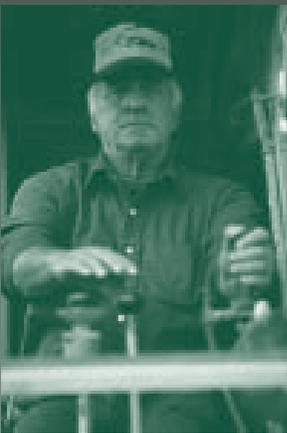


# Semiannual Report to the Congress

April 1, 2004 – September 30, 2004  
Volume 52



Office of Inspector General  
U.S. Department of Labor

## A Message from the Inspector General

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I am pleased to transmit this *Semiannual Report to the Congress*, which summarizes significant audit and investigative activities performed by the Office of Inspector General (OIG) from April 1 through September 30, 2004. During that time, the OIG issued 67 audits relating to Department of Labor (DOL) programs and operations, most of which can be viewed on our Web site at [www.oig.dol.gov](http://www.oig.dol.gov). We identified \$10.5 million in questioned costs and \$15 million in other audit monetary recommendations. In addition, we closed 228 investigations, achieved 297 indictments, 186 convictions, and \$103 million in investigative monetary accomplishments.

During this period, the OIG completed significant work related to pension and employee benefit plans. An OIG audit found that the Employee Benefits Security Administration has not been successful in correcting substandard benefit plan audits intended to protect plan participants' interests because it has insufficient legislative authority to hold auditors accountable. Among the results of our benefit plan investigations were guilty pleas by a union attorney and his associate on charges that included accepting and making bribes to influence the operation of a benefit plan.

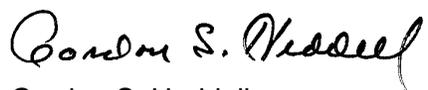
Other accomplishments over the last six months included audits and investigations related to Unemployment Insurance. An OIG audit found that 12 states were not using an effective method for detecting overpayments that involves comparing claims against new-hire data to identify claimants who have returned to work but continue to collect benefits. Our investigations resulted in the indictment and conviction of criminals who used stolen identities to unlawfully apply for and obtain millions in unemployment insurance benefits.

In the area of employment and training, OIG audits questioned more than \$8 million in costs charged to a Florida Welfare-to-Work formula grant. We also identified significant problems with an influx of Permanent Foreign Labor Certification applications submitted at a time when applications could be filed on behalf of alien workers already residing in the United States. This prompted concerns that applications that should be denied are being certified.

Our efforts to help the Department maintain an effective management process also resulted in key audit findings. We found that DOL had not established adequate management controls over its equity interest in State Workforce Agencies' real property and that real property equity in four states was understated by \$30 million. We also identified vulnerabilities in DOL's management of the migration of its payroll processing to the National Finance Center as part of an effort to consolidate Federal civilian payroll services.

Among the results of our labor racketeering investigations was the sentencing of the former president of the International Longshoremen's Association Local 1588 for conspiring to embezzle union funds. In addition, a member of a Laborers International Union of North America Local pled guilty to RICO conspiracy charges involving a violent scheme using actual and threatened force, destruction of property, and other means of extortion against businesses.

The OIG remains committed to promoting the economy, integrity, effectiveness, and efficiency of DOL programs and detecting waste, fraud, and abuse against those programs. We will continue to work constructively with the Secretary of Labor and DOL managers to ensure that the rights and benefits of American workers and retirees are safeguarded.



Gordon S. Heddell  
Inspector General

## Table of Contents

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Selected Statistics.....	2
Significant Concerns.....	3
<b><u>Employment and Training</u></b>	
Foreign Labor Certification.....	6
Workforce Investment Act.....	9
Welfare-to-Work.....	10
Job Corps.....	11
Tax Credit Programs.....	12
Trade Adjustment Assistance Program.....	13
<b><u>Worker Benefits Programs</u></b>	
Employee Benefits Security Administration.....	14
Unemployment Insurance.....	16
Federal Employees' Compensation Act.....	19
<b><u>Worker Safety, Health, and Workplace Rights</u></b>	
Davis-Bacon Act.....	21
<b><u>Departmental Management</u></b>	
e-Payroll Initiative.....	22
Real Property.....	23
Information Technology.....	25
Employee Integrity Investigations.....	29
<b><u>Labor Racketeering</u></b>	
Benefit Plan Investigations.....	31
Internal Union Investigations.....	32
Labor-Management Investigations.....	35
Legislative Recommendations.....	37
Appendix.....	40

**Selected Statistics**

Investigative recoveries, cost-efficiencies, restitutions, fines and penalties, forfeitures, and civil monetary action .....	\$103 million
Investigative cases opened.....	191
Investigative cases closed .....	228
Investigative cases referred for prosecution .....	296
Investigative cases referred for administrative/civil action .....	76
Indictments.....	297
Convictions .....	186
Debarments .....	63
Audit and evaluation reports issued.....	67
Total questioned costs .....	\$10.5 million
Other audit monetary impact.....	\$15 million
Outstanding questioned costs resolved during this period .....	\$11.2 million
Allowed <sup>1</sup> .....	\$3.5 million
Disallowed <sup>2</sup> .....	\$7.7 million

*Note:* The OIG conducts criminal investigations of individuals that can lead to prosecutions based on criminal complaints, warrants, informations, indictments, or pretrial diversion agreements. Successful prosecutions may carry sentences such as fines, restitutions, forfeitures, or other monetary penalties. The OIG financial accomplishments, which include administrative and civil actions, are further detailed and defined in the Appendix of this report.

<sup>1</sup> *Allowed* means a questioned cost that DOL has not sustained.

<sup>2</sup> *Disallowed* means a questioned cost that DOL has sustained or has agreed should not be charged to the government.

### Significant Concerns

*The OIG works with the Department and Congress to provide information and assistance in achieving efficient and effective management of DOL programs. As part of our effort to focus attention on mission-critical management problems and their resolution, the OIG has identified the following areas that we consider vulnerable to mismanagement, error, fraud, waste, or abuse.*

#### Benefit Plan Safeguards

Among existing safeguards on employee benefit plans are the annual plan audits required under the Employee Retirement Income Security Act (ERISA). These audits help protect plan participants and beneficiaries by ensuring the proper value of assets and the proper computation of benefits. The OIG has long-standing concerns about the quality and scope of these audits, an unacceptably high number of which do not meet professional standards. A recent OIG audit found that when DOL's Employee Benefits Security Administration (EBSA) detects deficiencies in plan audits, it has not been effective in correcting them, largely because it lacks sufficient authority to do so. We therefore recommended that DOL seek changes to ERISA that would allow EBSA to correct audits and ensure that auditors with poor records do not perform additional plan audits. We also continue to support the repeal of ERISA's limited-scope provision, which exempts pension assets invested in banks, savings and loans, and insurance companies, from plan audits.

In addition, OIG investigations continue to show that assets in Taft-Hartley plans, jointly administered by labor union and management representatives, are vulnerable to multimillion-dollar abuses by plan service providers.

#### Certifications Under the Permanent Labor Certification Program

The OIG is concerned about the abuse of DOL foreign labor certification programs, which may result in the unlawful admission of foreign nationals and economic hardship for domestic workers. Our recent audit work on the Permanent Foreign Labor Certification program has focused on an influx of employer applications created by a December 2000 amendment to the Immigration and Nationality Act. For a four-month period ending April 30, 2001, the amendment permitted foreign labor certification applications to be filed for alien workers already in the United States, resulting in a 450% increase in applications filed over the prior year. Based on our audit work, we are concerned that these and other backlogged applications are being approved, despite the fact that many of the alien applicants did not have legal status to work in the United States or were already working for the employer when the application was submitted. More broadly, the OIG is concerned that the Department's role in the labor certification process as a whole adds little value to the process of protecting American jobs and workers, and our investigations continue to identify fraud against these programs by immigration attorneys and labor brokers.

### Systems Planning and Development

Recent OIG audit work has raised concerns that insufficient planning and program management have hampered the development of efficient, effective systems to perform the day-to-day business of the Department. For example, under the e-Payroll initiative, designed to consolidate Federal civilian payroll services, the Department's payroll processing will migrate to the National Finance Center. An ongoing OIG audit identified vulnerabilities in the Department's management of the payroll migration, including insufficient project planning, data validation, user involvement, and parallel testing. An audit of the redesign of a mission-critical Occupational Safety and Health Administration data system also identified weaknesses, including a project-management plan that did not cover the entire redesign, uncertain funding that increased the project's risk, and lack of critical knowledge on the part of the project manager. Such projects, which cost the government millions of dollars each year and impact the delivery of services and the operation of the Department's business units, require long-term planning and comprehensive project management to realize the benefits of the substantial investments.

### Procurement Practices

DOL procurement activities must comply with Federal requirements—which emphasize full and open competition—and must achieve the best value for the dollar. To this end, effective management controls, well-trained personnel, and clear accountability are essential. Ongoing OIG audit work has raised concerns about whether all DOL agencies have adhered to the principle of full and open competition. Such competition involves using sole-source procurements as a last, rather than a first, resort. Moreover, we are finding that a lack of knowledge about procurement requirements is a major cause of inappropriate procurement actions. As a result, the OIG is planning an overall review of procurement in DOL. This *Semiannual Report* includes examples of OIG investigations that identify procurement fraud, such as the case of former Bureau of Labor Statistics employees who accepted bribes and kickbacks from vendors in exchange for making purchases.

### Fraud Involving Identity Theft

To apply for benefits such as Unemployment Insurance, the name and other identifying information of a beneficiary are required. Participants in other DOL programs must likewise submit personal identifying or employer information. The OIG is concerned that criminals are using stolen identities to apply for benefits on a large scale and defraud DOL programs. In one case we investigated, 10,000 stolen identities were used by a nontraditional organized crime group to unlawfully apply for and obtain millions of dollars in benefits. Stolen identities have also been used to create false Social Security cards, obtain H1-B temporary specialty worker status, and defraud Workforce Investment Act programs.

### Reducing Improper Payments

Improper payments in DOL-administered programs, such as Unemployment Insurance (UI) and the Federal Employee Compensation Act (FECA) program, include payments made in the wrong amount, or to an ineligible recipient, or improperly used by the recipient. DOL projects that UI overpayments by the states amount to about \$4 billion annually, and estimates FECA overpayments at \$10 million annually. The UI system could attain significant savings by detecting overpayments through cross-matching UI claims against state and national new hire data, thereby identifying claimants who have returned to work but are still collecting UI benefits. A recent OIG audit determined that 12 states had not used their own state new hire data to reduce overpayments. We recommended that DOL continue to provide technical assistance and resources to help those 12 states implement state new hire detection, and that the Department encourage all states to use the National Directory of New Hires to help identify overpayments. The OIG is also concerned about inadequate controls over medical evidence used to determine continuing eligibility for FECA compensation payments, because inadequate DOL procedures for obtaining and reviewing current medical evidence increases the risk of improper payments.

## Foreign Labor Certification

*The Department's foreign labor certification programs provide American employers access to foreign labor. The Permanent Foreign Labor Certification program allows an employer to hire a foreign worker to work permanently in the United States. Administration of this program is the responsibility of three Federal departments: Labor, Homeland Security, and State.*

### **Permanent Foreign Labor Certification Program Workload Could Lead to Certification of Applications That Should Be Denied**

The OIG audited DOL's Permanent Foreign Labor Certification (FLC) program to determine how the FLC program workload was affected by a December 2000 amendment to the Immigration and Nationality Act, which allowed foreign labor certification applications for alien workers already in the United States. This provision was in effect for a four-month period ending April 30, 2001, and resulted in a 450% increase in applications over the prior year. We estimate that the amendment resulted in more than a quarter million applications being filed during these four months. The influx of applications created a processing backlog, which the Employment and Training Administration (ETA) estimated at 315,000 through May 2004.

The OIG is concerned that in eliminating the backlog, many applications that should be denied are being certified. We found significant problems in both pending and certified applications. For applications filed during the four months, we projected that:

- 69% of the applications were misrepresented and/or incomplete;
- 84% of the aliens did not have legal status to work in the United States; and
- 67% of the aliens were already working for the employer at the time of application, including 28% who had worked for the employer for more than five years.

ETA has made a significant effort to develop labor certification applications for a new automated system that will assist in automatic fraud detection. In addition, all of the backlogged applications received before the system's implementation will be processed by companies contracted by ETA before they are certified or denied by ETA. We recommended that ETA require that the current backlog of applications be processed in accordance with applicable laws and regulations. In addition, ETA needs to verify an employer's current in-business status prior to certification and refer to the OIG any applications in which the employer is determined not to be a *bona fide* employer.

ETA generally agreed with the report findings and noted that it is establishing processing centers where the majority of permanent program backlog cases will be reviewed and adjudicated. Case management software that will be used in processing cases will verify an employer's current in-business status

prior to certification. Also, ETA will continue to require that foreign labor certification applications be processed in compliance with all applicable statutes, regulations, and policies.

