained no real assets. The insurance agreement held that these companies were to pay the claims of policy holders in the event that the primary insurance company became insolvent. In 1995, the World Life and Health Insurance Company of Pennsylvania became insolvent. Bessant's companies were worthless and ultimately unable to pay the medical claims. This scam resulted in \$5.2 million in unpaid policy holders' medical claims. Bessant will be sentenced in June. This investigation was conducted jointly with the U.S. Attorney's Office (E.D. of PA), the Department of Justice, the Postal Inspection Service, the Securities and Exchange Commission, and the FBI. *U.S. v. Rennert et al.* (E.D. of Pennsylvania)

**Owner of Compton Press
Sentenced for Looting
Pension Plan**

Leonard Pelullo, owner of Compton Press, was indicted and convicted in New Jersey and Pennsylvania courts for looting the assets of the pension and profit sharing plans of Compton Press. Pelullo was found guilty on all 54 counts of the indictment that charged him with conspiracy, embezzlement, and money laundering. He was sentenced to 210 months of imprisonment and was ordered to pay over \$890,000 in restitution. His sentence is to run concurrently with a 24-year sentence in the Eastern District of Pennsylvania. This investigation was conducted jointly with the FBI and PWBA. *U.S. v. Pelullo* (D. of New Jersey)

**\$3.7 Million Ordered to be
Paid to Medical
Claimants**

Ronald Loetz, a California businessman, was sentenced to 90 months in federal prison and was ordered to pay restitution of \$3.7 million to the claimants he defrauded. Loetz was convicted of 36 counts of wire fraud and money laundering, for his promotion of a fraudulent health insurance plan. He founded the American Business Trust in 1990, promising fully insured medical coverage through Lloyd's of London. The trust eventually collapsed and left over \$5 million in unpaid claims. At the same time, Loetz had funneled over \$300,000 in premiums to bankroll a lavish lifestyle and a million dollar home. At his sentencing, the judge barred Loetz from any further employment in the insurance industry. This investigation was

conducted jointly by the IRS and the State of California Insurance Department. PWBA assisted with the case during the trial testimony phase. *U.S. v. Loetz* (N.D. of California)

The OIG continues to investigate illegal payments from employers to union officials. These prohibited payments are usually for sweetheart contracts that allow the employers to save money on wages and benefits. Corrupt union officials also use their positions to extort employers in exchange for union peace.

During this reporting period, a total of 10 indictments, 14 convictions, and \$431,381 in monetary accomplishments were achieved in the labor-management relations area.

Cathryn Simmons, a political consultant, made payments to Bob Griffin, a prominent Missouri politician, for his assistance in obtaining contracts from businesses in his district. Simmons also made payments to Michael Fisher, a former Kansas City AFL-CIO labor leader, for his influence in obtaining lobbying contracts. Between 1992 and 1994 Simmons paid Griffin approximately \$95,000, and she also paid Fisher approximately \$341,000. Griffin was sentenced to 4 years in federal prison for accepting a bribe and using his position as Speaker of the House to help his friends. Fisher received 39 months imprisonment. Simmons was sentenced to 50 months imprisonment and ordered to pay \$183,000 in forfeiture. *U.S. v. Griffin, Fisher, et al.* (W.D. of Missouri)

Joseph Iannaci, alleged member of the Colombo organized crime family, was indicted and convicted on extortion charges in the Eastern District of New York. Iannaci was paid over \$70,000 in wages and pension benefits for being a "ghost employee." He performed no work, but in reality represented organized crime in dealing with the Greater Blouse, Skirt and Undergarment Association, a garment worker employer association. Iannaci was sentenced to 6 months of home detention and 3 years of probation. He also received a \$10,000 fine for pleading guilty to a fraud charge and the falsification of tax forms. This investigation was conducted jointly with the FBI and the IRS. *U.S. v. Iannaci* (E.D. of New York)

LABOR- MANAGEMENT RELATIONS

**Politician Receives
4 Years for Accepting a
Bribe from a Political
Consultant**

**Mob Member Sentenced
for Extortion in Garment
Industry Case**

INTERNAL UNION AFFAIRS

The OIG continues to investigate union officials engaging in labor racketeering activities who continue to undermine, and in some cases, incapacitate internal union affairs. One of the most direct strategies that the OIG employs in this effort is the actual removal, dismissal, and/or debarment of those union officials that are being influenced or controlled by organized crime.

The OIG also conducts investigations into allegations of wrongdoing within the unions themselves. During this reporting period, a total of 4 indictments, 4 convictions, and \$197,575 in monetary accomplishments were achieved in the internal union affairs area. The following cases are prominent examples of organized crime's ability to infiltrate the internal affairs of unions.

Union Officials Plead Guilty to Embezzlement

Former officials of the United Food and Commercial Workers (UFCW) District Union Local One of Utica, New York, pled guilty to embezzling funds from the Local. Joseph C. Talarico (former Local President, and Secretary/Treasurer of the International UFCW), Samuel J. Talarico, Jr. (former Executive Vice President), Samuel J. Talarico (succeeded his father, Joseph, as President), and Marlene Talarico Biernat (Joseph's daughter), all pled guilty to receiving goods or services from various companies and billing the Local for charges incurred. Three contractors also pled guilty for their participation in the scheme to defraud UFCW Local One. The contractors aided and abetted the Talaricos by submitting false invoices to the Local for work on personal residences and other goods. The principal of one contractor made false representations to the UFCW employee benefit fund causing the fund's annual report to be inaccurate. This investigation was conducted jointly with the FBI, the IRS, the Housing and Urban Development OIG, and the DOL Office of Labor-Management Standards. *U.S. v. Talarico* (N.D. of New York)

Ohio Teamsters Official Removed

Nicholas Nardi, former President of Teamsters Joint Council 41, and the secretary-treasurer of Teamsters Local 416 pled guilty in Federal District Court in Cleveland, Ohio, to one count of criminal contempt. Evidence was developed showing that Nardi falsely testified in a deposition taken by the Teamsters Independent Review Board. Contrary to his sworn testimony, Nardi had participated in a series of meetings with bosses of

the Los Angeles La Cosa Nostra. As president of Teamsters Joint Council 41, Nardi had influence over 50,000 Teamsters' jobs in the Ohio area. Nardi's plea agreement stipulated that he must resign from all of his Teamster Union positions, and Nardi must also accept a 13-year debarment. This investigation was conducted jointly with the FBI. *U.S. v. Nardi* (N.D. of Ohio)

DEPARTMENTAL MANAGEMENT

The OIG is firmly committed to helping improve DOL programs and operations, and ensuring that they are administered in a cost-effective manner. In addition, the OIG is working to foster an atmosphere of the highest possible integrity for those persons who work for DOL, perform services, or participate in its programs.

FY 1997 CONSOLIDATED FINANCIAL STATEMENTS

The Chief Financial Officers Act of 1990 (CFO Act) requires agencies to report annually to Congress on their financial status and any other information needed to fairly present the agencies' financial position and results of operations. To meet the CFO Act reporting requirements, the Department prepares annual financial statements that the OIG audits. The Department has additional financial management reporting requirements under the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act of 1996 (FFMIA). Because these various acts are vital to the OIG's ultimate statutory compliance, a great deal of emphasis is placed on the audits of the Department's financial statements.

FY 1997 Financial Statements

The Department's financial statements for Fiscal Year (FY) 1997 reflect \$33.6 billion in expenses, of which approximately 81 percent are "pass through" funds, or funds that are expended by state and local governments. Of the total, \$20.2 billion was expended by the states for Unemployment Insurance (UI) benefit payments, and another \$7.3 billion was expended by state and local governments who operate state UI, employment services, and Job Training Partnership Act (JTPA) programs. The balance of the expenses were for benefit payments and services provided directly by the Department.

OIG Report on DOL's Financial Statements

Since the OIG began auditing the Department's financial statements in 1986, our opinion has been qualified due to a limitation on the scope of our audit related to the tax revenues for the Unemployment Trust Fund and Black Lung Disability Trust Fund. The scope restriction was caused by lack of audit assurance with respect to tax revenues that are collected by the U.S. Department of Treasury. Although the General Accounting Office (GAO) has conducted financial statement audits of the U.S. Department of Treasury for several years, they have previously been unable to perform sufficient audit work on these taxes to provide assurances to satisfy the OIG's needs with regard to the fair presentation of these revenues. However, in FY 1997, GAO was able to complete this work, and subsequently, the OIG is pleased to report that the Department of Labor has received its first "clean" opinion on its consolidated financial statements and the financial statements of the Unemployment Trust Fund and Black Lung Disability Trust Fund.

Further, our Report on Internal Control reflects no material weaknesses, although we continue to note many reportable conditions that require DOL management attention. Finally, our Report on Compliance with Laws and Regulations reflects seven subsidiary systems that do not meet one or more of the criteria for Federal accounting systems referenced in the FFMIA. Three other areas of non-compliance also were identified.

As previously stated, the OIG's Report on Internal Control did not disclose any material weaknesses. However, we did note several reportable conditions, most of which were initially identified in prior years. Specifically, these reportable conditions are:

Wage and Hour Division (WHD)

- WHD does not maintain sufficient control over information recorded in the back wage subsidiary system. In addition, certain policies and practices exercised by the regional offices preclude the use of this system as a reliable subsidiary for back wages.

- WHD has not yet completed the system reports or general ledger interface of the Civil Monetary Penalties (CMP) tracking system. Our audit of the new system detected misstatements in the CMP accounts receivable balances that were primarily caused by incorrect or incomplete data entry.

Electronic Data Processing (EDP) Controls

The OIG reviewed security and general controls for six significant financial EDP systems within DOL. We found improvements were needed for each system in one or more of the following types of controls: documentation, user access, computer security plans, termination procedures, security clearances, separation of duties, and disaster recovery plans.

Employment and Training Administration (ETA) Grant Accounting

After a review of the internal control procedures within ETA, the OIG determined that there were several areas that needed significant improvement:

- Written procedures for the accounting function.
- No ETA policy exists requiring proper support and authorization for adjustment transactions.
- ETA regional offices were not reconciling grant payments from the Health and Human Services/Payment Management System with payments recorded in ETA's Grant and Contracts Management Information System.
- ETA continues to have a problem recording grantee and contractor cost information in a timely fashion.