The OIG believes that ETA's plan to use software in its backlog processing centers to determine *bona fide* employers prior to certification should resolve this matter when the system is operating. Also, we agree that ETA has established policy regarding an alien's qualifying experience. However, although ETA may require that FLC applications be processed in compliance with statutes, regulations, and policies, our audit results demonstrate that those statutes, regulations, and policies were not consistently followed.

As a result of these findings, the OIG is reviewing numerous applications for possible investigation. ([OA Report No. 06-04-004-03-321, issued September 30, 2004](#))

### **Leader of Visa Fraud Scheme Sentenced to Nearly Four Years in Prison**

On May 25, 2004, Matar Fall was sentenced on charges of conspiracy and bribery of a public official for his role in a scheme to fraudulently obtain Social Security numbers. Fall sold altered work visas and immigration documents for \$300 to \$1,500, which aliens would then use to apply for Social Security cards. He is one of 28 defendants to be sentenced to date; he received three years and 10 months in prison and three years' probation. From April 1999 through November 2002, the defendants conspired to produce, transfer, and possess approximately 2,000 Social Security cards. Other defendants acted as middlemen and marketers, referring aliens to Fall or helping to obtain false documents from him to assist the aliens in their applications. The case was jointly investigated with the Social Security Administration (SSA) OIG, the Bureau of Immigration and Customs Enforcement (BICE), and the U.S. Postal Inspection Service. *U.S. v. Fall, et al.* (N.D. Georgia)

### **Five Defendants Sentenced and One Pleads Guilty in Visa and WIA Fraud Schemes**

After pleading guilty in January 2004 to charges of conspiracy to commit visa fraud, Andre Kolomitsyev, Yuri Detrojan, Yuri Matsiuk, Igor Kratsov, and Peter Graf were sentenced for their roles in a sophisticated scheme that involved falsifying and creating driver's licenses and H-1B visas. The group used the documents to embezzle approximately \$1.4 million of Workforce Investment Act (WIA) funds. Kolomitsyev was sentenced to 15 months in prison, Detrojan and Graf each received 18 months, and Matsiuk and Kratsov each received 27 months. Kratsov and Graf were ordered to pay \$308,750 in forfeitures. The investigation into Russian organized crime (ROC) and the smuggling of illegal aliens into the United States using the H-1B program uncovered a complex scheme using fictitious companies, falsified computer-generated visas, and false Social Security cards to help illegal aliens, some of whom are ROC associates, obtain H-1B status. This joint investigation was conducted with the SSA OIG, BICE, the U.S. Postal

Inspection Service, and the New York City Police Department. *U.S. v. Graf et al.* (S.D. New York)

In a related case, on May 7, 2004, Bianca Veret, supervisor of the New York Association for New Americans (NYANA), pled guilty to charges of conspiracy and bribery concerning programs receiving Federal funding for enrolling ineligible people in the WIA program. Under NYANA's contract with New York City, Veret was a case manager responsible for processing WIA recipients. She allowed approximately \$1.4 million in WIA funds to be approved for disbursement to the defendants named in *Graf* by processing fraudulent vouchers for fictitious names, identities, or schools and by allowing self-certification of WIA applications in return for bribe payments. This investigation was conducted jointly with the SSA OIG, BICE, and the Department of Health and Human Services OIG. *U.S. v. Veret* (D. Maryland)

### **Immigration Attorney Pleads Guilty in Visa Fraud Scheme**

On April 23, 2004, Mohamad Alamgir, immigration attorney and managing partner of Eapen, Alamgir & Associates, pled guilty to charges of conspiracy, visa fraud, and money laundering. He conspired with local businesses to file hundreds of fraudulent labor certification applications with DOL and alien petitions with the Bureau of U.S. Citizenship and Immigration Services. Alamgir used a variety of schemes, including filing for nonexistent aliens, paying businesses to file for aliens they did not intend to or have the ability to hire, and filing applications on behalf of businesses without their knowledge. To date, nine business owners have pled guilty to charges of visa fraud. This is a joint investigation with the FBI, the IRS, and the U.S. Immigrations and Customs Enforcement. *U.S. v. Alamgir, et al.* (D. Columbia)

## **Workforce Investment Act**

*The goal of the Workforce Investment Act of 1998 (WIA) is to increase employment, retention, and earnings of participants and in doing so improve the quality of the workforce to sustain economic growth, enhance productivity and competitiveness, and reduce welfare dependency. Authorization for WIA ended in 2003, and its reauthorization is pending before Congress.*

### **Inter-Tribal Council of Alabama WIA Grant**

The OIG evaluated a complaint against the Inter-Tribal Council of Alabama (ITC) in Millbrook, Alabama, to determine whether it had merit. The complaint alleged wage and hour violations, misuse of funds, conflict of interest, discrimination acts, and other activities that occurred from November 1999 through March 2003, while ITC used a \$462,120 grant to operate a WIA program for Native Americans.

We substantiated 4 of the 13 allegations and identified additional financial and programmatic issues. Among the issues identified in the audit were a lack of participation by some recognized tribes, inconsistency in reporting program expenses, lack of support for participants' eligibility, internal control weaknesses over payroll disbursements, and no access for people with disabilities to ITC's building. We recommended that ETA take steps to resolve these issues, including providing ITC with technical assistance to increase program participation by underrepresented tribes and directing ITC to comply with its own internal controls related to payroll. In response to our draft report, ITC generally agreed with our findings and recommendations and described corrective actions that ITC has begun to take. ([OA Report No. 04-04-006-03-355, issued September 30, 2004](#))

### **Former New York Commissioner of Labor Sentenced**

Former New York State Commissioner of Labor James McGowan and businessman John Segreti were sentenced on September 9, 2004, after being convicted in May 2004 on charges of bribery, mail fraud, conspiracy to commit mail fraud, theft of honest services, and the use of interstate facilities to commit bribery. McGowan was also convicted of subscribing to false tax returns for 1998 and 1999, which failed to report all of his income. McGowan, the commissioner from February 1998 through October 2000 and former president of the New York State Professional Fire Fighters Association, was sentenced to 37 months in prison; Segreti received 57 months.

As the commissioner, McGowan steered more than \$340,000 in grant money to Segreti's company and attempted to steer \$10 million in Federal WIA grants to Segreti through a subcontract with a Federal grantee who received \$100 million annually. In return, McGowan received regular payments of \$500 from Segreti through a third party and the promise of a lucrative job on leaving office. The convictions were the product of a joint investigation with DOL's Employee Benefits Security Administration, the IRS, and the New York State Inspector General. *U.S. v. McGowan; U.S. v. Segreti* (S.D. New York)

## **Welfare-to-Work**

*DOL provides Welfare-to-Work (WtW) grants to create job opportunities for the hardest-to-employ welfare recipients and other eligible individuals. These grants fund job placement services, transitional employment, and other support services recipients need to make the successful progression into long-term unsubsidized employment.*

### **More Than \$8 Million Questioned in Audit of Florida WtW Grant**

The OIG conducted a performance audit of a \$19.8 million WtW Formula Grant provided to the South Florida Workforce Board (SFWB) to determine compliance with applicable laws and regulations on grant costs and participant eligibility. We found that SFWB could not account for \$4.2 million in unauthorized cash drawdowns and had awarded contracts that did not comply with Federal competition requirements. SFWB also failed to meet Federal matching and participant reporting requirements, because it could not verify more than \$1.9 million of in-kind contributions. It also submitted participant data that were inaccurate and unreliable. The OIG questioned a total of \$8.4 million for these and other findings.

We recommended that ETA require Florida officials to account for the \$4.2 million in excessive drawdowns, collect lost interest resulting from unauthorized cash drawdowns, and adjust financial reports to correct a \$5.5 million reporting error. We also recommended that ETA direct Florida officials to verify the matching funds and reduce the matching contribution by amounts found to be ineligible or unsupported, and that it conduct a full review of SFWB's participant information systems to ensure that data are entered accurately and properly. SFWB officials generally agreed with our findings. SFWB indicated that it addressed our concerns related to excess cash and had returned \$4.2 million to the State. The State had also removed the in-kind match contribution from their submission to ETA. However, SFWB disagreed with our questioning of \$2 million in contract costs and our recommended collection of lost interest. We recommended that ETA verify SFWB's actions and recover questioned costs. ([OA Report No. 04-04-002-03-386, issued September 30, 2004](#))

## **Job Corps**

*Job Corps, established by Congress in 1964 and currently authorized under the Workforce Investment Act of 1998, is recognized today as the nation's largest and most comprehensive residential education and job training program for at-risk youths ages 16 through 24. More than 65,000 students participate annually in the program. Operations of the program are carried out at 122 primarily residential facilities that provide intensive education, vocational training, youth development, counseling, job placement, and follow-up services. For FY 2004, more than \$1.5 billion was appropriated for Job Corps.*

### **Inadequate Monitoring of Job Corps Student Outcome Data Could Lead to Overpayments**

During an OIG audit of Job Corps' process for ensuring that student performance outcome data reported by contractors are reliable, we identified a significant management control weakness that required immediate action. As a result, we issued an interim report.

Specifically, we found that Job Corps staff in at least three offices did not test the accuracy and completeness of performance data during on-site assessments they conducted, contrary to ETA program guidance. Failure to validate the reported data could result in overpayments to center operators, because DOL relies on these data to reimburse Job Corps center contractors for operating expenses and to pay them bonuses and incentive fees for meeting or exceeding specified performance goals.

We recommended that ETA take immediate corrective action. Among our recommendations were that ETA ensure that performance outcomes data are tested during on-site reviews using statistical sampling and that ETA retain all records related to the testing. We also recommended that ETA recover any overpayments made to center operators due to misreported student performance data. ETA agreed with our findings. ([OA Report No. 09-04-004-03-370, issued September 30, 2004](#))

## **Tax Credit Programs**

*The Work Opportunity Tax Credit (WOTC) program is designed to encourage employers to hire targeted groups of job seekers by reducing employers' Federal income tax liability. The Work Opportunity Credit can reduce employers' Federal tax liability by as much as \$2,400 per new hire.*

### **Defendant Sentenced for Defrauding Tax Credit Program**

Myra Eison, owner of Cornerstone Consultants Company, was sentenced on April 15, 2004, to one year in prison and three years' probation after pleading guilty in January 2004 to false claims charges related to a tax credit fraud scheme. Eison was ordered to pay \$302,292 in restitution, which represents the amount of tax credits that her clients fraudulently claimed on their tax returns. The investigation found that in 1997 Eison told her clients that she had obtained WOTC certificates for them, but in reality she failed to submit the required paperwork to the state agencies. This was a joint effort with the Treasury Inspector General for Tax Administration. *U.S. v. Eison* (N.D. Georgia)

## **Trade Adjustment Assistance Program**

*The Trade Adjustment Assistance Reform Act of 2002 established new mechanisms by which certain Trade Adjustment Assistance participants, as well as eligible recipients of pensions administered by the Pension Benefit Guaranty Corporation, can receive assistance in covering the cost of health insurance. The primary mechanism for such assistance is a Federal tax credit administered by the IRS, equal to 65% of the amount paid by an eligible individual for qualified health insurance coverage of the individual and certain family members.*

### **OIG Work Leads ETA to Obligate an Additional \$15 Million in Health Coverage Tax Credit Funds**

The OIG is in the process of conducting a performance audit of the Health Coverage Tax Credit (HCTC) bridge/gap program. Our preliminary work focused on the HCTC bridge/gap program at the Maine Department of Labor. Based on our preliminary analysis of data, the OIG issued an interim report notifying ETA of the underutilization of funds for this program. Specifically, as of March 31, 2004, Maine expended only \$298,000 of the \$7.5 million awarded on a grant that was scheduled to expire by September 30, 2004, but has since been extended. We also found that as of March 31, 2004, only 10 states had participated in the bridge/gap program. Of the \$50 million authorized for the program in FY 2002, \$35 million was awarded to those states, and the remaining \$15 million was not yet obligated. Moreover, the 10 states had expended only \$3 million, or less than 9%, of the \$35 million awarded to them. At the end of June, there was still a low expenditure level (14%) even though eight states' grants had been in effect for at least a year.

We encouraged immediate action by ETA to prevent continued underutilization of funds and to assist individuals in need of interim health coverage as authorized by the Trade Adjustment Assistance Reform Act of 2002. We recommended that ETA immediately assess the need for outstanding funds in the 10 states and, where necessary, redirect funds to other states that are able to participate in the program. We also recommended that ETA determine the reasons for fund underutilization and the lack of state participation.