State Employment Security Agency (SESA) Real Property

Although ETA has recently improved its accountability with respect to real property purchased with SESA grant funds, ETA is still unable to provide a complete and up-to-date SESA inventory list, or state certifications of SESA real property.

Federal Employees' Compensation Act (FECA) Continuing Eligibility - Social Security Administration (SSA) Earnings Confirmation

Each time the Employment Standards Administration (ESA) requests earnings statements from the SSA, ESA must go through the laborious process of first obtaining a signed release form from the claimant. ESA is now pursuing an alternative method of obtaining earnings verifications from SSA in an automated format. However, in the interim, ESA needs to enforce the current policy of soliciting the SSA earnings statements every 3 years.

Longshore and Harbor Workers' Compensation Act (LHWCA) Program

The OIG identified weaknesses in the internal controls for LHWCA district office submission of rehabilitation service provider bills, and LHWCA national office authorization of payments to providers. Ultimately, this has the potential to result in fraudulent payments to fictitiously created vendors and providers.

Interest on Advances to the Black Lung Disability Trust Fund

The OIG reviewed the interest on advances to the Black Lung Disability Trust Fund and found that the rates of interest charged on advances to the Trust Fund are not in compliance with the Black Lung Benefits Revenue Act of 1977, as amended. ESA disagreed with the OIG position, and indicated that they have not planned any further action to ensure compliance with the Black Lung Benefits Revenue Act of 1977.

To obtain reasonable assurance that DOL's financial statements are free of material misstatement, and coupled with the fact that noncompliance could have a direct and material effect on the determination of financial statement amounts, the OIG performed compliance tests with regard to certain provisions of laws and regulations. The OIG also performed tests of other laws and regulations specified in Office of Management and Budget (OMB) Bulletin 93-06, as amended, including the requirements referred to in FFMIA.

FFMIA

OIG performed tests of compliance using the implementation guidance for FFMIA issued by OMB on September 9, 1997. Our tests indicated that the following subsidiary DOL financial management systems did not substantially comply with one or more FFMIA requirements:

- Wage and Hour's Back Wage and Civil Monetary Penalties systems.
- Employment and Training Administration's debt management subsidiary system.
- Mine Safety and Health Administration's and Occupational Safety and Health Administration's penalty tracking systems, and Job Corps' real and personal property systems.

OIG tests also disclosed instances of noncompliance with the following laws and regulations:

Wage and Hour's Back Wage System - WHD collects back wages that are held in a special deposit account for a period of time prescribed by law, after which time they revert to the U.S. Department of Treasury. Currently, there is approximately \$4.3 million on deposit that has not been distributed to employees (primarily from the San Francisco and Philadelphia regions) that should be reverted to the U.S. Treasury.

ETA Debt Management - ETA does not charge administrative costs and penalties to its debtors, as required by the Debt Collection Act of 1982, and has not documented the circumstances where administrative costs and penalties are not applicable.

Establishment of Advisory Council by UTE - The Advisory Council on Unemployment Compensation (ACUC), required by the Social Security Act, has not been reestablished, despite the fact that the ACUC deals with issues of great significance to the UI program. DOL determined that a new ACUC would

not be established because of the ongoing analysis of the final report, of the prior ACUC, that ended January 1996, and the need to reassess the direction of an entirely new ACUC. (Report No. 12-98-002-13-001; issued February 27, 1998)

Over the reporting period, the OIG carried out many activities in the area of departmental management that help to contribute to program economy and efficiency.

The Government Performance Results Act (GPRA) of 1993 was enacted to improve internal management of the Federal Government by holding Federal agencies accountable for achieving program results, improving program effectiveness, and accountability to the public. Although GPRA has no special requirements for Inspectors' General (IG), many in Congress have indicated that IGs should be actively engaged in work related to the implementation of GPRA. Specifically, IGs should assess agencies' compliance with GPRA and keep Congress and agency heads informed about operations.

The OIG's ultimate objective is to ensure that DOL is capable of producing cost-based performance statements that link financial and performance data to the operational results. Because current and future work will address financial and performance reporting, this process will better afford the OIG the ability to attest to the value of both agency and program activities, to Congress, and the American public.

To assist in managing for results, in August 1997, the OIG alerted the Deputy Secretary to the various laws, regulations, and requirements related to GPRA, and offered to work as a partner. This partnership role was presented to the DOL Executive staff, and top managers, at two Secretary's retreats held in November 1997 and January 1998.

During this reporting period, OIG consulted with agencies and participated in GPRA-related task forces. OIG staff served on the DOL's Cost Accounting Task Force and the Departmental Performance Plan Workgroup. The OIG staff is currently

ACTIVITIES TO ASSIST DEPARTMENTAL MANAGEMENT

Government Performance Results Act (GPRA)

evaluating each agency's strategic and performance plans, and we anticipate that the results of these evaluations will be presented in our next Semiannual Report.

**Contracting
Operations**

In order to better service and assist the Department, the OIG is continually reexamining programs, processes, and finding ways to ensure accountability and results. One of the ways that the OIG has been able to support the Department is through our examination of various contracting systems.

OIG Recommends Improvements to Contracting Procedures and Practices for Fixed-Price Contracts

While performing an audit of the costs claimed by a Section 8(a) minority contractor, the OIG noted a weakness in DOL's practices and procedures when awarding noncompetitive fixed-price contracts. More specifically, the contracting officers were not reviewing the contractor's actual cost data at the end of each contract year to determine whether the price for the option year(s) should be renegotiated to ensure it was equitable and reasonable.

DOL needs to ensure that its contracting officers follow the requirements in Federal Acquisition Regulation Part 17.207 "Exercise of Options," when contracting officers enter into fixed-price contracts where price competition is not required.

OIG Review of Contractor Claim Results in Negotiated Savings to the Government Totaling \$582,608

During a contract closeout process at two Job Corps locations, it was determined that a significant cost overrun occurred at one location and a lesser overrun at another location. The contractor claimed the overruns were due to an unusual set of circumstances over which it had little or no control and, therefore, should be paid the entire amount of the cost overruns plus unpaid contract amounts for which the Department had withheld final payment.

The Department asked that the OIG review the contractor claim to determine:

- Whether the expenses claimed were legitimate DOL expenses.
- The circumstances under which the expenses were incurred.

We reviewed about \$2.3 million of the contractor's claimed costs, evaluated the merits of the contractor's reasons for the cost overruns, and provided information to both the Department and the Solicitor of Labor (SOL) to use in either a negotiated settlement or potential litigation.

The OIG determined that most of the costs the contractor had claimed and the Department had not yet paid (both costs "within the contract" and overruns) were legitimate expenses. The OIG also determined there were, in fact, unusual circumstances which complicated and aggravated the contract closeout process and contributed to the cost overruns. There were conditions within the contractor's organization which contributed to the lax oversight of accrued expenses. Further, there were conditions external to the contractor, beyond their control, which contributed to the operational overruns.

On December 17, 1997, primarily a result of the OIG's review, the Department and the contractor entered into a Settlement Agreement. The terms of the Agreement included the Department reimbursing the contractor a fair amount on its unpaid claims for both contracts, determined to be \$2.1 million, which saved DOL a total of \$582,608 and avoided the costs of subsequent litigation. The total savings is comprised of reductions of \$205,992 in the amounts of the two contracts and \$376,616 of allowable costs not claimed by the contractor including interest costs to which the contractor would otherwise have been entitled under the Prompt Payment Act. (Report No. 18-98-004-03-370; issued January 27, 1998)

Technology Implementation

Review of the Acquisition and Implementation of Laptop Computer Technology

The OIG recently conducted a series of reviews with regard to technology issues in the Mine Safety and Health Administration (MSHA). In particular, a congressional request was forwarded to the OIG with respect to the acquisition and implementation of laptop computer technology and selected procurement issues. During this reporting period, the OIG completed the following two reviews of issues identified in the congressional inquiry, and we are currently planning additional work in this area.

The congressional referral raised concerns about both MSHA's actions in procuring laptop computers for use by the mine inspectors, and the DOL's progress in achieving technology-related goals and inspection program enhancements. The OIG's review did not identify any infractions of procurement laws, regulations or rules; however, we confirmed that environmental factors will not restrict the laptops from providing the intended program benefits.

The OIG interviewed several inspectors with regard to the implementation of the laptops and related use of the pilot software. The inspectors interviewed were enthusiastic about the laptops' potential to improve their productivity and professionalism. However, delays have been encountered in developing the software to automate some inspection forms, access information sources, issuing laptops to inspectors, and completing computer training. The OIG concluded that effective planning and the prioritization for the laptop program are essential to ensure that MSHA fully realizes the benefits of this new technology.

The OIG also provided recommendations and facilitation to MSHA to ensure maximum results from DOL's investment in laptop technology. Specifically, the OIG recommended that MSHA:

- Develop a comprehensive plan to ensure the accomplishment of the laptop goals.
- Increase direct input from inspectors concerning field needs and priorities.

- Examine the technology approaches of other agencies in addressing similar problems.

Additional recommendations, such as accelerating the distribution of basic applications, establishing an in-house electronic bulletin board for inspectors to share technology-related information, and preparing laptop policies and procedures, were suggested to expedite the involvement of all mine inspectors in adopting the new technology.

MSHA has fully accepted our recommendations and several were implemented prior to issuance of the final report. For example, the agency has established a laptop steering committee comprised of inspectors, supervisors and computer programmers and the committee has held initial meetings with the consultant engaged to assist MSHA in fully achieving the goals of the laptop computer program. (Report No. 11-OEI-98-MSHA; issued March 31, 1998)

The second congressional referral focused on two procurement-related issues. In the first issue, the OIG was requested to address whether MSHA officials had intentionally circumvented building construction thresholds requiring congressional approval by authorizing incremental contracts for projects in Tridelfia and Beckley, West Virginia, and Bruceton, Pennsylvania. The OIG found that the applicable threshold requiring congressional approval was substantially higher than the amount cited in the referral. Subsequently, none of the projects exceeded the authorized ceiling and congressional approval was received for the Tridelfia construction in conjunction with MSHA's consolidation of the technical service centers.

Review of Selected Procurement Issues

The second issue the OIG was requested to address was a general concern that widespread fragmentation of procurement actions had been practiced in some segments of the agency. While a 1993 contract management review conducted by the Office of the Assistant Secretary for Administration and Management (OASAM) had identified instances of fragmentation, neither a 1995 OASAM follow-up review, nor the OIG's study, found any evidence of continuing, systemic fragmentation of purchases to bypass procurement requirements. (Report No. 12-OEI-98-MSHA; issued January 16, 1998)

**EMPLOYEE
INTEGRITY AND
ETHICS**

The OIG is charged with the responsibility for conducting investigations into possible criminal activities within DOL's programs, as well as, the criminal activities involving employees of the Department. The OIG is certain that these aggressive steps will go a long way in helping employees and programs meet the level of excellence that we have come to expect from our federal workforce. To that end, the OIG has been involved with a number of cases that reflect our commitment to this process.

**ETA's Dallas Deputy
Regional Administrator
Pleads Guilty and
Resigns**

Norma B. Selvera, former deputy director of the Job Corps Program and Deputy Regional Administrator of the Employment and Training Administration regional office in Dallas, pled guilty to one count of conspiracy. An OIG investigation revealed that Selvera conspired with an official of the Wachenhut Corporation, a Job Corps contractor, to receive illegal gratuities and steal Government reports to be used in preparation of contract bids submitted to DOL.

In her plea, Selvera admitted that during the period March 1992 through July 1993, she removed copies of internal Office of Job Corps information and documents, including Job Corps Center contracts and modifications, contract center operations budget reports, and internal bid selection information, and provided this information to an official of the Wachenhut Corporation to be used in preparation of their bids submitted to the Department of Labor. In return for this information, the Wachenhut official provided Selvera with items of value, including services from a public relations firm and an airline ticket. The public relations firm had been enlisted to garner political support for Selvera in her attempt to obtain a senior executive service position at the Department of Labor. As a result of the findings of this investigation, Selvera resigned from her position as ETA's Dallas Deputy Regional Administrator. She is awaiting sentencing. This investigation was conducted jointly with the FBI. *U.S. v. Selvera* (District of Columbia)

**DOL Employee Pleads
Guilty to Embezzlement**

From July 1, 1995 through May 7, 1996, Senetra Jones used personnel documents obtained from the Department of Labor (DOL) Office in Atlanta, Georgia, and subsequently used this information to fraudulently obtain credit cards. Jones obtained the credit cards in the names of current DOL employees and

had the cards forwarded to her home address. Losses attributed to the misused credit cards were in excess of \$20,000. However, the real significance of this case was that the theft of personnel data was considered a thing of value for purposes of the indictment and the plea (and therefore was charged under 18 USC 641), and the OIG's efforts managed to protect the credit histories of over 1800 DOL employees. Jones pled guilty to charges of embezzling public monies and obtaining unauthorized credit cards. *U.S. v. Jones* (N.D. of Georgia)

Thurman Johnson, a former mine inspector for the U.S. Department of Labor, Mine Safety and Health Administration (MSHA), pled guilty in U.S. District Court to making false statements. A lengthy investigation found that Johnson had fraudulently received over \$325,000 in FECA benefits since being placed on the periodic roles in 1985. Johnson allegedly injured his back while inspecting a coal mine but failed to report cash he extorted from coal mine operators. The investigation revealed that Johnson, while receiving FECA benefits, approached several Kentucky coal mine operators and told them he would provide advance notice of inspections, and that he would expedite the approval process of roof control plans. In exchange, he would then pressure operators to make quarterly payments to him ranging from \$500 to \$1,300, or suffer retaliation by way of stiff inspections and citations. Johnson failed to report in excess of \$60,000 of these cash payments to the Office of Workers' Compensation Programs (OWCP). He was sentenced to a 4 month prison term, and 8 months of home detention, and ordered to make restitution in the amount of \$41,281. Johnson was removed from the FECA program. *U.S. v. Johnson* (E.D. of Kentucky)

Mine Inspector Extorts Cash from Mine Operators

Sean Swaringer, a Wage and Hour Division employee, his wife, and Sharon Sullivan, an employee of the Excell Federal Credit Union, were involved in a scheme to defraud the Credit Union. A joint investigation by the Lawrenceville, Georgia Police Department and the OIG found that Sullivan provided Swaringer with names, addresses, social security numbers, and other bank-related data, and in turn Swaringer fraudulently requested automated teller machine cards. Swaringer and his wife then used the information to file applications with the Credit Union and eventually swindled \$22,000 from the Credit Union member

Credit Union Fraud Stopped

accounts. In addition, it was found that Swaringer made \$4,000 in unauthorized charges on his government-issued American Express card. A Georgia Grand Jury indicted Swaringer and Sullivan, charging them with financial transaction card fraud and theft. *State of Georgia v. Swaringer, et al.*

LEGISLATIVE RECOMMENDATIONS

Section 4(a) of the Inspector General Act requires the Office of Inspector General (OIG) to review existing and proposed legislation and regulations and to make recommendations in the semi-annual report with regard to their impact on the economy and efficiency of the administration of the Department's programs and operations, or to the prevention of fraud and abuse in such programs. During this reporting period the OIG has the following legislative concerns:

AMEND THE FEDERAL EMPLOYEES' COMPENSATION ACT

The Federal Employees' Compensation Act (FECA) provides compensation and medical payments for Federal employees suffering work-related illnesses or traumatic injuries. The Department of Labor administers this program, in cooperation with the other Federal agencies whose employees receive benefits under the Program.

In order to help to ensure that this program operates as effectively and efficiently as possible, the OIG recommends amending the Internal Revenue Code to allow the Office of Workers' Compensation Programs (OWCP) and the OIG, access to Social Security wage information. Currently, OWCP can only access Social Security wage information if given specific permission by the FECA claimant, although refusal to grant such authorization has no adverse impact on the claim. However, without this information, OWCP staff, as well as, OIG investigators are hampered in being able to determine whether FECA beneficiaries are receiving outside employment income.

Therefore, for purposes of the effective and efficient administration of FECA benefits and in furtherance of its oversight and criminal investigations of suspected benefit fraud by claimants, the OIG supports statutory authorization to both OWCP and the OIG for access to certain Social Security Administration data. Clearly, claimants who defraud the FECA program are unlikely to willingly grant the authority to access information on their earnings to OWCP or the OIG. Furthermore, both OWCP and the OIG are unable to even verify if the social security number provided by the claimant is, in fact, the claimant's issued number.

Second, the OIG also recommends amending FECA to adjust time frames for the payment of benefits under the program. Before receiving disability compensation, injured employees can receive a continuation of their regular pay (COP) for up to 45 calendar days following a disabling job-related traumatic injury, without having to use sick leave or leave-without-pay. If the claim for FECA compensation is not approved, and the injured worker continues to remain away from the job, then the claimant must then use accrued sick leave or leave-without-pay for the three work days immediately following the end of the 45-day COP period.

Prior to its being amended in 1974, the FECA statute had required employees to use three days of their accrued sick leave or leave-without-pay before they could begin to receive COP. This three-day period near the beginning of the claim had been established to limit frivolous OWCP claims. However, immediately following the 1974 change in the FECA law, there was a dramatic rise in the number of new and sometimes frivolous compensation claims. Therefore, the OIG recommends returning the three-day waiting period to a point prior to the commencement of the 45-day COP period. This small change would help to discourage unwarranted injury and disability claims.

A third area warranting legislative attention deals with the lack of a "retirement age" under the FECA disability program. As a result, under the current law, beneficiaries can remain on the FECA disability rolls until they die. Beneficiaries with dependants who are on the temporary total disability rolls currently receive, tax-free, 75 percent of the salary that they drew before their injury as compensation for the lost wage-earning capacity. (If there are no dependents, the benefit level is 66 2/3 percent.) Because the compensation is untaxed, the level of these benefits is often much greater than would generally be realized by most Federal workers who work for many years and then retire from their jobs. Consequently, this aspect of the law can serve to actually discourage some Federal workers from returning to work. Therefore, the OIG recommends that consideration be given to establishing a reduced compensation level at the appropriate retirement age that would not exceed the amounts of money available to those who had continued to work.

In order to curb other disincentives to reemployment the OIG recommends several other technical changes to FECA. Because there is a substantial disincentive to leave the FECA disability rolls, the OIG recommends that a mandatory retirement age be established, whereby FECA recipients who reach the designated age would revert to benefit levels more consistent with the levels provided through the Civil Service Retirement System or the Federal Employees' Retirement System. Of course, all approved medical benefits related to the injury would continue to be paid by OWCP, irrespective of the claimant's age.

DOL FOREIGN LABOR CERTIFICATION

As detailed in the Significant Concerns section of this report, in May 1996, the OIG issued an audit on two of the Department's foreign labor programs: DOL's employment-based permanent program and the temporary H-1B Labor Condition Application immigration program. Our audit concluded that while the Employment and Training Administration was doing all it could within its authority, neither program met the legislative intent of protecting U.S. workers' jobs or wages.

We recommended these two DOL programs be eliminated as they currently exist and replaced with programs that fulfill Congress' intent to protect American workers' jobs and wages. We also recommended that, if DOL has a continuing role in the redesigned program, the costs of DOL's activities be fully recovered by charging user fees to the employers who benefit from the program.

Specifically, the OIG recommends the following changes to the DOL foreign labor certification programs:

- Eliminate DOL's employment-based permanent program and the temporary H-1B Labor Condition Application immigration program as they currently exist.
- If the DOL is to have a continuing role in the redesigned programs, there should be a requirement that the cost of DOL's activities be fully recovered by charging user fees to the employers who benefit from the program.

We also audited the H-2A, Temporary Agricultural Guest Worker program and found that it was also ineffective. While our recommendations focused on improving the enforcement of program requirements, the Employment and Training Administration concluded, within their response to the audit, that changes to this program might be better considered in tandem with a broader set of reforms for all foreign labor certification programs administered by DOL. We would support attempts by the Department to address the ineffectiveness of these programs.