In response to our draft interim report, ETA outlined constructive steps toward resolving our recommendations. For example, ETA advised of its plans to obligate the \$15 million in FY 2002 funding that was unobligated at the time of our draft report. In addition, ETA stated that it issued policy guidance on the use of the funds and is canvassing grantees to ensure that they are aware of new policy direction and the need to modify their grants. However, ETA still needs to proactively provide technical assistance to the participating states to enhance performance, reach out to nonparticipating states to assist in lifting barriers to their involvement, and continue its coordination efforts with partnering organizations to work toward seamless delivery and program enhancements that will increase the likelihood of individuals participating in the program. ([OA Interim Report No. 02-04-204-03-330, issued September 20, 2004](#))

## Employee Benefits Security Administration

*The Employee Retirement Income Security Act (ERISA) requires that most large employee-benefit plans obtain an annual audit of their financial statements. These audits are important because they help protect plan participants and beneficiaries by ensuring that the proper value of assets and the proper computation of benefits. In fiscal year 2001, plan administrators filed about 65,000 financial statements on private pension plans holding assets of more than \$4 trillion and covering more than 88 million participants. One of Employee Benefits Security Administration's (EBSA's) responsibilities is to ensure that these audits meet ERISA requirements, including professional auditing standards, to help protect participant and beneficiary benefits.*

### **EBSA Needs Additional Authority to Improve the Quality of Employee Benefit Plan Audits**

The OIG audited the process used by EBSA to identify and correct substandard audits of employee benefit plans. The quality and scope of these audits and the resulting protections for workers have been long-standing concerns of the OIG. Prior reviews by the OIG, the Government Accountability Office, and EBSA have shown that a significant number of these audits have not met ERISA requirements to validate the existence and value of plan assets and the proper computation of benefits. These substandard audits have not provided participants and beneficiaries the protections envisioned by the Congress to help guard participant and employee benefit plans from mismanagement or abuse. To address this problem, EBSA established the Office of Chief Accountant (OCA). One of OCA's main responsibilities is to ensure the quality of employee benefit plan audits. As part of an overall enforcement and compliance assistance effort, OCA implemented a program in 1990 to identify and correct substandard audits.

Although EBSA has made efforts to correct substandard audits, including rejecting annual report filings and referring auditors to oversight and/or licensing organizations for possible investigation and disciplinary action, the process for identifying and correcting substandard employee benefit plan audits has not been effective. Specifically, our audit found that EBSA does not have the authority to take direct action against auditors who perform substandard audits. Although EBSA has the responsibility to enforce ERISA's audit requirements, ERISA does not grant EBSA enforcement powers over the auditors performing employee benefit plan audits. EBSA can only take indirect enforcement action by imposing civil penalties against the plan administrator, the person who hires a plan auditor. In contrast, other agencies that monitor professional work to protect the public have direct authority to correct deficient work, require remedial action when necessary, and remove deficient professionals from doing work in their respective area of responsibility. With similar enforcement authority over plan auditors, EBSA, in our opinion, could better protect the interests of plan participants.

Other findings include the following:

- In our review of 16 referrals to oversight and/or licensing organizations, 9 had not been brought up to ERISA requirements, and EBSA did not fully ensure that auditors corrected audit deficiencies.
- EBSA did not ensure that auditors corrected recurrent deficiencies in subsequent years.
- EBSA's case-tracking system was not accurate, and the documentation of case files was not always complete.
- EBSA's targeting methods for identifying substandard audits were not effective. In fiscal year 2001, EBSA identified substandard audits in about 3% of the cases targeted for review; however a prior OIG audit found that about 20% of the plan audits were substandard.

We recommended that EBSA:

- Propose changes to ERISA to grant EBSA greater enforcement authority over such matters as registration, suspension, debarment, and civil penalties against employee benefit plan auditors.
- Obtain sufficient documentation to ensure audit deficiencies are corrected.
- Expand workpaper reviews to more recent years when EBSA finds audit deficiencies.
- Review OIG referrals and take necessary action to correct the substandard audits.
- Improve the accuracy of EBSA's case-tracking system.
- Analyze available data and develop targeting methods to identify substandard audits based on common attributes of plans with substandard audits.

In response to our draft report, EBSA generally agreed with our conclusions and recommendations and identified planned steps to address the recommended actions. EBSA cited previous and ongoing efforts to improve audit quality. With respect to EBSA's enforcement authority, EBSA recognizes deficiencies in the current law and is considering options for correcting those deficiencies. Also, EBSA agreed that it could improve documentation of corrected audit work. However, of the nine cases OIG identified as not having been brought up to ERISA requirements, EBSA believed six had been properly documented and closed after receiving additional information from the plan auditors. Also, EBSA stated that the OIG's finding on the effectiveness of EBSA's targeting methodology failed to take into account annual report filings the agency rejected in FY 2001 based on desk reviews that identified inadequate financial statement disclosures. ([OA Report No. 09-04-005-12-121, issued September 30, 2004](#))

## Unemployment Insurance

*The Unemployment Insurance (UI) program, a Federal-state partnership, is the Department's largest income maintenance program. This multibillion-dollar program primarily provides income maintenance to individuals who have lost their jobs through no fault of their own, as determined under state law. In this program, DOL estimates approximately \$4 billion annually in overpayments. Examples of overpayments include payments for weeks paid in which claimants had earnings, claimant misreporting of availability to work, and miscalculations. In addition to our audit work, OIG investigations are identifying UI fraud schemes that are more complex, costly, and far-reaching than in the past. These include schemes involving identity theft and nontraditional organized crime groups. In recent years, the program has suffered losses in the millions of dollars as a result of a variety of fraud schemes. Highlighted below are selected accomplishments.*

### Use of New-Hire Data Could Generate Significant Savings

The OIG audited states' implementation of using new-hire data for detecting UI overpayments. A 2003 OIG audit made recommendations for reducing overpayments by expanding states' use of new-hire data, which we estimated would save the Unemployment Trust Fund (UTF) an estimated \$428 million annually. However, the most recent OIG audit found that 12 states still were not using their own state new-hire data to reduce overpayments.

In our current audit, we found that states can reduce overpayments by investigating leads developed from new-hire information before a claimant's eligibility has been exhausted. For example, Florida places a hold on additional benefit payments while investigating potential overpayments identified through new-hire detection. This practice resulted in a savings of \$4.5 million between January 2002 and June 2003. If the overpayments had gone undetected until after the claimants received UI benefits for all available weeks, the overpayments would have amounted to \$21 million during the same period. The OIG recommended that state UI programs increase their use of new-hire data to detect UI claimants who have returned to work but are still collecting UI benefits, a measure we continue to believe would generate significant savings. Moreover, we recommended that DOL:

- continue to provide technical assistance and resources to the state UI programs that are currently not using new-hire detection in order to initiate and/or complete plans for implementation as soon as possible;
- support more-detailed employer reporting, encourage states to improve employer compliance for new-hire reporting, and help states analyze how to best use their benefit payment control resources; and
- encourage states to use the *National Directory of New Hires*, which recent legislation made available to State Workforce Agencies, to expand overpayments detection.

In response to the draft report, ETA agreed with our recommendations. ([OA Report No. 05-04-002-03-315, issued September 30, 2004](#))

## **\$59 Million in Restitution Ordered in Identity Theft Scheme**

During this reporting period, Hector Benitez and Ramon Bonilla were each sentenced to five years' incarceration and three years' probation and were ordered to jointly pay nearly \$59 million in restitution for their roles in a UI identity theft conspiracy that began in March 2001 and ended in April 2003. Benitez is the third of 11 charged defendants to be sentenced. The investigation revealed that the group controlled more than 4,000 check-mailing addresses, from California to Mexico. These mailing addresses were used to collect fraudulent UI checks issued by the States of California, Arizona, Nevada, and Washington resulting from false claims filed by the group, using 10,000 stolen identities. The investigation was conducted with assistance from Federal, state, and local law enforcement agencies. *U.S. v. Espana Villasenor, et al.* (E.D. California)

## **Sentencings in UI Identity Theft Scheme**

In August 2004, Manuel Espino-Martinez, Elisa Espino-Martinez, and Jose Barrera-Olivares were sentenced for their roles in a UI identity theft scheme that involved thousands of false UI claims totaling in excess of \$8 million. From February 1998 to April 2003, the defendants conspired to defraud the UI program of millions of dollars by filing thousands of false UI claims, using fraudulently acquired employee identities, which included names and Social Security numbers. The scheme involved having the UI checks sent to approximately 100 mailboxes and other addresses they controlled and then laundering the more than \$8 million through several business bank accounts established by this nine-member family group.

Elisa Espino-Martinez was sentenced to 30 months' incarceration, and Barrera-Olivares was sentenced to 37 months' incarceration on mail fraud charges. In addition, both received three years' probation and were ordered to jointly pay more than \$1.3 million in restitution. They pled guilty in April 2004 to the charges, and Elisa Espino-Martinez also pled guilty to forfeiture charges and agreed to forfeit all properties owned by her. Manuel Espino-Martinez was sentenced to two years in prison and was ordered to pay \$800,889 in restitution on conspiracy charges. This was a joint investigation with the U.S. Postal Inspection Service, the SSA OIG, BICE, the California Employment Development Department, the California Highway Patrol, the California Department of Motor Vehicles, and the Fresno County (California) Sheriff's Department. *U.S. v. Mandujano, et al.* (E.D. California)

## **\$1.7 Million in Restitution Ordered for Defrauding UI Program**

On May 6, 2004, Victor DiBartolo, a vice president of Sherpa Software Group, L.P., formerly known as CisCorp, was sentenced to 20 months' incarceration and three years' probation for mail fraud and money laundering conspiracy charges related to a scheme to defraud the UI program. In addition, DiBartolo was ordered to pay more than \$645,000 in fines and restitution and Sherpa was ordered to pay more than \$550,000 in restitution. DiBartolo pled guilty to charges related to defrauding the UI program and the West Virginia Bureau of Employment Programs (WVBEP).

In February 2004, Sherpa agreed to pay a civil settlement of \$419,320 to the Department and further agreed to pay \$29,008 to a realtor for work she had done. The UI program paid approximately one-quarter of a \$6 million contract awarded to CisCorp in 1999 to design and install an automated computer system for WVBEF. DiBartolo presented to the State of West Virginia invoices that misrepresented the work performed by CisCorp. He also requested and received numerous change orders, boosting the overall contract in excess of \$12 million. This investigation was conducted with the IRS, the West Virginia Workers' Compensation Office, the West Virginia Commission on Special Investigations, and the West Virginia State Police. *U.S. v. DiBartolo* (S.D. West Virginia)

### **Defendant Sentenced in Employment Fraud Scheme**

On May 14, 2004, Tan Ngo, owner of TRI-MARK temporary agencies, was sentenced for his role in a scheme in which he paid temporary employees in cash at a much lower rate than agreed upon and did not deduct withholdings, including UI taxes. He was sentenced to two years and one month in prison, and three years' probation. In addition, Ngo was ordered to pay more than \$800,000 in restitution and forfeitures. To date, two of six defendants charged have been sentenced. The case was investigated with the IRS, the FBI, and the Massachusetts State Police. *U.S. v. Ngo* (D. Massachusetts)

### **Forfeiture Order Declared in UI Fictitious Employer Case**

On August 5, 2004, Gerald Bollin was ordered to forfeit properties and assets acquired with the proceeds of fictitious employer, private insurance, and credit card schemes that he orchestrated for more than 10 years. The forfeiture amount will be applied to the nearly \$700,000 he was ordered to pay in his January 2003 sentencing, which also included 45 months' incarceration and three years' probation. From 1987 until his arrest in June 2002, Bollin set up fictitious businesses in the State of Washington and submitted false quarterly wage reports, enabling him to fraudulently receive UI benefits under multiple identities. While drawing these UI benefits, he also set up multiple renters' and homeowners' insurance policies, against which he filed fraudulent personal loss claims under many identities, allowing him to receive insurance benefits. The OIG was assisted in this investigation by the U.S. Postal Inspection Service, the SSA OIG, and the Washington Employment Security Department. *U.S. v. Bollin* (W.D. Washington)

### **Defendant Pleads Guilty in Fictitious Employer Scheme**

On September 15, 2004, Donald Engel pled guilty to charges of conspiracy, mail fraud, and making false statements in connection with a fictitious employer scheme that allowed him to draw approximately \$330,000 in UI, state workers' compensation, and Social Security disability benefits. From 1995 to 2003, Engel created four fictitious employers and filed business applications with the State of Washington. He subsequently filed quarterly tax reports with the state, reporting wages for himself and others. The OIG was assisted in this investigation by the FBI, SSA OIG, and the Washington Employment Security Department. *U.S. v. Engel* (W.D. Washington)

## Federal Employees' Compensation Act

*The Employment Standards Administration's (ESA's) Office of Workers' Compensation Programs (OWCP) administers the Federal Employees' Compensation Act (FECA) program. This program provides wage replacement benefits, medical treatment, vocational rehabilitation, and other benefits to certain workers who experience work-related injuries or occupational diseases and to their dependents.*

*In addition to providing audit oversight of the program, the OIG also investigates fraud against the program. Claimant fraud involves the concealment or false reporting of employment and income by an individual who continues to receive program benefits or services. In the FECA program alone, more than \$2.4 billion in medical and death benefits and wage loss compensation was paid from July 1, 2003, to June 30, 2004, with more than half of those benefits paid to injured employees of the U.S. Postal Service, the Department of the Navy, and the Department of the Army. It is important to note that the removal of a single fraudulent claimant from Federal benefit rolls creates, on average, a \$300,000 to \$500,000 savings for the government.*

### Improvements Are Needed in How OWCP Measures Customer Satisfaction

The OIG conducted an evaluation of customer service provided in FY 2003 by OWCP. The objectives of the evaluation were to determine how OWCP's New York District Office responded to complaints or inquiries regarding the FECA program and how useful nationwide OWCP customer surveys were in evaluating customer satisfaction.

We determined that, despite time-consuming duties and a heavy workload, OWCP's New York District Office responded to and resolved most of the complaints it received. Response time was generally satisfactory, but the time to resolve complaints varied depending on the complexity of issues involved. However, OWCP's telephone surveys provide a limited indication of customer satisfaction.

We recommended that ESA establish separate customer surveys and performance goals for employing agencies and include in the call-back survey follow-up questions (or some other methodology) to determine the underlying causes of dissatisfaction with telephone customer service.

ESA raised a number of concerns about the audit and disagreed with the recommendations. ESA said that it has conducted several types of surveys of customer groups, including medical providers, employing agencies, and general written surveys of claimants, as well as telephone call-back surveys. A general question about satisfaction was included in the general written survey but not in the telephone survey because that was targeted to evaluate and improve the customers' telephone experience. ESA's full response was included in the final report. We continue to believe that our recommended

actions are needed, because to improve customer service, in our opinion, ESA should know the causes of customer dissatisfaction and the magnitude of employing agency concerns. ([OA Report No. 02-04-203-03-431](#), issued September 30, 2004)

### **Former Air Traffic Controller Sentenced for FECA Fraud**

On May 20, 2004, Michael Harms, a former air traffic controller, was sentenced to 33 months' incarceration and three years' probation after being convicted in February 2004 on mail fraud charges and for making false statements to obtain Federal employees' compensation. He was also ordered to pay \$354,390 in restitution. The investigation revealed that Harms filed an OWCP claim in November 1996 for an injury while employed as an air traffic controller for the Federal Aviation Administration. He fraudulently collected OWCP benefits over a five-year period while he worked as a pilot for airfreight companies and continued to advise OWCP that he was not employed. The investigation was a joint effort with the Department of Transportation OIG. *U.S. v. Harms* (N.D. Texas)

### **FECA Medical Provider Sentenced for Defrauding OWCP**

On August 26, 2004, Charles Blevins, owner of various physical therapy clinics, was sentenced to one year in prison and three years' probation and was ordered to pay more than \$112,000 in restitution after pleading guilty in January 2003 to mail fraud charges related to fraud of the OWCP. In addition, he agreed to forfeit \$218,640 and a car. The investigation revealed he had submitted fraudulent invoices to OWCP and private insurance carriers for payment of treatments and services not fully rendered to workers' compensation patients. This was a joint investigation with the FBI and the Texas Workers' Compensation Commission. *U.S. v. Blevins* (W.D. Texas)

## **Davis-Bacon Act**

*The Davis-Bacon Act requires the payment of prevailing wage rates and fringe benefits to employees working on federally funded or federally assisted construction projects with contracts of \$2,000 or more. It was enacted to prevent contractors from importing lower-wage workers into a community or driving down wages for local workers. In 2001, the latest year for which data are available, approximately \$67 billion in Federal funds were authorized for construction projects covered by the Davis-Bacon Act.*

### **Contractor Sentenced in Wage Fraud Conspiracy**

On May 3, 2004, Robert Adkins, owner of Adkins and Associates, was sentenced to 18 months' imprisonment and three years' probation for his participation in a wage fraud conspiracy. Adkins and Associates was a subcontractor for construction projects with mortgages that were insured by the Department of Housing and Urban Development (HUD) and thereby subject to the Federal prevailing wage requirements under the Davis-Bacon Act. Gatehouse Building Company, Inc., was the general contractor; it submitted false certified payroll reports for Adkins and other subcontractors. The Federal government entered into a cooperation agreement with Gatehouse, in which Gatehouse paid a total of \$756,829 to DOL to pay restitution to the workers of Adkins and seven other subcontractors. Therefore, Adkins was not ordered to pay restitution. To date, five of the subcontractors have pled guilty to conspiracy charges. To reduce costs on the project, Adkins paid various workers from his company an hourly rate below the prevailing wage for their job classification and then concealed his failure to pay prevailing wages by preparing false certified payrolls. The investigation was conducted jointly with HUD OIG and DOL's Wage and Hour Division. *U.S. v. Adkins* (N.D. Ohio)

### **Contractors Plead Guilty in Scheme to Underpay Workers**

During this reporting period, DJH Mechanical Associates Ltd. and Lawrence Bader of Energy Systems pled guilty to state charges of making false statements. In addition, another company was charged with failing to pay a prevailing wage and making false statements. The three contractors worked on the \$35 million capital improvement project for the Mahopac School District, which was subject to the Federal prevailing wages requirements under the Davis-Bacon Act. The contractors underreported wages and submitted false certified payrolls to hide wages and cash payrolls. This case was jointly investigated with the New York State Attorney General's Office and the New York Department of Labor. *State of New York v. DJH Mechanical*

## e-Payroll Initiative

*The Federal government's e-Payroll initiative is designed to consolidate Federal civilian payroll services. Until now, 22 executive branch agencies provided payroll services using different system capabilities and following different business models. The goal of the initiative is to eliminate redundant payroll processing, increase internal efficiency and effectiveness, and reduce costs. Under e-Payroll, the DOL's payroll will move to the National Finance Center (NFC), which is part of the Department of Agriculture.*

### e-Payroll Conversion Concerns Persist

The OIG is conducting an ongoing audit to determine whether the e-Payroll project is being effectively managed. The OIG issued the third interim report on e-Payroll August 18, 2004; prior reports were issued in March and July 2004. Each report identified vulnerabilities in the management of the payroll migration that may impede the success of this project. The original date of implementation of e-Payroll was September 30, 2004. Soon after the close of the reporting period, the Department postponed implementation.

The third interim report addressed several outstanding recommendations from the prior reports. Specifically, we reported that the Chief Financial Officer (CFO) (1) did not brief the Technical Review Board—which is composed of DOL agencies' information technology (IT) executives—on the status of e-Payroll testing to gain added insight and advice from knowledgeable and experienced department-wide IT managers, and (2) did not develop an updated project-migration budget indicating expected costs and actual expenses of migration. Moreover, the third report identified new issues. For example:

- Thousands of errors remained to be corrected in employee records and incorrect data is being used to test the system.
- There is no adequate, finalized, and approved process in place to support DOL's decision to move forward with implementation.
- There are still unanswered questions as to the effectiveness of user training and whether it provides adequate information on the system's features and functions.

To address these new issues, we recommended that the CFO delay the decision on implementing e-Payroll until the NFC payroll mirrors the payroll produced by DOL and that data cleanup be completed so that every DOL employee can be paid accurately and on time. Moreover, the CFO should ensure that training for DOL Human Resources and payroll employees continues, so all key users can adequately perform their job function and have a complete understanding of the system's features and processes.

The CFO provided no additional information in response to our draft report that would warrant a change in our findings and/or recommendations. ([OA Report Nos. 23-04-012-13-001, issued July 8, 2004, and 23-04-015-13-001, issued August 18, 2004](#))

## Real Property

*The Government Accountability Office designated Federal real property as a high-risk area in January 2003. On February 4, 2004, the President issued Executive Order 13327, "Federal Real Property Asset Management." In conjunction with the Executive Order, the Office of Management and Budget (OMB) has added an initiative to the President's Management Agenda aimed at improving stewardship of Federal real property assets.*

### **ETA's Real Property Inventory in Four States Understated Equity by \$30 Million**

The OIG conducted an audit to assess ETA's management controls over Federal equity in State Workforce Agencies' (SWA's) real property. Two prior OIG reports highlighted weaknesses in management controls over real property that resulted in significant understatements of DOL's equity. In response, DOL stated that ETA had taken actions to ensure that accounting for the equity was no longer a critical weakness.

In our most recent audit, we found that ETA still had not established adequate management controls over accounting for the Department's equity interest in SWA's real properties. Specifically, ETA's inventory of SWA property was neither accurate nor complete, and ETA did not ensure the states properly handled the proceeds from disposing of SWA properties with DOL equity.

Based on our audit in the states of California, Georgia, Texas, and Utah as of September 30, 2001, we identified 61 properties where ETA's real property inventory understated DOL's equity by a net \$30.2 million. Consistent with past assurances regarding real property and in light of the Federal Real Property Asset Management Executive Order and the OMB initiative, we recommended ETA make control and management of real property a high priority. Specifically, we recommended that ETA implement controls over data validity and reliability and monitor states' compliance with applicable requirements regarding their use of cash resulting from SWA real property dispositions.

In response to our report, ETA generally agreed with the audit report but did not address our specific recommendations. ETA stated that maintaining an up-to-date inventory and valuation of SWA property and managing the use and disposition of SWA real property continue to present challenges to states and to ETA.

In a related issue, during this reporting period we issued a management letter to ETA advising that some State Workforce Agencies were amortizing the acquisition costs of real property against Workforce Investment Act (WIA) grant funds, although 20 CFR §667.260 specifically prohibits the use of WIA grant funds for the "construction or purchase of facilities or buildings." The only allowable costs WIA grantees can charge for grantee-owned properties are depreciation (or a 2% use charge), interest, and operations and maintenance costs.

In response to our draft management letter, ETA indicated that its proposed policy addresses a wide variety of issues related to real property, including some OIG concerns. However, the proposed policy does not specify how ETA will identify, disallow, and recover unallowable amortization costs already charged to WIA grants in excess of allowable premises costs. ([OA Audit Report No. 06-04-002-03-325, issued September 30, 2004](#); [OA Management Letter No. 06-04-003-03-325, issued September 30, 2004](#))

## Information Technology

*The Department operates sensitive systems comprising major applications, general support systems, and mission-critical systems. DOL relies on these critical information systems to monitor and analyze the nation's labor market and economic activities, manage workforce services, and protect and compensate American workers.*

### **Inconsistent Enforcement of IT Security Policies Cited in Audits of DOL Computer Systems**

The OIG conducted a number of information technology (IT) security audits during the reporting period. We reviewed the following systems:

- Office of the Assistant Secretary for Administration and Management's (OASAM's) Employee Computer Network/Departmental Computer Network, a general support system that enables the day-to-day operations of the Department's functions.
- EBSA's Employee Retirement Income Security Act Filing and Acceptance System (EFAST), used to provide retirement-related data to several Federal agencies.
- Office of Administrative Law Judges' (ALJ's) case tracking system (CTS), which tracks court cases, related documentation, and decisions arising from more than 80 other labor-related statutes and regulations.
- The ALJ wide area network, a system providing ALJ with office automation support, Internet and e-mail connectivity, and accessibility to its CTS.
- The Office of the Assistant Secretary for Policy's Employment Laws Assistance for Workers and Small Businesses System (Elaws), a Web-based automated response system to public inquiries.

We found improvements in the agencies' security and controls over their IT resources. However, we also identified several high-risk control findings that need to be addressed. For example, EFAST's security policies and processes were not consistently enforced; OASAM's risk management system did not provide detailed descriptions of the threats, vulnerabilities, and risks identified; and ALJ's CTS was granted authorization to operate with an inadequate security test and evaluation of its system controls.

We identified several causes for these and other weaknesses. Some of the causes resulted from the prioritization of other control areas, inconsistent documentation and implementation of security policies, incomplete familiarity with and planning for Federal Information Security Management Act (FISMA) requirements, and inadequate communication related to implementation of required policies and procedures. The OIG recommended that each agency take appropriate corrective actions on the security control findings identified.

The agencies generally agreed with our findings and recommendations and have begun to take corrective action. (OA Report Nos. 23-04-014-01-060; 23-04-028-07-001; 23-04-011-12-001; 23-04-013-01-060; 23-04-029-01-001, all issued September 30, 2004)

## OSHA Needs to Adopt Best Practices to Minimize Risks in System Development Efforts

An OIG audit identified project management weaknesses in the Occupational Safety and Health Administration's (OSHA's) redesign of its Integrated Management Information System (IMIS), a mission-critical data system that collects information required to manage OSHA. Since its initiation in 1995, the redesign project has experienced procurement and contract performance problems and changed contractors. Its planned cost, initially estimated at \$2 million, was revised to \$8.5 million in 2000 and to \$12.6 million in 2002.