Within our jurisdiction, the OIG strives to help workers and retirees by safeguarding employment benefits and enhancing DOL's effectiveness in administering related programs. We carry out this goal through oversight of the Pension and Welfare Benefits Administration (PWBA), review of proposed legislation, and criminal enforcement pursuant to special labor racketeering authority. It is essential that employee benefit plans be afforded sufficient protections to ensure that particular assets are adequately protected and available when participants need them. However, over the years, the OIG has seen countless examples of criminal activity in the pension plan arena. A sharp rise in white collar crime, coupled with ever-increasing pension plan assets, has made the OIG concerned that the system is vulnerable to continued fraud and abuse.

LIMITED SCOPE

To help combat this criminal element, we have identified areas where protection of pension assets can be improved. Foremost among these areas, the OIG has recommended the repeal of the limited scope audit provision of Employee Retirement Income Security Act (ERISA). This repeal would require full scope audits of all pension plans audited under ERISA. The limited scope provision results in inadequate auditing of pension plans because it exempts, from audit, all pension plan funds that have been invested in institutions such as savings and loans, banks, or insurance companies already regulated by Federal or State Governments. At the time ERISA was passed two decades ago, it was assumed that all of the funds invested in those regulated industries were being adequately reviewed. Unfortunately, as indi-

cated by the savings and loan crisis, that is not always the case. Currently, because of this provision, independent public accountants conducting audits of pension plans cannot render an opinion on the plan's financial statements in accordance with professional auditing standards. It is important to note that the auditors' disclaimer of any opinion on the financial statements includes even those assets that were audited. These "no opinion" audits provide no substantive assurance of plan integrity to benefit participants or the Department.

GOVERNMENT PERFORMANCE AND RESULTS ACT

Recently H.R. 2883, the Government Performance and Results Act Technical Amendments of 1997, a bill designed to improve federal agency strategic plans and performance reports, passed the House and was referred to the Senate Committee on Governmental Affairs. H.R. 2883 would require federal agencies to further revise their strategic plans to improve their performance and eliminate overlapping functions. Of particular concern to the OIG is a provision contained within the legislation that would require Inspectors General to audit agency GPRA performance reports and provide an assessment each year. Such an audit would be a massive effort entailing assessments of systems and procedures used to collect and report the information. We are concerned that the additionally mandated work would serve to further limit the resources that can be devoted to conducting discretionary activities in many areas that warrant careful audit scrutiny.

ACCESS TO PROGRAM DATA

Some states interpret the Social Security Act to limit DOL access to state Unemployment Insurance (UI) wage record data. Without access to these records, the OIG is hampered in its ability to properly conduct certain audit and investigative activities.

Unemployment Insurance Wage Records

The OIG recommends that Congress amend Section 303 of the Social Security Act to provide DOL and the OIG with express statutory authority to access state UI wage records, for purposes related to the administration of any DOL program. It should, of course, be noted that the Department funds the costs of the state wage data reporting systems. In many cases, these records are the only accurate source of wage and employment information and are thus crucial to DOL and OIG activities. Although the IG

Act provides the OIG with administrative subpoena authority, obtaining judicial enforcement of our subpoenas when states fail to comply is both time-consuming and costly.

We are limited in our inability to obtain timely and useful information regarding specific individuals' Social Security earnings for program evaluation, investigative, and other purposes. The Social Security Administration (SSA) and the Internal Revenue Service (IRS) are, in most instances, prohibited by law from disclosing any personal identifying information. However, information on individuals' earnings is crucial if we are to identify fraud and evaluate the effectiveness of DOL's benefits, training and other means-tested or eligibility-based programs, consistent with our mission under the IG Act, as amended.

To compensate for our lack of access to individual-level data, we have made arrangements to match certain DOL databases against SSA wage files. An example is the database of disabled federal employees drawing benefits under FECA. Matching the FECA claimant file against SSA records, we were able to identify the total number of claimants and total wages reported by state. However, we obtained summary data only. While this technique is useful to us in identifying the magnitude of a potential problem, it does not tell us which specific claimants may be committing FECA fraud, nor does it allow us to follow up with individuals to reconcile discrepancies or learn more about their individual experiences with the program. Moreover, the process of requesting even the summary data is lengthy and complex, and requires written communication and ongoing coordination with the SSA, the Treasury Department and the Internal Revenue Service. The two requests we have made, to date, have taken 7 months and 9 months, respectively, to fulfill.

To refine the SSA aggregate information, we are now attempting to perform automated matches of the FECA claimant universe with various state Unemployment Insurance (UI) wage record databases. This is being done in an effort to identify the names of the individuals who are drawing FECA benefits despite having reported earnings so that their case records can be examined to determine whether fraud was committed or the discrepancy was the result of errors made by DOL, SSA or the claim-

ACCESS TO SSA INFORMATION

ant.. Unfortunately, UI wage records are not as inclusive as Social Security earnings data. As discussed in the "Significant Concerns" section of this report, we sometimes experience difficulties in obtaining UI wage records from the states.

In response to congressional interest in this issue, we have had discussions with staff regarding legislative amendments that would give OIG access to specific wage data. Such access would apply to the FECA program only. It would not further our ability to efficiently identify fraud or conduct followup with individual claimants or beneficiaries of other DOL programs. We are also aware of draft legislation that would require all applicants receiving federal benefits to consent to a release of wage and other identifying information to relevant federal agencies, as a condition of obtaining the benefits. The OIG believes that such legislation would help ensure access to information needed to carry out OIG program evaluations and investigations.

**ACCESS TO
BUREAU OF LABOR
STATISTICS PROGRAM
INFORMATION**

The OIG believes that recently introduced legislation, S. 1404, the Federal Statistical System Act of 1997, would conflict with the statutory authority that provides the OIG with access to data and information necessary to carry out its oversight of BLS activities. The absence of this information would reduce the OIG's ability to confirm the accuracy and reliability of the information that is reported by BLS. Consequently, the OIG recommends clarifying Section 205(a) of S. 1404 to ensure that the OIG continues to have access to the data that is necessary for audit validation and program integrity purposes.

APPENDICES

REPORTING REQUIREMENTS

Requirement Under the Inspector General Act of 1978

Section 4(a)(2) - Review of Legislation and Regulation	65-71
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)(4) - Matters Referred to Prosecutive Authorities	1
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	84
Section 5(a)(8) - Statistical Tables on Management Decisions on Questioned Costs	77
Section 5(a)(9) - Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	75-76
Section 5(a)(10) - Summary of Each Audit Report Over 6 Months Old for Which No Management Decision Has Been Made	80-83
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

Senate Report No. 96-829

Resolution of Audits	21
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Note: This table cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, and Senate Report No. 96-829 (Supplemental 1980 Appropriations and Rescissions Bill) to the specific pages where they are addressed. The amount of "delinquent debts" owed to the Department can be found in the annual Consolidated Financial Statement Audit.

EXPLANATION OF AUDIT SCHEDULES

Questioned Costs 77

This schedule shows the extent to which DOL management has taken steps, during the 6-month reporting period, to resolve the costs questioned as having been improperly expended. Audit resolution occurs when management either agrees with the auditor's finding and disallows those costs that were questioned, or management decides that the expenditure should be allowed. (This schedule is required by Section 5(a)(8) of the Inspector General Act, as amended.)

Disallowed Costs 78

This schedule presents the activity for costs that have been disallowed during the 6-month period. This schedule is included in the OIG Semiannual Report to demonstrate the flow of information to the Secretary's Semiannual Management Report, which is issued by the Secretary as required by Section 5(b)(2) of the Inspector General Act, as amended.

Recommendations that Funds be Put to Better Use 75-76

These schedules depict the activity during the 6-month reporting period for those funds that were recommended by the auditor to be put to better use. These schedules are included in the OIG Semiannual Report to demonstrate the flow of information to the Secretary's Semiannual Management Report, which is issued by the Secretary as required by Section 5(b)(3) of the Inspector General Act, as amended.

Unresolved Audits Over 6 Months 80-83

This schedule presents a summary of all audit reports that continue to remain unresolved for more than 6 months. For these reports, a management decision is still outstanding. (This schedule is required by Section 5(a)(10) of the Inspector General Act, as amended.)

Final Audit Reports Issued by the OIG 84

This schedule is a listing, subdivided according to subject matter, of all audit reports that were issued by the OIG during the 6-month reporting period, as required by Section 5(a)(6) of the Inspector General Act, as amended. This listing also provides for each audit report, where applicable, the total dollar value of questioned costs and the total dollar value of recommendations that funds be put to better use.

Note: The schedule that lists the significant audit recommendations which have not been resolved for over 1 year and on which corrective action has not been completed is reported in the Secretary's Semiannual Management Report.

RESOLUTION ACTIVITY RELATED TO INSPECTOR GENERAL ISSUED AUDIT REPORTS

FUNDS PUT TO BETTER USE

	Number of Reports	Dollar Value (\$ millions)
A. For which no management decision had been made as of the commencement of the reporting period	10	\$73.2
B. Which were issued during the reporting period	<u>2</u>	<u>1.8</u>
Subtotals (A + B)	12	\$75.0
C. For which a management decision was made during the reporting period	7	\$69.3
— Dollar value of recommendations that were agreed to by management		\$68.8
— Dollar value of recommendations that were not agreed to by management		\$ 0.5
D. For which no management decision had been made as of the end of the reporting period	<u>5</u>	<u>\$ 5.7</u>
E. For which no management decision has been made within 6 months of issuance	<u>3</u>	<u>\$ 3.8</u>

AGENCY FINAL ACTIONS RELATED TO INSPECTOR GENERAL ISSUED AUDIT REPORTS

FUNDS PUT TO BETTER USE

	Number of Reports	Funds Recommended for Better Use (\$ millions)
A. For which final action had not been taken by the commencement of the reporting period	1	\$ 7.9
B. On which management decisions were made during the reporting period	<u>6</u>	<u>68.8</u>
Subtotals (A + B)	7	\$76.7
C. For which final action was taken during the reporting period	1	\$ 2.9
— Dollar value of recommendations that were actually completed		\$ 2.9
— Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		—
D. For which no final action had been taken by the end of the reporting period	<u>6</u>	<u>\$73.8</u>

RESOLUTION ACTIVITY RELATED TO INSPECTOR GENERAL ISSUED AUDIT REPORTS

QUESTIONED COSTS

	Number of Reports	Questioned Costs (\$ millions)
A. For which no management decision had been made as of the commencement of the reporting period (as adjusted)	94	\$37.1
B. Which were issued during the reporting period	<u>8</u>	<u>2.8</u>
Subtotals (A + B)	102	\$39.9
C. For which a management decision was made during the reporting period	31	\$ 4.4
— Dollar value of disallowed costs		\$ 2.8
— Dollar value of costs not disallowed		\$ 1.6
D. For which no management decision had been made as of the end of the reporting period	<u>71</u>	<u>\$35.5</u>
E. For which no management decision has been made within 6 months of issuance	<u>64</u>	<u>\$32.7</u>

AGENCY FINAL ACTIONS RELATED TO INSPECTOR GENERAL ISSUED AUDIT REPORTS

DISALLOWED COSTS

	Number of Reports	Disallowed Costs (\$ millions)
A. For which final action had not been taken by the commencement of the reporting period	116	\$32.2
B. On which management decisions were made during the reporting period	<u>22</u>	<u>2.8</u>
Subtotals (A + B)	138	\$35.0
C. For which final action was taken during the reporting period	24	\$ 3.6
— Dollar value of disallowed costs that were recovered		\$ 1.3
— Dollar value of disallowed costs that were written off by management		\$ 2.3
D. For which no final action had been taken by the end of the reporting period	<u>114</u>	<u>\$31.4*</u>

* Includes \$16.9 million of disallowed costs which are under appeal

AUDIT ACTIVITIES

October 1, 1997 - March 31, 1998

Activity

Date

Congressional Testimony - Office of Audit was integrally involved in preparing testimony on matters germane to Department of Labor programs and activities.

The Job Corps Program - Audit Work and Recommendations

Statement of Patricia A. Dalton, Deputy Inspector General, U.S. Department of Labor
Before the Committee on Government Reform and Oversight Subcommittee on Human Resources, U.S. House of Representatives

October 23, 1997

Pension Plan Issues - Repeal of Limited Scope Audit Provisions

Statement of Patricia A. Dalton, Deputy Inspector General, U.S. Department of Labor
Before the Subcommittee on Human Resources Committee on Government Reform and Oversight, U.S. House of Representatives

February 12, 1998

Agency Request - Office of Audit responded to a request for audit services from a Department of Labor agency.

OIG reviewed and commented on Job Corps' proposed revisions to its Policy and Requirements Handbook (PRH). January 15, 1998

Speeches/Presentations - Office of Audit staff made speeches and presentations to organizations who requested audit expertise on various matters.

Audits and Indirect Costs - Third Annual Eastern Multi-Regional Indian JTPA Training and Technical Assistance Conference

January 8, 1998

Contingency/Disaster Recovery Planning as Part of an Effective Information Security Program - U. S. Department of Labor
Computer Information Officials

January 14, 1998

Audit and Indirect Cost - "Strengthening Our Circles - Forever Learning Together" - 1988 Western Native American Employment
and Training, Regions IX & X Conference

March 4, 1998

Issues Impacting the Department and the Office of Inspector General - Sixteenth Annual Conference of the National
Association of Job Training Assistance

March 23, 1998

Financial Panel Discussion - "Integrity of Program Operations" - Human Resources Development Institute Midwestern
Regional Conference

March 30, 1998

Other - Audit activities, not elsewhere classified.

The OIG completed the first stage of a three-stage review of Department of Labor (DOL) computer systems.

February 4, 1998

UNRESOLVED AUDITS OVER 6 MONTHS

October 1, 1997 - March 31, 1998

Agency Program	Date Issued	Report Number	Name of Audit/Auditee	#Of Recommendations	Questioned Costs
Referred to the Deputy Secretary:					
ETA/ADMIN	08/25/92	12-92-022-03-001	ETA FY92 FIN STATEMENT	2	0
ETA/ADMIN	09/30/93	12-93-001-03-001	FY92 ETA FIN SCHEDULES	4	0
				6	0
Under Investigation or Litigation:					
ETA/JTPA	09/14/94	02-94-263-03-340	JTPA OJT BROKER NYC	1	1,181,720
ETA/DSFP	03/31/95	18-95-013-03-365	MISSISSIPPI DELTA COUNTY	3	33,837
ETA/OJC	09/29/92	18-92-033-03-370	NAT'L PLASTERING INDUSTRY	1	0
ETA/OJC	09/10/96	18-96-023-03-370	DAU, WALKER & ASSOC.	5	101,468
ETA/OJC	09/10/96	18-96-024-03-370	NAT'L PLASTERING INDUSTRY	2	145,344
ETA/OJC ¹	03/28/97	18-97-014-03-370	NAT'L PLASTERING INDUSTRY	13	859,115
OASAM/OPGM	09/30/91	18-91-035-07-735	OIC DIRECT & INDIRECT	2	83,764
MULTI/ALLDOL	03/14/96	03-96-008-50-598	STATE OF DELAWARE 6/94	2	0
				29	2,405,248
∞ Management Decision Being Evaluated by OIG:					
ETA/DINAP	08/12/97	02-97-224-03-355	CENTRAL MAINE INDIAN ASSN.	2	0
OASAM/OPGM	09/09/93	18-93-011-07-735	INTERN'L MASONRY INSTITUTE	1	72,926
OASAM/OPGM	02/11/97	18-97-012-07-735	RES CARE INC.	3	215,116
MULTI/ALLDOL	12/10/96	02-97-210-50-598	STATE OF NEW HAMPSHIRE	4	13,231
MULTI/ALLDOL	08/12/97	02-97-216-50-598	STATE OF NEW JERSEY	9	0
MULTI/ALLDOL	05/03/96	09-96-550-50-598	STATE OF WASHINGTON	6	43,057
				25	344,330
Program Agency Returned Single Audit to OIG:					
ETA/OJC	04/02/96	02-96-208-03-370	PUERTO RICO VOLUN YOUTH	21	219,435
ETA/OJC	04/02/96	02-96-209-03-370	PUERTO RICO VOLUN YOUTH	13	1,716
ETA/OJC	05/23/96	02-96-248-03-370	PUERTO RICO VOLUN YOUTH	6	0
ETA/OJC	05/23/96	02-96-249-03-370	PUERTO RICO VOLUN YOUTH	6	0
MULTI/ALLDOL	04/01/96	02-96-210-50-598	DEPT OF LABOR/HUMAN RESOURCES	39	287,065
MULTI/ALLDOL	04/01/96	02-96-211-50-598	DEPT OF LABOR/HUMAN RESOURCES	28	15,943
MULTI/ALLDOL	04/01/96	02-96-212-50-598	DEPT OF LABOR/HUMAN RESOURCES	29	60,680
				142	584,839
Being Resolved in Conjunction with DOL Consolidated Financial Statement Audit:					
ETA/OJC	08/19/96	12-96-004-03-370	JOB CORPS COMBINING SCHEDULES	3	0
OSHA/ADMIN	09/29/92	05-92-014-10-001	FY91 OSHA FINANCIAL STATEMENT	2	0
OSHA/ADMIN	01/17/95	05-95-004-10-001	OSHA FY93 INTERNAL CONTROL	1	0
				6	0

UNRESOLVED AUDITS OVER 6 MONTHS

October 1, 1997 - March 31, 1998

Agency Program	Date Issued	Report Number	Name of Audit/Auditee	#Of Recommendations	Questioned Costs
Working with U. S. Department of Education to Resolve:					
ETA/STW	07/03/96	05-96-003-03-385	SCHOOL TO WORK OPPORTUNITIES	13	135,298
ETA/STW	05/09/97	05-97-002-03-385	SCHOOL TO WORK OPPORTUNITIES	17	16,821
ETA/STW	05/09/97	05-97-003-30-385	SCHOOL TO WORK OPPORTUNITIES	21	34,847
ETA/STW	07/15/97	05-97-112-03-385	FOX CITIES CHAMBER FOUNDATION	1	<u>20,388</u>
				52	207,354
Awaiting OSHA Task Force Results:					
OSHA/EN/PRG	03/31/97	05-97-107-10-105	SECTION 11©DISCRIMINATION	9	<u>0</u>
				9	0
Pending Indirect Cost Negotiations:					
OASAM/OPGM	11/04/94	18-95-001-07-735	HOME BUILDERS INSTITUTE	1	628,158
OASAM/OPGM	11/04/94	18-95-002-07-735	HOME BUILDERS INSTITUTE	2	748,379
OASAM/OPGM	11/04/94	18-95-003-07-735	HOME BUILDERS INSTITUTE	7	353,479
OASAM/OPGM	07/20/95	18-95-014-07-735	CENTRAL VALLEY OPPORTUNITIES	1	0
OASAM/OPGM	09/20/95	18-95-025-07-735	ASOCIACION NACIONAL PRO	6	76,274
OASAM/OPGM	11/20/96	18-97-002-07-735	CALVILLO & ASSOCIATES	9	233,946
OASAM/OPGM	03/28/97	18-97-015-07-735	CALVILLO & ASSOCIATES	2	<u>126,679</u>
				28	2,166,915
Management Decision Not Yet Issued by Agency:					
ETA/ADMIN	03/28/97	04-97-014-03-001	SE TENN PIC - HOMELESS	12	509,662
ETA/ADMIN	08/25/97	04-97-018-03-001	HOMELESS DEMONSTRATION	2	0
ETA/UIS	09/26/97	02-97-220-03-315	VIRGIN ISLANDS UI	8	269,404
ETA/SESA	01/17/96	06-96-001-03-325	PROPOSED FY96 RENTAL RATES	4	194,815
ETA/SESA	03/21/97	06-97-010-03-325	SESA REAL PROPERTY - CO	1	79,346
ETA/SESA	05/08/97	06-97-011-03-325	SESA REAL PROPERTY - ND	1	150,939
ETA/SESA	05/05/97	06-97-016-03-325	SESA REAL PROPERTY - MT	1	164,471
ETA/SESA	03/27/97	06-97-019-03-325	SESA REAL PROPERTY - VA	4	940,465
ETA/SESA	03/28/97	06-97-025-03-325	SESA REAL PROPERTY - TN	4	281,260
ETA/SESA	06/13/97	06-97-034-03-325	SESA REAL PROPERTY - FL	4	254,860
ETA/SESA	07/23/97	06-97-039-03-325	SESA REAL PROPERTY - WI	1	309,388
ETA/SESA	06/13/97	06-97-041-03-325	SESA REAL PROPERTY - SC	4	165,000
ETA/SESA	07/29/97	06-97-048-03-325	SESA REAL PROPERTY - CA	1	711,701
ETA/SESA	08/13/97	06-97-051-03-325	SESA REAL PROPERTY - NY	1	3,952,692
ETA/SESA	08/21/97	06-97-053-03-325	SESA REAL PROPERTY - OR	1	739,444
ETA/SESA	08/22/97	06-97-054-03-325	SESA REAL PROPERTY - ID	1	542,465
ETA/SESA	09/30/97	06-97-056-03-325	SESA REAL PROPERTY	7	0
ETA/SESA	06/03/97	18-97-019-03-325	TEXAS WORKFORCE COMM.	7	2,656,279
ETA/JTPA	02/20/97	02-96-258-03-340	COMPARATIVE ANALYSIS OF JTPA	2	0
ETA/JTPA	09/28/95	04-95-041-03-340	METRA NASHVILLE, TN	4	299,771
ETA/JTPA	09/13/96	04-96-030-03-340	GA DEPT OF TECH AND ADULT	3	409,512
ETA/JTPA	02/26/96	05-96-001-03-340	CITY OF CHICAGO JTPA-OJT	3	679,773
ETA/JTPA	02/25/92	06-92-010-03-340	EAST TEXAS COUNCIL OF GOVT	13	5,780,925