We found that IMIS's Project Management Plan did not cover the entire redesign, that uncertain funding increased project risk, and that the project manager lacked critical knowledge and experience. During our audit fieldwork, OMB withdrew \$4 million in funding for the redesign, and OSHA has since suspended the redesign effort. We recommended that OSHA adopt best practices in project planning and design, such as using a system development life cycle approach to project planning, and work with experienced project managers to establish a better foundation for—and minimize risks in—future system development projects. OSHA agreed with our recommendations in the draft audit report. OSHA has commissioned a contractor to perform an evaluation of the IMIS redesign and is waiting for the contractor's report before specifically addressing the OIG recommendations. (OA Report No. 23-04-009-10-001, issued September 30, 2004)

## Stronger IT Security Controls Needed in State UI Programs

During this reporting period, we assessed the general controls on and security of IT systems operated by Missouri's Department of Labor and Industrial Relations (DOLIR), the State of Washington's Employment Security Department (ESD), the Florida Agency for Workforce Innovation (AWI), and the Unemployment Insurance Interstate Connection Network (UI-ICON), which supports an interstate data exchange so that states can share UI data electronically.

Our audits found that the state agencies and UI-ICON had improved their security and controls over their IT resources and the UI system. Some of these improvements included internal IT audit reviews of the local area network (LAN) physical security, a vulnerability assessment of the UI tax and benefit system, timely removal of separated UI users, use of multiple firewalls, and a successfully tested disaster recovery plan.

Despite this progress, we found high-risk security control weaknesses. Some of these included weak interagency agreements and contracts and weak system interconnections, incomplete and untested contingency plans, outdated software, and inconsistent implementation of controls. These weaknesses increased the risk for unauthorized access, misuse, disclosure, or deletion of data managed by the agencies.

We recommended that ETA advise the state agencies to use Federal resources such as the Supplemental Budget Request mechanism for correcting information security weaknesses in their state UI systems. ETA

agreed with our report on UI-ICON. (OA Report Nos. 23-04-017-01-060; 23-04-016-03-315; 23-04-027-03-315, all issued September 30, 2004)

## **Stronger Oversight Needed for Costs Charged to DOL Grants by State Workforce Agencies**

ETA asked the OIG to audit costs charged by State Workforce Agencies (SWAs) to DOL grants. The OIG audited the ADP/IT central services costs charged to DOL grants for the States of New Jersey and Kentucky and direct and indirect costs charged to DOL grants for the State of Texas to ensure that the states followed Federal cost principles (OMB Circular A-87) and the terms of the grants.

We found that the State of New Jersey overcharged the Department \$475,149 for ADP/IT services and miscalculated some building interest and depreciation costs. Among our recommendations, we requested that New Jersey make the necessary adjustments to DOL grant awards for the overcharges and implement internal control procedures to ensure that costs charged to DOL grants comply with OMB principles. The state generally agreed with our findings.

We initially found that Kentucky's Statewide Cost Allocation Plan did not contain documents required by Federal cost principles for billing ADP/IT central services costs to Federal grants. However, after the State received our draft audit report, these documents were provided. Our report did not contain any conditions that warranted corrective action.

We found that the State of Texas did not adjust \$40.4 million in estimated costs charged to DOL grants to reflect actual costs, as OMB requires. We also found that the State charged more than \$228 million in labor and fringe benefits to DOL grants on the basis of time reports that reflected estimates rather than actual time worked on a project. Among our recommendations were that DOL adjust what the state charged to DOL based on actual costs and refund any overcharges to DOL. The state agreed with our recommendations. ([OA Report Nos. 03-04-003-03-315, issued June 21, 2004 \[New Jersey\]](#); [03-04-005-03-315, issued July 16, 2004 \[Kentucky\]](#); [03-04-002-03-315, issued July 23, 2004 \[Texas\]](#))

## Office of Small Business Programs

*The Small Business Act requires that a specified level of Federal procurements come from small businesses annually. DOL's Office of Small Business Programs (OSBP) negotiates small business procurement goals annually with each DOL agency, sponsors vendor outreach sessions, and has overall responsibility for achieving the Department's small business goals.*

### **DOL Can Stimulate Small Business Growth and Decrease Its Procurement Expenditures by Maximizing Small Business Purchases**

The OIG conducted an evaluation of OSBP to review historical achievement of small business procurement goals, analyze the performance of OSBP in executing the small and disadvantaged business utilization function, and assess conditions that affected the maximization of small business procurement for FY 1999 to FY 2002. The number of vendors competing for procurements in the DOL marketplace could affect the price and quality of goods and services purchased. Potential impacts of expanding the competition for contracts include decreased DOL procurement spending and increased quality of goods and services.

Although the Department successfully achieved its overall goal for FY 2000 to FY 2002, 41% of DOL agencies did not achieve their overall small business procurement goals in FY 2002. Our evaluation found that OSBP did not set some individual agency goals high enough to encourage agencies to perform above expectations and maximize small business purchases. Moreover, OSBP did not provide adequate outreach or leadership for DOL's small business procurement efforts due to internal (e.g., lack of enforcement power) and external (e.g., businesses' growth beyond small business limit) conditions.

We recommended improvement in a variety of areas, including goal-setting strategy, procedures for vendor outreach sessions, competitive versus noncompetitive contracts, and adoption of effective techniques used by other Federal agencies. OSBP agreed with our findings and stated that it has implemented corrective actions. ([OA Report No. 21-04-004-01-100, issued April 29, 2004](#))

## Employee Integrity Investigations

### Former DOL Employees Plead Guilty to Accepting Bribes

Kevin Brown, a former Bureau of Labor Statistics (BLS) employee, pled guilty on June 14, 2004, to charges of accepting a gratuity by a public official. The investigation found that between 2002 and 2004, Brown conducted illegal activity using both purchase orders and Federal government credit cards and received \$1,300 in cash bribes from the transactions. Brown accepted the bribes during his duty hours. This investigation was conducted jointly with the FBI.

In a related case, Joe Rudolph, also a former BLS employee, pled guilty on September 9, 2004, to charges of accepting a gratuity by a public official. Rudolph solicited bribes, kickbacks, and gratuities from numerous BLS sales representatives of various vendors in the form of cash, computer equipment, meals, pre-paid cellular telephones, and a part-time job offer, in exchange for making purchases and receiving a pre-arranged percentage of the total purchase order as his kickback payment. On various occasions, Rudolph would split the kickback payments with BLS co-worker Kevin Brown, with whom Rudolph conspired to solicit and receive kickbacks. Both employees resigned their position as part of the plea agreement. This was a joint investigation conducted with the FBI. *U.S. v. Brown* and *U.S. v. Rudolph* (D. Columbia)

*The OIG at the Department of Labor is unique among inspectors general in that it has an “external” program function to conduct criminal investigations to combat the influence of labor racketeering and organized crime in the nation’s labor unions. Labor racketeering is the infiltration, domination, and/or use of a union or employee benefit plan for personal benefit by illegal, violent, or fraudulent means. Organized crime is defined as activities carried out by groups with a formalized structure whose primary objective is to obtain money through illegal activities. Traditionally, organized crime has been carried out by La Cosa Nostra (LCN) groups, also known as the “mob” or the “Mafia.” However, new groups are emerging and organizing. For example, organized crime groups now include Asian, Russian, Eastern European, Nigerian, and West African groups.*

*Labor racketeering activities carried out by organized crime groups affect the general public in many ways. Because organized crime’s exercise of market power is usually concealed from public view, millions of consumers unknowingly pay what amounts to a tax or surcharge on a wide range of goods and services. In addition, by controlling a key union local, organized crime can control the pricing in an entire industry. Moreover, the public also suffers when organized crime orchestrates illicit strikes and work slowdowns or resorts to violence to maintain its operation of labor rackets.*

*Over the past two decades, the OIG has conducted extensive criminal investigations of labor racketeering. Traditionally, organized crime has been involved in loan sharking, gambling, benefit plan fraud, violence against union members, embezzlement, and extortion. OIG investigations have uncovered millions of dollars of workers’ dues and benefit monies that have been siphoned off by organized crime through embezzlement or more sophisticated devices such as fraudulent loans or excessive fees paid to corrupt union and benefit plan service providers. Our investigations continue to identify complex financial and investment schemes used to defraud pension assets, resulting in millions of dollars in losses to plan participants.*

*According to the Department of Justice, there has been a rapid rise of transnational organized crime groups that are engaging in new criminal enterprises. These nontraditional groups from Asia, Russia, Eastern Europe, and West Africa have engaged in racketeering and other crimes against workers in both union and nonunion environments. These groups engage in complex financial schemes, immigration fraud and exploitation of undocumented aliens, and fraud against government benefit programs.*

*Specifically, OIG investigations have found that nontraditional organized criminal groups are exploiting the Department of Labor’s foreign labor certification and Unemployment Insurance (UI) programs. The following cases are illustrative of our work in helping to eradicate both traditional and nontraditional labor racketeering in the nation’s labor unions, employee benefit plans, and workplaces.*

## Benefit Plan Investigations

*The OIG is responsible for combating corruption involving the monies in union-sponsored benefit plans. These pension plans and health and welfare benefit plans comprise hundreds of billions of dollars in assets. Our investigations have shown that this money remains vulnerable to corrupt union officials and organized crime influence. Service providers to pension plans continue to be a strong focus of the OIG's investigations.*

### Union Attorney and Associate Plead Guilty to Bribery Charges

During this period, Peter Manous, an attorney for the Indiana Regional Council of Carpenters (IRCC) and Kevin Pastrick, a real estate broker, pled guilty to charges of conspiracy, acceptance of a bribe to be influenced in the operations of an ERISA employee benefit plan, making bribe payments to a union official to influence the operation of an ERISA employee benefit plan, making false statements to OIG agents, and obstruction of justice.

Manous admitted to accepting \$200,000 in illegal kickbacks from Pastrick. The two then facilitated the payment of \$65,000 in illegal kickbacks to Gerry Nannenga, the secretary-treasurer of the IRCC and former trustee of the Northwest District Council of Carpenters Pension Fund. The payments to Manous and Nannenga were made in conjunction with the Pension Fund's \$10 million purchase of 55 acres of land at the Coffee Creek housing development in 1999. As one of the plan trustees, Nannenga cast the deciding vote authorizing the Coffee Creek purchase. The kickbacks to Nannenga were disguised as legitimate payments to Nannenga's spouse through a shell company. On September 13, 2004, Paul Ihle, Pastrick's partner, was convicted of obstruction of justice and making false statements to Federal investigators and the grand jury in relation to the shell company. Previously, Ihle had entered into an immunity agreement with the U.S. Attorney's Office, which he breached by providing the false testimony. The investigation was a joint effort with EBSA. *U.S. v. Manous, U.S. v. Pastrick, U.S. v. Ihle* (N.D. Indiana)

### Defendant Pleads Guilty to Health Care Fraud

On September 30, 2004, John Hyde, the president of Interstate Services Incorporated (ISI), pled guilty to charges of health care fraud, mail fraud, money laundering, and orchestrating a health insurance scheme in which he defrauded thousands of people who purchased health insurance plans from ISI. ISI sold a health plan known as the ERISA Employee Health Benefit Plan or the ERISA Advantage. He promised that 30% of the premiums collected would go into trust accounts at a bank and the rest would be used to purchase a group health insurance policy from an established, highly rated insurance company. Hyde and ISI collected the premiums but failed to deposit them into the trust accounts. He instead used the money to pay his personal expenses and to pay commissions to the promoters of the scheme. The investigation was conducted jointly with EBSA, the FBI, and the IRS Criminal Investigations Division. *U.S. v. Hyde* (N.D. California)

## Internal Union Investigations

*Our internal union cases often involve instances of corruption, such as union officers' abuse of their positions of authority to embezzle money from union accounts for their own benefit. Investigations in this area also focus on situations in which organized crime groups control or influence a labor organization, frequently in order to exercise influence in an industry for corrupt purposes or to operate traditional vice schemes such as drug dealing and theft. Following are examples illustrative of our work in this area.*

### Former Union President Sentenced for Embezzlement Scheme

On May 3, 2004, John Angelone, former president of the International Longshoremen's Association Local 1588, was sentenced to six months' home confinement and three years' probation and is jointly responsible for paying approximately \$900,000 in restitution. He pled guilty in October 2001 to conspiracy charges. From January 1994 to December 1998, Angelone and his co-defendants, who were previously sentenced, conspired to embezzle thousands of dollars of Local 1588 funds. They were charged with generating improper disbursements from Local 1588 through an elaborate salary diversion scheme by devising one or more projects for Local 1588 to allow service providers to significantly inflate their costs and thereafter provide kickbacks to the defendants and others. This was an investigation with the New Jersey State Police. *U.S. v. Angelone* (D. New Jersey)

### Union President Convicted of Racketeering Charges

On June 2, 2004, Walter Browne, president of the National Federation of Public and Private Employees (NFOPAPE), and his sister Patricia Browne Devaney, a former administrative assistant to the union, were convicted on charges including RICO violations, embezzlement of union assets, Taft-Hartley Act violations stemming from the unlawful receipt of monies from multiple employers, bank fraud, mail fraud relating to property and the intangible right of honest services, and record-keeping violations. The investigation found that from 1994 to 2003, Browne received almost \$500,000 from various employers while simultaneously representing the interests of the NFOPAPE and the Marine Engineers Beneficial Association, a maritime labor union. Additionally, Devaney embezzled more than \$116,000 from NFOPAPE by issuing unauthorized payroll checks to herself, her daughter, and her husband. Moreover, Browne and Devaney together falsified travel and entertainment expense reports, thereby causing NFOPAPE to pay thousands of dollars in personal expenses on their behalf. *U.S. v. Browne, U.S. v. Devaney* (S.D. Florida)

### Union International Presidents Sentenced on RICO Charges

On July 9, 2004, Byron Boyd Jr., international president, and Charles Little, former international president of the United Transportation Union (UTU), were sentenced after pleading guilty to labor racketeering conspiracy charges. The scheme involved extorting bribes from attorneys in exchange for becoming or

remaining designated legal counsel (DLC), a highly coveted position for attorneys who represent union members in Federal Employers' Liability Act cases. The DLC had access to union members to handle their railroad injury cases in lawsuits against rail employers. Boyd and Little each received two years' imprisonment and three years' probation and were each ordered to forfeit to the United States \$100,000 in racketeering proceeds. Both men were also fined \$10,000 each. Boyd admitted that he and Little, whom he succeeded as international president, used their positions to direct UTU officials Ralph Dennis and John Rookard to solicit and collect more than \$525,000 in cash payments from 34 DLCs. The cash was then used for Little's 1995 and 1999 campaigns, Boyd's 2003 campaign, and other special projects.

In other actions during this period, Rookard, Boyd's special assistant, and Dennis were each sentenced to three years' probation and agreed to forfeit the \$45,000 that they received from the racketeering activity. Also, Rookard got six months' home confinement and Dennis was ordered to pay a \$2,000 fine. This was a joint investigation with the FBI and DOL's Office of Labor-Management Standards (OLMS). *U.S. v. Boyd, et al.* (S.D. Texas)

### **Grocery Store Chairman Sentenced for Making Illegal Payments**

On April 22, 2004, Martin Vitale, former CEO and chairman of Twin County Grocers was sentenced to six months' incarceration and six months' home confinement and a \$15,000 fine for embezzling funds from the firm to make illegal labor payoffs and then deduct them as expenses on Twin County's corporate tax return. In September 2003, he pled guilty to conspiracy charges for disguising embezzled funds as business expenses and conspiring to make illegal payments to Joseph Rizzo, former president of United Food and Commercial Workers Union Local 1262. In a scheme involving diverted rebates due Twin County from the printing of circulars, \$2.5 million was siphoned off to Vitale, who used some of the money to make unlawful labor payments to Rizzo. The investigation was conducted with the IRS, the FBI, and the U.S. Postal Inspection Service. *U.S. v. Vitale* (D. New Jersey)

### **Union Officials Sentenced for Misappropriating Union Funds**

William Barnwell, a director with the Michigan Regional Council of Carpenters (MRCC); Sandra Williamson, former executive administrative secretary of the MRCC; and David Williamson, business agent with the Operating Engineers Union Local 324, were sentenced on September 13, 2004, for misappropriating the assets of the MRCC and on conspiracy charges. Sandra Williamson was also convicted of making false statements to Federal investigators. The three were ordered to pay restitution joint and severally of \$9,188, serve two years' probation, and be debarred from the union for 13 years. Additionally, Barnwell and Sandra Williamson are to serve six months' home detention each, and Barnwell and David Williamson were fined \$10,000 and \$3,000, respectively.

The investigation revealed that from 1997 to 1998, Barnwell ordered business agents of the MRCC who were under his supervision to put aside their normal duties and responsibilities as business agents and assist the Williamsons by

rough-framing their new home, which was under construction at that time. During the time of this work, as many as a dozen MRCC business agents participated in the construction while also collecting all of their regular salary and fringe benefit contributions, costing the MRCC an estimated misappropriation of between \$23,000 and \$32,000. This is an ongoing joint investigation with the FBI, the IRS Criminal Investigations Division (IRS CID), and DOL's Employee Benefits Security Administration (EBSA). *U.S. v. Barnwell, et. al.* (E.D. Michigan)

### **Defendant Sentenced for Embezzlement**

On August 25, 2004, Dorothy Weber, former office manager for the Northwest Sheet Metal Organization Trust, was sentenced to 14 months' incarceration and was ordered to pay \$500,000 in restitution after pleading guilty to state charges of theft in June 2004 for her scheme to embezzle monies from the Trust's Market Recovery Trust Fund. The investigation revealed that from August 2000 through November 2002, Weber embezzled monies from the fund that was established to subsidize union employer bids in order to supplement labor costs, including wages and benefits, when competing with nonunion contractors. Weber forged the signatures of trust officials on Trust Fund checks and deposited them into her personal bank account. The embezzlement was discovered subsequent to Weber's retirement in November 2002, when the new office manager was unable to locate cancelled checks while attempting to reconcile bank statements. During Weber's employment at the Trust, she systematically removed all cancelled checks that were issued to her and disguised them as legitimate payments to union contractors in their computer system. This was a joint investigation with the Monroe (Washington) Police Department, OLMS, and EBSA. *State of Washington v. Weber*

### **Former Union Official Sentenced for Embezzlement**

On June 10, 2004, Robert Levine, former business agent and financial secretary of the International Union of Painters and Allied Trades Local 1175, was sentenced pursuant to his guilty plea of March 31, 2004, to charges of embezzling monies from Local 1175 and from the Employee Retirement Income Security Act (ERISA)-covered Local 1175's Retraining and Apprenticeship Fund. Levine was sentenced to one year in prison and three years' probation and was ordered to pay nearly \$194,000 in restitution. The investigation disclosed that from April 1999 to February 2003, he embezzled monies of Local 1175 by issuing unauthorized checks to himself, electronically transferring Local 1175's funds to pay for unauthorized cash withdrawals and charges from a union credit card, and using members' cash dues payments for his personal gain. This was a joint investigation with OLMS. *U.S. v. Levine* (S.D. Florida)

## Labor-Management Investigations

*Labor-management relations cases involve corrupt relationships between management and union officials. Typical labor-management cases range from collusion between representatives of management and corrupt union officials to the use of the threat of “labor problems” to extort money or benefits from employers.*

### Sentencing of Employee Establishes Precedent Under Taft-Hartley Act

On June 1, 2004, Steven Vincent, an employee of Toyota Motor Manufacturing of Kentucky (TMMK), was sentenced to two years' incarceration and two years' probation for violating the Taft-Hartley Act. This sentence and its indictment are significant in that they reflect a prosecution under the Taft-Hartley Act, whereby prohibited employer payments are not limited to those received by employee representatives, a labor organization, or the officers or employees of labor organizations. Prohibited payments also extend to payments to any of the employer's employees in excess of normal compensation for the purpose of causing the employee to influence other employees in the exercise of their rights to organize and bargain collectively with the employer.

Vincent pled guilty in February 2004 to actively leading and participating in organizing attempts at TMMK, despite never being officially elected or identified by his fellow employees as their representative and never being officially connected to or recognized by the United Auto Workers (UAW) as a union representative. He attempted to force TMMK to pay him \$650,000 in exchange for his promise to cease and combat UAW organizing attempts at TMMK and to influence other employees from actively attempting to organize the plant. The investigation was a joint effort with the FBI. *U.S. v. Vincent* (E.D. Kentucky)

### Union Member Pleads Guilty to Racketeering Conspiracy Charges

On June 9, 2004, Brian Perry, a member of Laborers International Union of North America Local 91, pled guilty to RICO conspiracy charges for his participation with other union members in a violent scheme to extort both local and out-of-town businesses of their right to hire and retain workers of their choice at construction projects in Niagara County, New York. The use of actual and threatened force, violence, and fear—including the fear of serious bodily injury, economic harm, destruction of property, and workplace sabotage—resulted in numerous injuries to those targeted by the defendants. The investigation found that since 1996 high-ranking officers of Local 91, including the business manager, president, and retired past president, directed union members whose principal objective was to force employers to hire workers selected by the defendants. The violence committed by the defendants was not confined to construction sites but included innocent bystanders and others. This was a four-year investigation conducted jointly

with the FBI, the New York State Police, the Niagara County Sheriff's Department, and the Niagara Falls Police Department. *U.S. v. Perry* (W.D. New York)

### **Mob Associate Sentenced to Six Years in Prison**

On August 24, 2004, Anthony Guidice, a Gambino LCN associate and last of 10 defendants in a Hobbs Act extortion case, was sentenced to 72 months' imprisonment and three years' probation after pleading guilty in January 2003 to conspiring to commit extortion. The investigation found that between December 2000 and April 2002, Guidice and two other defendants conspired to extort more than \$10,000 from the owners and operators of a clothing manufacturer in New York City in order to gain labor peace. This was a joint effort with the FBI, the New York City Police Department, and the Bronx County District Attorney's Office. *U.S. v. Guidice* (S.D. New York)

## **Legislative Recommendations**

*The Inspector General Act requires the OIG to review existing or proposed legislation and regulations and to make recommendations in the Semiannual Report concerning their impact on the economy and efficiency of the Department's programs and on the prevention of fraud and abuse.*

### **Allow DOL access to Wage Records**

The Department of Labor and the Social Security Administration currently have a memorandum of understanding (MOU) in place that allows state workforce agencies to access Social Security data on individuals who apply for Unemployment Insurance (UI). The MOU is a good first step. However, to reduce overpayments in employee benefit programs, including UI and Federal Employees' Compensation Act (FECA), the Department and the OIG need legislative authority to easily and expeditiously access state UI wage records, SSA wage records, and wage information from the National Directory of New Hires, which is maintained by the Department of Health and Human Services.

A provision in the SUTA Dumping Prevention Act of 2004 (Public Law 108-295), enables state agencies responsible for administration of unemployment compensation programs to obtain access to the National Directory of New Hires. By cross-matching UI claims against this new hire data, states could better detect overpayments to UI claimants who have gone back to work but continue to collect UI benefits. However, this law does not provide DOL nor the OIG with access to the National Directory of New Hires.

Moreover, access to SSA and UI data would allow the Department to measure the long-term impact of employment and training services on job retention and earnings. Outcome information of this type for program participants is otherwise difficult to obtain.

### **Amend Pension Protection Laws**

Legislative changes to ERISA and criminal penalties for ERISA violations would enhance the protection of assets in pension plans. To this end, the OIG recommends the following:

- Expand the authority of EBSA to correct substandard benefit plan audits and ensure auditors with poor records do not perform additional plan audits. Changes should include providing EBSA with greater enforcement authority over registration, suspension and debarment, and the ability to levy civil penalties against employee benefit plan auditors. The ability to correct substandard audits and take action against auditors is important because benefit plan audits help protect participants and beneficiaries by ensuring the proper value of plan assets and computation of benefits.
- Repeal ERISA's limited-scope audit exemption. This provision excludes pension plan assets invested in banks, savings and loans, insurance companies, and the like from audits of employee benefit plans. The limited scope prevents independent public accountants auditing pension

plans from rendering an opinion on the plans' financial statements in accordance with professional auditing standards. These "no opinion" audits provide no substantive assurance of asset integrity to plan participants or the Department.

- Require direct reporting of ERISA violations to DOL. Under current law, a pension plan auditor who finds a potential ERISA violation is responsible for reporting it to the plan administrator, but not directly to DOL. To ensure improprieties are addressed we recommend that plan administrators or auditors be required to report potential ERISA violations directly to DOL. This would ensure the timely reporting of violations and more actively involve accountants in safeguarding pension assets, providing a first line of defense against abuse of workers' pension plans.
- Strengthen criminal penalties in Title 18 of the U.S. Code. Three sections of Title 18 serve as the primary criminal enforcement tools for protecting pension plans covered by ERISA. Embezzlement or theft from employee pension and welfare plans is prohibited by Section 664, making false statements in documents required by ERISA is prohibited by Section 1027, and giving or accepting bribes related to the operation of ERISA covered plans is outlawed by Section 1954. Sections 664 and 1027 subject violators to 5 years' imprisonment, while Section 1954 calls for up to 3 years' imprisonment. We believe that raising the maximum penalties to 10 years for all three violations would serve as a greater deterrent and further protect employee pension plans.

### **Provide Authority to Ensure the Integrity of the Foreign Labor Certification Process**

If DOL is to have a role in the H-1B specialty occupations foreign labor certification process, it must have the statutory authority to ensure the integrity of that process, including the ability to verify the accuracy of information provided on labor condition applications. Currently, DOL is statutorily required to certify such applications unless it determines them to be "incomplete or obviously inaccurate." Our concern with the Department's limited ability to ensure the integrity of the certification process is heightened by the results of OIG analysis and investigations that show that the program is susceptible to significant fraud and abuse, particularly by employers and attorneys.

Moreover, we believe that vulnerabilities in the foreign labor certification programs administered by DOL and other agencies could be remedied by the following changes, some of which are under discussion by a workgroup involving the OIG, ETA, OMB, and the Department of Homeland Security.