UNRESOLVED AUDITS OVER 6 MONTHS

October 1, 1997 - March 31, 1998

Agency Program	Date Issued	Report Number	Name of Audit/Auditee	#Of Recommendations	Questioned Costs
ETA/JTPA	01/08/97	18-97-007-03-340	ACADEMY FOR EDUCATIONAL DEV	1	180,162
ETA/JTPA	05/28/97	18-97-018-03-340	STATE OF CALIF - AEROSPACE	1	0
ETA/JTPA	09/03/97	18-97-026-03-340	MARE ISLAND NAVAL SHIPYARD	1	154,101
ETA/DINAP	08/12/97	02-97-214-03-355	RHODE ISLAND INDIAN COUNCIL	3	2,104
ETA/DINAP	03/06/97	06-97-223-03-355	STANDING ROCK SIOUX TRIBE	3	0
ETA/DINAP	03/07/97	06-97-224-03-355	STANDING ROCK SIOUX TRIBE	1	0
ETA/DINAP	06/22/96	09-96-551-03-355	TOHONO O'ODHAM NATION	2	1,530
ETA/DINAP	09/06/96	09-96-555-03-355	SHOSHONE-BANNOCK TRIBES	2	0
ETA/DINAP	09/05/96	18-96-022-03-355	CALIFORNIA IND MANPOWER CON	13	161,195
ETA/DOWP	03/19/97	03-97-009-03-360	NAT'L COUNCIL OF SR CITIZENS	2	0
ETA/DOWP	03/19/97	03-97-010-03-360	NAT'L COUNCIL OF SR CITIZENS	1	0
ETA/DOWP	03/19/97	03-97-011-03-360	NAT'L COUNCIL OF SR CITIZENS	1	0
ETA/DSFP	08/30/96	06-96-128-03-365	HOME EDUCATON LIVELIHOOD	1	0
ETA/OJC	04/21/97	18-97-016-03-370	KIMBERLY INDUSTRIES, INC	1	4,041,655
ETA/OJC	08/07/97	18-97-024-03-370	MAINSTREAM, INC.	5	31,998
ETA/OJC	09/18/97	18-97-030-03-370	JOHNSON, BASSIN& SHAW	1	20,868
ETA/OJC	09/23/97	18-97-031-03-370	OVERSIGHT OF JOB CORPS	2	0
ETA/OJC	09/30/97	18-97-033-03-370	NPIJATF PERFORMANCE AUDIT	9	0
ETA/STW	06/13/96	05-96-114-03-385	FOX CITIES CHAMBER FOUNDATION	6	0
ETA/STW	07/12/96	18-96-015-03-385	CAPITAL AREA TRNG FOUNDATION	7	632,460
ETA/STW	09/30/96	18-96-025-03-385	TEXAS COUNCIL ON WORKFORCE	4	249,514
ESA/CMWC	07/25/97	12-97-013-04-433	BLOIF MGMT ADVISORY COM	1	0
OASAM/ADMIN	05/15/97	12-94-012-07-001	DOL CONSOLIDATED FINANCIALS	2	0
OASAM/OPGM	08/14/97	18-97-025-07-735	CONSULTING & PROGRAM MGMT	4	604,510
OASAM/OPGM	09/26/97	18-97-032-07-735	KRA 1/CFYS 1994/1995	1	437,272
OSHA/OSHAG	12/06/96	18-97-005-10-101	MERIDIAN RESEARCH, INC	2	7,386
OSHA/OSHAG	01/08/97	18-97-006-10-101	EASTERN RESEARCH GROUP	3	7,286
CFO/ADMIN	05/01/96	12-96-007-13-001	FY95 DOL CNSLDTD FINANCIALS	7	0
CFO/ADMIN	02/28/97	12-97-005-13-001	FY96 DOL CNSLDTD FINANCIALS	10	480,393
CFO/ADMIN	06/11/97	12-97-010-13-001	FY96 DOL MGMT ADVISORY	2	0
MULTI/ALLDOL	08/12/97	02-97-204-50-598	STATE OF RHODE ISLAND	20	0
MULTI/ALLDOL	08/12/97	02-97-213-50-598	STATE OF MAINE	22	0
MULTI/ALLDOL	08/12/97	02-97-215-50-598	COMMONWEALTH OF MASS	6	0
MULTI/ALLDOL	08/12/97	02-97-225-50-598	STATE OF CONNECTICUT	9	0
MULTI/ALLDOL	12/13/96	03-97-002-50-598	STATE OF WEST VIRGINIA	2	0
MULTI/ALLDOL	03/20/97	03-97-006-50-598	DC DEPT OF EMPLOYMENT SERV	3	0
MULTI/ALLDOL	03/21/97	03-97-007-50-598	COMMONWEALTH OF VIRGINIA	5	460,737
MULTI/ALLDOL	08/11/97	03-97-035-50-598	STATE OF DELAWARE	2	306,932
MULTI/ALLDOL	06/10/97	03-97-044-50-598	DC DEPT OF EMPLOYMENT SERV	3	0
MULTI/ALLDOL	08/20/97	03-97-056-50-598	STATE OF MARYLAND	6	0
MULTI/ALLDOL	04/30/96	04-96-004-50-598	STATE OF KENTUCKY	4	0
MULTI/ALLDOL	03/31/97	04-97-017-50-598	STATE OF ALABAMA	2	4,610
MULTI/ALLDOL	07/17/97	04-97-019-50-598	STATE OF FLORIDA	3	0
MULTI/ALLDOL	07/17/97	04-97-022-50-598	STATE OF KENTUCKY	4	0
MULTI/ALLDOL	07/14/97	06-97-109-50-598	NEW MEXICO DEPT OF LABOR	31	0
MULTI/ALLDOL	04/10/96	09-96-544-50-598	GOVERNMENT OF GUAM	1	0

8
2

UNRESOLVED AUDITS OVER 6 MONTHS

October 1, 1997 - March 31, 1998

Agency Program	Date Issued	Report Number	Name of Audit/Auditee	#Of Recommendations	Questioned Costs
MULTI/ALLDOL	09/20/96	09-96-560-50-598	STATE OF ARIZONA	2	0
MULTI/ALLDOL	02/11/97	09-97-507-50-598	STATE OF ALASKA	12	123,334
ETA/ADMIN ²	03/31/97	03-97-024-03-001	ELECTRONICALLY LINKED	1	0
OASAM/OPGM ³	09/18/97	18-97-029-07-735	JOB CORPS PROPERTY	3	0
				329	27,000,219
TOTAL QUESTIONED COSTS				<u>621</u>	<u>32,708,905</u>
TOTAL FUNDS RECOMMENDED FOR BETTER USE				<u>5</u>	<u>3,837,127</u>
TOTAL QUESTIONED COSTS AND FUNDS RECOMMENDED FOR BETTER USE				<u>626</u>	<u>36,546,032</u>

¹ A total of \$137,127 was recommended for funds put to better use.

² A total of \$3,400,000 was recommended for funds put to better use.

³ A total of \$300,000 was recommended for funds put to better use.

8

3

FINAL AUDIT REPORTS ISSUED BY THE OIG

October 1, 1997 - March 31, 1998

Name of Audit	Program	Report Number	No. of Non-Monetary Rec.	Questioned Costs	Funds Put to Better Use	Other Monetary Impact
EMPLOYMENT AND TRAINING						
ETA NATIONAL GRANTS/CONTRACTS CASH MANAGEMENT	ADMIN	04-98-002-03-001	1	0	1,204,439	0
SOCIAL POLICY RESEARCH ASSOCIATES	ADMIN	18-98-003-03-001	0	0	0	0
WALCOFF & ASSOCIATES, INC.	ADMIN	18-98-005-03-001	0	0	0	0
ST. LOUIS COUNTY SPECIAL REVIEW	JTPA	05-98-002-03-340	3	704,311	0	0
SER-JOBS FOR PROGRESS NATIONAL, INC.	JTPA	06-98-001-03-340	3	54,935	0	0
CENTRAL TEXAS COUNCIL OF GOVERNMENTS	JTPA	06-98-003-03-340	2	117,785	0	0
UNITED SIOUX TRIBES OF SOUTH DAKOTA DEVELOPMENT CORP.	DINAP	18-98-006-03-355	4	303,615	0	0
BEST PRACTICES - JOB CORPS PLACEMENT SERVICES	OJC	03-98-006-03-370	16	0	0	0
FORT SIMCOE JOB CORPS CENTER	OJC	09-98-001-03-370	16	580,485	0	0
WACKENHUT CORPORATION, INC.	OJC	18-98-004-03-370	0	0	582,608	0
SCHOOL -TO-WORK OPPORTUNITIES IN MARYLAND	STW	05-98-001-03-385	8	0	0	0
INCOME SECURITY						
VERIFYING SSNs COULD PREVENT UI PAYMENTS	UIS	04-98-001-03-315	3	0	0	3,200,000
IOWA WORKFORCE DEVELOPMENT	UIS	05-98-003-03-315	3	0	0	0
IWD MANAGEMENT LETTER	UIS	05-98-004-03-315	0	0	0	0
FECA DECEASED CLAIMANT ID BENEFIT OVERPAYMENT	FECA	03-98-003-04-431	3	439,086	0	0
FECA DECEASED RECIPIENT CROSSMATCH	FECA	03-98-005-04-431	0	0	0	0
FY 1997 SPECIAL REPORTS RELATED TO FECA	FECA	12-98-001-04-431	0	588,674	0	0
PENSIONS						
STREAMLINING EFAST, DEVELOPMENT OF EMS	ADMIN	17-98-001-12-001	0	0	0	0
RESULTS NEED TO BE ANALYZED TO INCR RETURN ON INVEST.	ENFORC	09-98-002-12-121	3	0	0	0
SAFETY AND HEALTH						
REVIEW OF OSHA'S FY 1997 23(G) ENFORCEMENT GRANT	ENPRG	03-98-002-10-105	1	12,685	0	0
LABOR RIGHTS ENFORCEMENT						
H-2A PROGRAM COULD BETTER PROTECT U.S. AGR. WORKERS	FLC	04-98-004-03-321	2	0	0	0
REVIEW OF DAVIS-BACON MODERNIZATION FUNDING	WHD	04-98-003-04-420	0	0	0	0
DOL MANAGEMENT						
AARP INDIRECT COST RATES	OPGM	18-98-001-07-735	0	0	0	0
FY 1997 CONSOLIDATED FINANCIAL STATEMENT AUDIT	ADMIN	12-98-002-13-001	40	0	0	0
TOTALS			24	108	2,801,576	1,787,047
					3,200,000	

8

4

INVESTIGATIONS: BREAKDOWN OF ACCOMPLISHMENTS

	Division Totals	OI Total
Cases Opened		
Program Fraud	205	
Labor Racketeering	53	258
Cases Closed		
Program Fraud	214	
Labor Racketeering	79	293
Referred for Prosecution		
Program Fraud	195	
Labor Racketeering	37	232
Cases Referred for Administrative/Civil Action		
Program Fraud	142	
Labor Racketeering	24	166
Indictments		
Program Fraud	139	
Labor Racketeering	36	175
Convictions		
Program Fraud	79	
Labor Racketeering	40	119
Debarments		
Program Fraud	0	
Labor Racketeering	23	23
Recoveries, Cost Efficiencies, Restitutions, Fines/Penalites, Forfeitures and Civil Monetary Actions		
Program Fraud	\$7.9	
Labor Racketeering	\$14.8	\$22.8

INVESTIGATIONS: COMPLAINT ACTIVITY

ANALYSIS OF COMPLAINT ACTIVITY Breakdown of Allegation Reports by Source:

Hotline Operations - Calls, Letters, and Walk-ins from Individuals or Organizations	131
Letters from Congress	17
Letters from DOL agencies	14
Incident Reports from DOL agencies	7
Reports by Special Agents and Auditors	1
GAO	1
Total	171

Breakdown of Allegation Reports by Referral:

Referred to Office of Audit	2
Referred to OI Regional/Field Offices	37
Referred to DOL Program Management	90
Referred to other Agencies	13
No further action required	16
Pending disposition at end of period	13
Total	171

INVESTIGATIONS: FINANCIAL ACCOMPLISHMENTS

<u>Categories</u>	<u>\$Amount</u>
Recoveries:	1,673,064
(The dollar amount/value of an agency's action to recover or reprogram funds or to make other adjustments in response to OI investigations.)	
Cost Efficiencies:	3,997,852
(The one-time or per annum dollar amount/value of management's commitment, in response to OI investigations, to more efficiently utilize the Government's resources.)	
Restitutions:	14,685,691
(The dollar amount/value of restitutions resulting from OI criminal investigations.)	
Fines/Penalties	1,205,465
(The dollar amount/value of fines, assessments, seizures, investigative/court costs, or other penalties resulting from OI criminal investigations.)	
Civil Monetary Actions:	1,291,387
(The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, or other penalties resulting from OI civil investigations.)	
Total:	22,853,459

OFFICE OF INVESTIGATIONS CASE LIST

October 1, 1997 - March 31, 1998

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
ALIEN CERTIFICATION				
ESTRELLER, HOLLY ARTHUR	X	X		0
GARCIA, LORENZO LEON	X			0
GARRETT, JAMES	X	X		0
HEWITT, SIDNEY	X	X		0
HEWITT, VERONICA	X	X	X	10
JEWELL, BILLY	X	X		0
KIM, HAESOOK C.	X	X		0
MONROY, ANTONIO	X			0
POLANCO, MARTHA	X	X		0
SIN, NELSON	X			0
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TOTAL	10	7	1	10
EMPLOYEE MISCONDUCT				
BOWMAN, CHRISTOPHER J.				3,045
FOX, KATHRYN L.	X	X		0
FRYE, JOHN A.	X	X	X	200
GOLDEN, LISA	X	X		0
JOHNSON, THURMAN		X	X	41,381
JONES, SENETRA N.		X		0
KNIGHT, VIOLETA	X			0
MARZESKI, WILLIAM			X	10,165
MURPHY, DOUGLAS E	X	X		0
SULLIVAN, SHARON DENISE	X			0
SWARINGER, SEAN M	X			0
	----	----	----	-----
TOTAL	7	6	3	54,791
EMPLOYMENT STANDARDS ADMINISTRATION				
CMW				
BURDINE, GERTRUDE	X			0
INDEPENDENT HOME MEDICAL,	X			0
MCCONNELL, DORIS J	X			0
MCCONNELL, MARSHA L	X			0
SOUTHERN AIR HOME EQUIPMENT,	X			0
YATES, YOLANDA	X			0
	----	----	----	-----
TOTAL	6	0	0	0
FECA				
BARNETT, RICHARD L.		X	X	1,958
BICKERSTAFF, CHARLES		X	X	65,856
BURTON, CLARENCE	X			0
CHAO, AILEEN	X			0
CHESSON, THOMAS	X			0
DEGRADO, VINCENT	X			0

OFFICE OF INVESTIGATIONS CASE LIST**October 1, 1997 - March 31, 1998**

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
DELESSIO, JOHN GEORGE	X			0
DOLENZ, BERNARD J. DR.	X			0
FUTRELL, ELIZABETH	X			0
FUTRELL, ROYCE	X			0
GARNER, ROBERT T	X	X	X	3,380
GELSER, JANICE			X	47,967
GIESE, DARWIN O.		X		0
GLOWSKI, MARK RN		X		0
GRASSO, RUDOLPH G.	X	X		0
HELMER, BRENDA DOLENZ	X	X		0
HENRY, CHARLES			X	35,742
HENRY, NINA M.			X	1,413
LARKIN, LEE		X	X	38,421
MALDONADO, MARIA	X			0
MASSEY, MARLON G				2,500
MILLS, JOHN	X			0
MODICA, GIUSEPPE			X	158,808
MYERS, KRIK		X		0
NUTT, DONNIE BOBBY	X			0
OGDEN, RONALD	X	X		0
OSWIK, RICHARD	X	X		0
PASCUCCI, NICHOLAS	X			0
POLK, RALPH		X	X	300
POOLE, RANDY	X	X		0
REED, ROBERT E SR	X			0
ROBERTS, CAROLYN	X			0
ROBERTS, DANIELLE		X	X	22,792
ROBERTS, JUNIOUS WARREN	X			0
RODRIGUES, JOHN F.			X	15,195
ROTH, ELIZABETH	X			0
RUSSO, ANGELA	X			0
SEKELSKY, RUSSELL	X			0
SFORZA, ALFRED	X			0
SHEPHARD, WILLAIM	X			0
SMOLINSKY, EDWARD J.	X	X		0
STOPP, JAMES W.	X	X	X	104,325
TOLSON, JAMES O.	X			0
TRUELOVE, TAMMY	X	X	X	600
VENDETTI, VINCENT	X			0
WARD, RICHARD		X		0
WELCH, BRENDA GAIL	X	X		0
WILKINSON, MICHAEL	X	X		0
YOUST-RENTZ, LINDA	X			0
	----	----	----	-----
TOTAL	34	20	13	499,257

LSHWC

BRAGG, DONALD MICHAEL,		X		0
EVANS, ARNOLD JOSEPH WAYNE		X	X	2,050
LOWERY, DANNY JOE		X	X	0
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TOTAL	0	3	2	2,050

OFFICE OF INVESTIGATIONS CASE LIST

October 1, 1997 - March 31, 1998

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
W&H				
ABRAHAMSON, DAVID	X			0
HOFFMAN, PETER	X			0
SCHON, BELLA	X			0
SCHWARTZ, HARRY	X			0
TAUB, ABRAHAM	X			0
WOLDIGER, ABRAHAM	X			0
	----	----	----	-----
TOTAL	6	0	0	0
OTHER				
BOWMAN, DAVID T.		X		0
TREVEAL, JEFFREY P.		X	X	5,200
	----	----	----	-----
TOTAL	0	2	1	5,200
EMPLOYMENT AND TRAINING ADMINISTRATION				
JOB CORPS				
ARNOLD, TOMMY J.	X	X	X	0
DAVIDSON, ANNA MARIE	X			0
SELVERA, NORMA	X	X		0
TECHNICAL ASSISTANCE GROUP				7,500
	----	----	----	-----
TOTAL	3	2	1	7,500
JTPA				
ABDULLAH, GARY		X		0
AMSEL, ELLIOT	X			0
HARRIS, GARY RUSSELL		X	X	3,738
HIGGS, THOMAS MONROE	X			0
IIBARRA, SAMMY			X	15,603
SAFER FOUNDATION,				252,456
VINSON, BOBBY	X			0
	----	----	----	-----
TOTAL	3	2	2	271,797
SESA/UI				
ALLARD, THOMAS	X	X		0
ARELLANO, YOLANDA L.	X	X		0
BARKER, RAYMOND D	X			0
BARNES, MARK O.		X	X	3,544
BARNES, THOMAS			X	8,582
BARRY, LINDA C	X	X		0
BETHEL, PAMELA		X	X	2,205