- All foreign nationals should have an eligibility determination by the U.S. Citizenship and Immigration Services prior to the employer's labor certification application being reviewed by DOL.
- DOL should have latitude and authority to deny applications for any misrepresentations or suspected fraud.
- Regulations should be job-specific and alien-specific, with documented assurances that the position actually exists.

- Foreign labor certifications should have an expiration date.
- Substitutions of employees for approved certifications should be prohibited.
- The sale, barter, and/or purchase of approved labor certifications and applications by an employer, alien, agent, attorney, or otherwise interested party should be prohibited and vigorously prosecuted.

### **Enhance the WIA Program through Reauthorization**

The reauthorization of the Workforce Investment Act (WIA) provides an opportunity to revise WIA programs to better achieve their goals. Based on our audit work, the OIG recommends the following:

- Improve state and local reporting of WIA obligations. A disagreement between ETA and the states about the level of funds available to states drew attention to the way WIA obligations and expenditures are reported. The OIG's prior work in nine states and Puerto Rico showed that obligations provide a more useful measure for assessing states' WIA funding status if obligations accurately reflect legally committed funds and are consistently reported.
- Modify WIA to encourage the participation of training providers. WIA participants use individual training accounts to obtain services from approved eligible training providers. However, performance reporting and eligibility requirements for training providers have made some potential providers unwilling to serve WIA participants.
- Support amendments to resolve uncertainty about the release of WIA participants' personally identifying information for WIA reporting purposes. Some training providers are hesitant to disclose participant data to states for fear of violating the Family Education Rights and Privacy Act.
- Include standard definitions that allow for consistent measurement of performance across the states. The wide latitude states have to define key terms has resulted in a lack of consistency in states' reporting against performance measures. This performance information affects the level of incentive funds the states will receive in future years.

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

The OIG continues to support reforms to improve the integrity of the Federal Employees' Compensation Act program. Implementing the following changes would result in significant savings for the Federal government:

- Move claimants into a form of retirement after a certain age if they are still injured.
- Return a 3-day waiting period to the beginning of the 45-day continuation of pay process to require employees to use accrued sick leave or leave without pay before their benefits begin.
- Grant authority to DOL to access Social Security wage records in order to identify claimants defrauding the program.

## **Appendix**

### **Requirements Under the Inspector General Act of 1978**

Section 4(a)(2) - Review of Legislation and Regulation.....	37
Section 5(a)(1) - Significant Problems, Abuses, and Deficiencies.....	All
Section 5(a)(2) - Recommendations with Respect to Significant Problems, Abuses, and Deficiencies .....	All
Section 5(a)(3) - Prior Significant Recommendations on Which Corrective Action Has Not Been Completed.....	47
Section 5(a)(4) - Matters Referred to Prosecutive Authorities .....	2
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 .....	44
Section 5(a)(7) - Summary of Significant Reports .....	All
Section 5(a)(8) - Statistical Tables on Management Decisions on Questioned Costs.....	42
Section 5(a)(9) - Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use .....	41
Section 5(a)(10) - Summary of Each Audit Report over Six Months Old for Which No Management Decision Has Been Made.....	47
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

### **Requirements Under Senate Report No. 96-829**

Resolution of Audits .....	44
Money Owed to the Department.....	43

**Agreed to by DOL**

	Number of Reports	Dollar Value (\$ millions)
For which no management decision had been made as of the commencement of the reporting period	1	428.0
Issued during the reporting period		
Subtotal		
For which management decision was made during the reporting period:	0	0.0
• Dollar value of recommendations that were agreed to by management		0.0
• Dollar value of recommendations that were not agreed to by management		0.0
For which no management decision had been made as of the end of the reporting period	1	428.0

**Implemented by DOL**

	Number of Reports	Dollar Value (\$ millions)
For which final action had not been taken as of the commencement of the reporting period	6	12.8
For which management or appeal decisions were made during the reporting period	0	0.0
Subtotals	6	12.8
For which final action was taken during the reporting period:		0.0
• Dollar value of recommendations that were actually completed		0.0
• Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		0.0
For which no final action had been taken by the end of the period	6	12.8

**Questioned Costs**

	Number of Reports	Disallowed Costs (\$ millions)
For which no management decision had been made as of the commencement of the reporting period (as adjusted)	26	20.0
Issued during the reporting period	14	10.5
Subtotal	40	30.5
For which a management decision was made during the reporting period		
• Dollar value of disallowed costs		7.7
• Dollar value of costs not disallowed		3.5
For which no management decision had been made as of the end of the reporting period	30	19.3
For which no management decision has been made within six months of issuance	12	9.4

**Disallowed Costs**

	Number of Reports	Disallowed Costs (\$ millions)
For which final action had not been taken as of the commencement of the reporting period (as adjusted)*	61	146.1
For which management or appeal decisions were made during the reporting period	19	7.7
Subtotal	74	153.8
For which final action was taken during the reporting period**		
• Dollar value of disallowed costs that were recovered		7.6
• Dollar value of disallowed costs that were written off by management		.03
Dollar value of disallowed costs that entered appeal status		4.7
For which no final action had been taken by the end of the reporting period	69	141.5

\* Does not include \$19.8 million of disallowed costs that are under appeal.

\*\* Partial recovery/write-offs are reported in the period in which they occur. Therefore, many audit reports will remain open awaiting final recoveries/write-offs to be recorded.

(As of September 30, 2004 – \$ in millions)

Agency/Program	Accounts Receivable Current	Accounts Receivable Delinquent	Accounts Receivable Total
BLS	0.1	0.1	0.2
EBSA	8.5	8.3	16.8
Black Lung	38.0	2.4	40.4
FECA	46.2	2.2	48.4
Back Wage	21.6	15.5	37.1
Longshore	1.3	2.0	3.3
CMP	4.4	.04	4.4
ETA	3.4	3.0	6.4
MSHA	22.6	2.7	25.3
OSHA	60.1	10.4	70.5
Total	<u>206.2</u>	<u>46.6</u>	<u>252.8</u>

Note: These figures are provided by DOL agencies and are unaudited and may represent estimates. Amounts due to the Unemployment Trust Fund (interagency receivables, state unemployment taxes and benefit overpayments) are not included. Amounts due from other Federal agencies for FECA workers' compensation benefits paid are not included.

<u>Program Name</u> Name of Report	<u>Date</u> Issued	<u>Report</u> Number	<u>Number of</u> Nonmonetary Recommendations	<u>Questioned</u> Costs (\$)	<u>Monetary</u> Impact (\$)
<b>Employment and Training</b>					
<b><u>Veterans Employment and Training</u></b>					
Single Audit: United States Veterans Initiative	4/30/04	22-04-508-02-201	1		
<b><u>Foreign Labor Certification</u></b>					
Restoring Section 245(i) of the Immigration and Nationality Act Created A Flood of Poor Quality Foreign Labor Certification Applications Predominantly for Aliens Without Legal Work Status	9/30/04	06-04-004-03-321	2		
<b><u>Job Training Partnership Act</u></b>					
Single Audit: Bennett College	9/3/04	22-04-510-03-340	1	50,645	
Single Audit: Phoenix Indian Center, Inc.	8/20/04	22-04-533-03-340	4		
<b><u>Indian and Native American Program</u></b>					
Evaluation of the Alabama Inter-Tribal Council	9/30/04	04-04-006-03-355	4		4,680
<b><u>Older Workers Programs</u></b>					
Single Audit: State of Wyoming	8/5/04	22-04-519-03-360	1		
Single Audit: Commonwealth of Massachusetts	9/24/04	22-04-559-03-360	1	69,774	
Single Audit: Ogalala Sioux Tribe	9/24/04	22-04-562-03-360	1	571,319	
<b><u>Job Corps</u></b>					
Job Corps Performance Measures	9/30/04	09-04-004-03-370	3		
Allegations of Questionable Accounting Practices by Applied Technology Systems, Inc.	9/8/04	21-04-007-03-370	1		
<b><u>Welfare-to-Work Program</u></b>					
Performance Audit of SFWIB WtW Formula Grant	9/30/04	04-04-002-03-386	3	8,406,966	
Single Audit: The Chattanooga Area Urban	8/16/04	22-04-534-03-386	7		
Single Audit: National Homes Trust, Inc.	8/16/04	22-04-535-03-386	2		
Single Audit: Madison County Commission	9/3/04	22-04-555-03-386	3	11,345	
Single Audit: Family Crisis Center	9/28/04	22-04-557-03-386	1		
<b><u>Workforce Investment Act</u></b>					
Single Audit: State of Oklahoma	4/30/04	22-04-520-03-390	3		
Single Audit: Council of Southern West Virginia	8/16/04	22-04-527-03-390	2		
Single Audit: United Sioux Tribe of South Dakota Development Corporation	8/30/04	22-04-531-03-390	2		
Single Audit: Ogalala Sioux Tribe	5/7/04	22-04-543-03-390	7	476,733	
Single Audit: State of New York	9/9/04	22-04-558-03-390	2		
Single Audit: Workforce Partnership of Greater Rhode Island	9/30/04	22-04-572-03-390	2		
<b>Goal Totals</b>		<b>21</b>	<b>53</b>	<b>9,586,782</b>	<b>4,680</b>
<b>Worker Benefits</b>					
<b><u>Unemployment Insurance Program</u></b>					
Texas Workforce Commission's Costs Charged to DOL Grants During 9/1/1997–8/31/2001	7/23/04	03-04-002-03-315	5		
New Jersey DOL's ADP/IT Central Services Costs Charged to DOL Grants During 7/1/1996–6/30/1999	6/21/04	03-04-003-03-315	5	475,149	
Kentucky WDC's ADP/IT Central Services Costs Charges to Grants During 7/1/1996–6/30/2000	7/16/04	03-04-005-03-315	0		
New Hires Detection is a Better Method for Establishing UI Overpayments than the Wage UI/Benefit Crossmatch	9/30/04	05-04-002-03-315	5		
Single Audit: State of Rhode Island	8/31/04	22-04-561-03-315	5	175,715	

<u>Program Name</u> Name of Report	<u>Date</u> Issued	<u>Report</u> Number	<u>Number of</u> Nonmonetary Recommendations	<u>Questioned</u> Costs (\$)	<u>Monetary</u> Impact (\$)
FISMA Audit: State of Missouri UI Tax and Benefit System	9/30/04	23-04-016-03-315	2		
FISMA Audit: State of Washington UI Tax and Benefit System	9/30/04	23-04-017-03-315	1		
FISMA Audit: State of Florida UI Tax and Benefit System	9/30/04	23-04-018-03-315	1		
FISMA Audit: ETA UI Interstate Connection Network	9/30/04	23-04-027-03-315	12		
<b><u>State Employment Security Agency</u></b>					
Despite Assurances to the Contrary DOL Has Not Maintained Accountability Over Equity in Real Property Held By States	9/30/04	06-04-002-03-325	8		
State Workforce Agencies' WIA Grant Programs Are Accruing Federal Equity in Real Properties	9/30/04	06-04-003-03-325	3		
<b><u>Trade Adjustment Assistance</u></b>					
Alert Report: Health Coverage Tax Credit	9/30/04	02-04-204-03-330	4		15,000,000
Single Audit: State of Kansas	8/19/04	22-04-541-03-330	3	48,144	
<b><u>Federal Employees Compensation</u></b>					
Evaluation of FECA Responsiveness and Customer Surveys	9/30/04	02-04-203-04-431	2		
<b><u>Employee Benefit Security Program</u></b>					
Allegations Related to EFAST Information Security	9/30/04	23-04-008-12-001	4		
FISMA Audit: EBSA's EFAST	9/9/04	23-04-011-12-001	51		
EBSA Needs Additional Authority to Improve the Quality of Employee Benefit Plan Audits.	9/30/04	09-04-005-12-121	6		
<b>Goal Totals</b>		<b>17</b>	<b>117</b>	<b>699,008</b>	<b>15,000,000</b>
<b><u>Worker Safety, Health, and Workplace Rights</u></b>					
OSHA Future System Development Efforts Require Greater Use of Best Practices	9/30/04	23-04-009-10-001	4		
Audit of General Application and Security Controls for Selected OSHA IT Systems that Support the Financial Statements FY 2004	9/30/04	23-04-021-10-001	1		
Audit of General, Application, and Security Controls for Selected OSHA IT Systems that Support the Financial Statements FY 2004	9/30/04	23-04-019-06-001	29		
<b>Goal Totals</b>		<b>3</b>	<b>34</b>		
<b><u>Departmental Management</u></b>					
<b><u>Office of the Secretary</u></b>					
Evaluation of the Small and Disadvantaged Business Utilization Program: FYs 1999–2002	4/29/04	21-04-004-01-100	10		
FISMA Audit: ELAWS	9/30/04	23-04-029-01-001	3		
<b><u>Administrative Law Judges</u></b>					
FISMA Audit: OALJ Wide Area Network	9/9/04	23-04-013-01-060	17		
FISMA Audit: OALJ Case Tracking System	9/9/04	23-04-014-01-060	19		
<b><u>ETA Management</u></b>					
Single Audit: State of West Virginia	8/31/04	22-04-516-03-001	8		
Single Audit: State of North Carolina	8/3/04	22-04-518-03-001	6	5,085	
Single Audit: Navajo Nation Tribal Entities	5/5/04	22-04-544-03-001	11	66,080	
Single Audit: State of Montana	8/31/04	22-04-545-03-001	6	57,000	
Single Audit: Commonwealth of Kentucky	9/2/04	22-04-548-03-001	5	0	