OFFICE OF INVESTIGATIONS CASE LIST

October 1, 1997 - March 31, 1998

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
BISHOP, KENNETH		X	X	4,128
BRYANT, ERNEST T	X			0
BURSTON, MICHAEL A	X			0
CHAPPELL, GARY A	X			0
CHINN, JAMES JR.	X			0
CHURCHILL, WAYNE		X		0
CLAYTON, GEORGE	X			0
CLEMENTS, MICHAEL	X			0
COATES GIDGET MONIQUE,	X	X	X	3,950
COLLINS, MARY CLAIRE	X	X	X	3,272
COSTALES, JOHNNY	X			0
DOUGLAS, RHONDA R	X			0
DOWDY, BRENDA		X	X	5,373
EBERLY, ANTHONY			X	7,026
EMEDI, MAMBO MTANGE			X	50
ESPOSITO, MARK		X	X	4,850
FARRELL, LAWRENCE			X	3,440
FARRINGTON, CHARLES	X			0
FINLEY, JIMMIEL L		X	X	2,410
FINLEY, SYLVIA L		X	X	3,925
GARDNER, ROBERT D	X			0
GOVERNOR, JOSEPH	X			0
GREEN, CLAUDE E.			X	50
GUILFU, EFRAIN	X			0
HALL, EUGENE JR	X			0
HAMPTON, TAMMY	X			0
HANSHAW, DOROTHY	X	X	X	255,314
HARRIS, JEANETTA V	X	X	X	447,421
HENNESSY, BRIAN JOHN	X	X		0
HOLMES, BRADLEY	X			0
HOLMES, KEITH A		X	X	4,110
HUGHES, DEANNA		X	X	3,749
HUNTER, JAMES			X	50
JACKSON, AARON	X	X	X	4,982
JEFFRIES, DARRELL R	X			0
JOHNSON, JAMES ERIC	X	X	X	1,942
JONES, KEVIN				27,136
JONES, STACY	X			0
JORDAN, WILLIE	X			0
KEEN, HAROLD	X			0
KILGORE, GARY L	X			0
KILLINGSWORTH, GERALD L	X			0
LYNN, LISA M.			X	50
MALONE, RAYMOND P	X			0
MARTINEZ - CASTILLO, VIDAL		X	X	5,001
MARTINEZ, ISAIAS	X			0
MARTINEZ, NIKKI	X			0
MASTROSIMONE, JOSEPH	X			0
MCDERMOTT, JOSEPH	X	X	X	0
MCLENDON, MICHAEL L.		X		0
MILES, LINDA G	X			0
MOSS, RONNIE H	X			0
MOSSBURG, JAMES H.			X	50
NELSON, DAVID	X			0
OREJUELA, JOHNNY		X	X	2,105
PARKER, CATHERYN KALANI	X	X		0

OFFICE OF INVESTIGATIONS CASE LIST**October 1, 1997 - March 31, 1998**

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
PARKER, DARYL F.		X	X	2,000
PARKER, IZE	X			0
PATINO, JOSE	X			0
PATINO, PEDRO	X			0
PAUL, MICHAEL C.	X			0
PERRY, NANCY LEA		X	X	3,300
PHILLIPS, ALBERT N. JR.			X	10,097
PHILLIPS, IDA L.		X		0
PONTALION, DANE E	X			0
QUEZADA, IRMA	X			0
QUEZADA, MINERVA	X			0
RENCHER, TANDY L	X			0
RETANA, ARTURO	X	X	X	2,464
RHODES, JUAN D	X			0
RICHARDSON, LETITIA C	X	X	X	3,133
ROCHA, PATRICIA J	X			0
ROMERO, CORIOLANO		X		0
SCOTT, ANNETTE E	X	X	X	5,410
SHAWLER, KAREN E	X			0
SHKERICH, TERRANCE L	X	X	X	3,560
SMITH, DWIGHT	X			0
SMITH, NORMAN J	X			0
STEINBACH, GALE A	X			0
STEVENSON, STACEY	X			0
STROTHER, MICHAEL E	X			0
SUTLEY, DALE	X			0
THOMPSON, JAMES	X	X	X	7,993
ULISSI, BERNARD	X	X	X	372,113
WARE, ANTON D	X			0
WEATHERFORD, TROY	X	X		0
WEBSTER, RONALD	X	X	X	2,425
YEARWOOD, CAROLE M	X			0
TOTAL	68	37	36	1,217,210
MSHA				
HOY, PHILIP L	X			0
PARSONS, DEIDRE K.	X			0
TOTAL	2	0	0	0
OTHER - PF				
PRUDENTIAL INSURANCE CO. OF AM				317,500
TOTAL	0	0	0	317,500

OFFICE OF INVESTIGATIONS CASE LIST

October 1, 1997 - March 31, 1998

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
OTHER - LR				
ALY, ABRAHAM	X			0
BURKE, STEPHEN G		X		0
MCGONAGLE, PATRICK J		X		0
	----	----	----	-----
TOTAL	1	2	0	0
BENEFIT PLAN				
BARNETAS, THOMAS			X	1,500,200
BERRY, PRESTON		X	X	2,000
BESSANT, DALLAS		X		0
BORDERS, ERNEST H	X	X	X	550
BROUILLETTE, RICHARD		X	X	7,200
BURNS, KEITH			X	16,100
CALLIHAN, OTHA RAY	X	X		0
CANTOR, MICHAEL BRUCE	X			0
CARLOW, FRANK V		X	X	4,551,279
DASS, MULK RAJ	X			0
DEANGELIS, ALBERT			X	58,433
DRUMMONDS, RONNIE	X	X	X	2,050
EASTERLING, RANDOLPH			X	1,000
FANELLI, ANDREW	X			0
FANELLI, ANGELA	X			0
FANTASKI, JAMES F	X			0
FAZIO, XAVIER	X			0
FISHER, ROBERT PATRICK	X	X		0
FRIEDMANN, DAVID	X			0
GEE, MARY		X	X	36,282
HARRISON, KENNETH			X	15,000
HAYS, JEFFREY			X	36,000
HEDGES, MICHAEL	X			0
HOLLENBACH, PETER J	X			0
IANNACI, JOSEPH		X	X	10,050
JENSEN, GEORGE			X	25,000
KAPRALOS, HARRY			X	2,000,250
KELDER, WILLIAM	X	X		0
KLISSER, CHARLES	X			0
LASKY, CHARLES	X			0
LASKY, CLARKE		X		0
LOETZ, RONALD GORDON, SR.			X	3,701,800
MAENG, KIL YOUNG	X	X		0
MCNALLY, THOMAS W	X	X	X	75
MENDENHALL, NOLAN			X	10,000
MILLER, MICHAEL			X	10,000
NOVOSEL, MARK E	X	X		0
PELLEGRIN, GLENN			X	200
PELULLO, LEONARD A			X	901,388
PERRUCCI, MARIO	X	X	X	1,025
PETERSON, CHLOE	X			0
RENNERT, PHILIP			X	500,000

OFFICE OF INVESTIGATIONS CASE LIST**October 1, 1997 - March 31, 1998**

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
SARTAIN, FRANCIS			X	100
SHELL, RONALD E			X	1,650
TURNER, ALBERT			X	313,500
TURNER, PATRICIA		X	X	25,300
WEAST, ELIZABETH MURDEN		X	X	2,000
WHITE, AUBREY	X	X	X	1,050
WRIGHT, EDWARD			X	25
YEAMAN, DAVID			X	500,000
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TOTAL	21	20	31	14,229,507
INTERNAL UNION				
FLEISHER, LOUIS				25,000
GEDDES, KEVIN	X			0
GEORGOPOULOS, JOHN			X	6,100
GOCHIS, MIKE	X			0
GORDON, BERNARD F			X	101,833
HARROW, EDDIE JR.	X	X	X	5,007
HARTSEL, NORMAN		X		0
IIPPOLITO, PETER				1,500
NARDI, NICK		X		0
REDMERSKI, ROBERT "BO"	X			0
SKERIES, ROBERT			X	6,100
WASNOFSKI, ROBERT SR				750
WILLIAMS, RAY CHARLES			X	50
YELLOVICH, STEPHEN		X		0
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TOTAL	4	4	5	146,340
LABOR-MANAGEMENT				
BARILA, VINCENT	X			0
BENNETT, FRED		X		0
BIERNAT, MARLENE	X	X		0
DEFALCO, ELLIOT	X	X		0
FISHER, MIKE			X	188,200
GIRLANDO, JOSEPH	X			0
GRIFFIN, BOB F			X	7,600
HEIDEMAN, STEVE			X	1,025
HERRERA, RENEE		X	X	10,400
HERRERA, RICHARD		X	X	10,400
KAPLAN, BENJAMIN	X			0
LABARCK, ANTHONY		X	X	0
MANELLA, MARIO	X	X		0
MEASE, WILLIAM		X		0
MIGLIORE, LOUIS			X	2,050
NELSON, JAMES		X		0
OLEARY, JAMES F	X	X		0
PONCE, ARMANDO C	X			0
SCHANK, GEORGE			X	27,806
SHAREEF, JABRIL		X		0
SIMMONS, CATHRYN M			X	183,900

OFFICE OF INVESTIGATIONS CASE LIST

October 1, 1997 - March 31, 1998

Defendant/Subject	Indicted	Convicted	Sentenced	Monetary
TALARICO, JOSEPH C		X		0
TALARICO, SAMUEL J JR		X		0
TALARICO, SAMUEL JOHN	X	X		0
WELLS, DONOVAN LEON	X			0
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TOTAL	10	14	9	431,381
OVERALL TOTAL	175	119	104	17,182,543