<u>Program Name</u> Name of Report	<u>Date</u> Issued	<u>Report</u> Number	<u>Number of</u> Nonmonetary Recommendations	<u>Questioned</u> Costs (\$)	<u>Monetary</u> Impact (\$)
Single Audit: AFL CIO Appalachian Council	9/29/04	22-04-553-03-001	5	0	
Single Audit: State of Ohio	9/30/04	22-04-563-03-001	4	0	
Single Audit: State of California	9/30/04	22-04-565-03-001	2	0	
Single Audit: 1199 SEIU Training and Upgrading Fund	9/30/04	22-04-567-03-001	2	60,158	
Audit of General, Application, and Security Controls for Selected ETA IT Systems that Support the Financial Statements FY 2004	9/30/04	23-04-023-03-001	77		
<b><u>ESA Management</u></b>					
Audit of General, Application, and Security Controls for Selected ESA IT Systems that Support the Financial Statements FY 2004	9/30/04	23-04-024-04-001	35		
<b><u>OASAM Management</u></b>					
Audit of General, Application, and Security Controls for Selected OASAM IT Systems that Support the Financial Statements FY 2004	9/17/04	23-04-020-07-001			
Department-wide Audit Findings Resulting from Audit of General, Application, and Security Controls Supporting the FY 2004 Financial Statements	9/30/04	23-04-025-07-001	3		
FISMA Audit: OASAM Employee Computer Network/Departmental Computer Network	9/29/04	23-04-028-07-001	31		
OIG Independent Verification and Validation of Selected Agencies' Plans of Action and Milestones	9/30/04	23-04-033-07-001			
<b><u>Business Operations Center</u></b>					
Assistant Inspector General's Report on Applying Agreed-Upon Procedures: Public Law 108-199	7/21/04	21-04-005-07-711			
<b><u>OIG Management</u></b>					
Confidential Funds	7/16/04	05-04-008-09-001	1		
<b><u>Office of the Chief Financial Officer</u></b>					
The e-Payroll Quicksilver Project: Resolution Status of Prior Recommendations and Project Plan Not Effectively Communicating Progress	7/8/04	23-04-012-13-001	2		
The e-Payroll Quicksilver Project: "Go/No Go" Decision, Concerns Regarding Parallel Testing, Training and Resolution Status of Prior Recommendations, Period Ending 8/12/2004	8/18/04	23-04-015-13-001	4		
<b><u>Multi Agency Programs</u></b>					
Quality Control Review: Arkansas Employment Security Department	4/7/04	22-04-540-50-598			
Quality Control Review: National Council on the Aging	5/5/04	22-04-542-50-598			
Quality Control Review: Upper Rio Grande WOB	9/27/04	22-04-571-50-598			
<b>Goal Totals</b>		<b>26</b>	<b>251</b>	<b>188,323</b>	
<b>Report Totals</b>		<b>67</b>	<b>455</b>	<b>10,474,113</b>	<b>15,004,680</b>

Agency/ Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs (\$)
<b>Non-monetary Recommendations and Questioned Costs Being Resolved in Conjunction with DOL Consolidated Financial Statement Audit</b>					
CFO/Admin	2/27/98	FY 97 Consolidated Financials	12-98-002-13-001	1	
CFO/Admin	2/29/00	FY 99 DOL Consolidated Financial Statement	12-00-003-13-001	2	
CFO/Admin	7/20/00	FY 99 DOL Management Advisory Comments	12-00-006-13-001	2	
CFO/Admin	3/27/02	DOL Consolidated Financial Statement Findings and Recommendations	22-02-004-13-001	2	
CFO/Admin	3/31/03	Performance and Accountability Audit, CFO Findings and Recommendations	22-04-002-13-001	8	
<b>Final Management Decision Issued by Agency Did Not Resolve—OIG Negotiating with Program Agency</b>					
ETA/JTPA	9/25/98	Cherokee Nation	06-98-009-03-340	1	0
ETA/OJC	9/22/99	Talking Leaves Job Corps Center	06-99-010-03-370	9	0
ETA/UIS	4/17/00	Single Audit: State of Louisiana	18-00-534-03-315	2	0
ETA/SESA	8/23/00	Single Audit: State of Florida	12-00-514-03-325	3	0
ETA/JTPA	3/6/00	Single Audit: State of Iowa—1998	18-00-529-03-340	1	0
ETA/JTPA	9/29/00	Single Audit: Commonwealth of Kentucky—1998	12-00-528-03-340	4	0
ETA/UIS	9/21/01	Ohio Department of Job and Family Services' Y2K Grant Expenditures	04-01-006-03-315	4	1,085,283
ETA/UIS	3/22/02	Massachusetts Department of Labor and Workforce	03-02-001-03-315	1	0
ETA/DINAP	2/13/02	Dallas Inter-Tribal Center	06-02-001-03-355	1	0
DOL/Multi	8/6/02	Single Audit: State of Florida	22-02-512-50-598	2	38,799
DOL/Multi	7/19/02	Single Audit: State of Ohio	22-02-516-50-598	5	0
ETA/Admin	5/28/03	Single Audit: State of Louisiana	22-03-502-03-001	2	0
ETA/Admin	9/29/03	Single Audit: Sokaogan Chippewa Community	22-03-515-03-001	3	29,394
ETA/UIS	9/30/03	Improved Quality Control Practices Within the Benefit Accuracy Measurement System Could Save the Unemployment Insurance Trust Fund Approximately \$400 Million Annually	22-03-009-03-315	7	0
ETA/UIS	9/29/03	Single Audit: State of Maryland	22-03-526-03-315	1	0
ETA/UIS	9/30/03	Single Audit: State of Colorado	22-03-529-03-315	2	0
ETA/DSFP	3/22/04	Arkansas Human Development Corporation	21-04-001-03-365	1	
<b>Final Management Decision Being Evaluated by the OIG</b>					
ETA/UIS	9/13/02	State of Maryland Workforce Agency UI Tax and Benefit Information System	23-02-008-03-315	14	0
ETA/UIS	9/13/02	UI Tax and Benefit Information System Security – ETA	23-02-009-03-315	17	0
CFO/Admin	12/19/02	DOLAR\$ Application Control Review	23-02-003-13-001	3	0
ETA/Admin	9/30/02	Single Audit: DC Department of Employment Services	22-02-508-03-001	4	0
ETA/JTPA	4/24/02	Single Audit: Commonwealth of Puerto Rico, 1998	22-02-509-03-340	3	225,273
VETS/Admin	9/22/03	Veterans' Employment and Training Department of Unemployment	23-03-012-02-001	18	0
ETA/UIS	3/11/03	UI Tax and Benefit Information System Security—Michigan	23-03-003-03-315	55	0
ETA/UIS	2/27/03	UI Tax and Benefit Information System Security—California	23-03-005-03-315	1	0
ETA/DSFP	9/8/03	Rural Missouri, Inc.	05-03-004-03-365	1	0
ETA/WIA	9/29/03	Single Audit: Utah	22-03-528-03-390	3	22,480
MSHA/Admin	9/22/03	GISRA Audit: Imaging Management System	23-03-011-06-001	1	0
OSHA/Admin	3/31/03	2002 GISRA Audit – OSHA	23-03-002-10-001	7	0
BLS/Admin	3/31/03	2002 GISRA Audit of BLS CES	23-03-001-11-001	1	0
BLS/Admin	9/22/03	GISRA Audit of BLS	23-03-013-11-001	3	0
ETA/Admin	2/3/04	Single Audit – Boston Private Industry Council, Inc.	22-04-500-03-001	1	0

# Appendix

## Unresolved Reports over Six Months Old

Agency/ Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs (\$)
ETA/Admin	3/18/04	Single Audit – State of Illinois	22-04-507-03-001	1	0
ETA/Admin	3/18/04	Single Audit – New Mexico Department of Labor	22-04-514-03-001	41	375,301
ETA/Admin	3/19/04	Single Audit – State of California	22-04-524-03-001	2	0
ETA/WIA	3/31/04	Ohio's Workforce Investment Program	05-04-004-03-390	5	0
ETA/WIA	3/18/04	Single Audit – Seattle Indian Center	22-04-502-03-390	2	0
ESA/Admin	3/31/04	General Controls and Security for Selected ESA IT Systems that Support the Department's Financial Statements–September 30, 2003	23-04-002-04-001	13	0
OCFO/Admin	3/31/04	General Controls and Security for Selected OCFO IT Systems that Support the Department's Financial Statements–September 30, 2003	23-04-004-13-001	18	0
OCFO/Admin	3/31/04	The E-Payroll Quicksilver Project: Status and Concerns, Period Ending March 22, 2004	23-04-010-13-001	5	0
<b>Final Management Decision Being Appealed</b>					
ETA/SESA	12/8/99	Puerto Rico Department of Labor and Human Resources	02-00-203-03-325	6	0
ETA/DOWP	3/14/03	Farmers Union STEP Waco, Texas	06-03-003-03-360	8	568,680
<b>Final Management Decision Not Yet Issued–Agency Awaiting Response from Internal Revenue Service</b>					
EBSA	3/29/02	Improved Oversight of Cash Balance Plan Lump Sum Distributions Is Needed	09-02-001-12-121	2	0
<b>Final Management Decision Not Yet Issued by Agency</b>					
ETA/UIS	9/21/01	California Employment Development Department=s Year 2000 Grant Expenditures	04-01-008-03-315	5	848,643
ETA/UIS	1/25/02	New York AUP Year 2000 Grant Expenditures	04-02-003-03-315	4	3,976,331
ETA/Admin	4/24/03	Single Audit: State of Michigan Department of Unemployment	22-03-505-03-001	2	0
ETA/Admin	4/30/03	Single Audit: State of Indiana	22-03-512-03-001	4	50,707
ETA/Admin	5/29/03	Single Audit: State of Rhode Island	22-03-514-03-001	7	578,000
ETA/WIA	9/30/03	Services Provided and Outcomes Obtained for Participants Enrolled In the WIA Dislocated Workers Program During Program Year 2000	02-03-204-03-390	10	0
ETA/WIA	9/30/03	Evaluation of WIA Youth Program	06-03-006-03-390	1	0
OSHA/Admin	9/30/03	Evaluation of OSHA's Handling of Immigrant Fatalities in the Workplace	21-03-023-10-001	1	0
VETS/Admin	12/4/03	Rehabilitation Services and Veterans Programs, Albuquerque, New Mexico	06-04-001-02-001	2	1,593,700
ETA/Admin	3/18/04	Single Audit – Commonwealth of Kentucky	22-04-505-03-001	8	0
ETA/Admin	3/18/04	Single Audit – Government of the District of Columbia	22-04-517-03-001	3	0
ETA/SESA	3/31/04	Evaluation of North Carolina Growers Association	04-04-008-03-325	4	0
<b>Total Nonmonetary Recommendations and Questioned Costs</b>				<b>350</b>	<b>9,392,591</b>
<b>Cost Efficiencies</b>					
ETA/UIS	9/30/03	Improved Quality Control Practices Within the Benefit Accuracy Measurement System Could Save the Unemployment Insurance Trust Fund Approximately \$400 Million Annually	22-03-009-03-315	1	428,000,000
<b>Total Cost Efficiencies</b>				<b>1</b>	<b>428,000,000</b>
<b>Total Nonmonetary Recommendations, Questioned Costs and Cost Efficiencies</b>				<b>351</b>	<b>437,392,591</b>

	Division Totals	Totals
<b>Cases Opened:</b>		
Program Fraud	144	
Labor Racketeering	47	191
<b>Cases Closed:</b>		
Program Fraud	177	
Labor Racketeering	51	228
<b>Cases Referred for Prosecution:</b>		
Program Fraud	137	
Labor Racketeering	159	296
<b>Cases Referred for Administrative/Civil Action:</b>		
Program Fraud	64	
Labor Racketeering	12	76
<b>Indictments:</b>		
Program Fraud	167	
Labor Racketeering	130	297
<b>Convictions:</b>		
Program Fraud	113	
Labor Racketeering	73	186
<b>Debarments:</b>		
Program Fraud	20	
Labor Racketeering	43	63
<b>Recoveries, Cost Efficiencies, Restitutions, Fines/ Penalties, Forfeitures, and Civil Monetary Actions:</b>		
Program Fraud	\$75,771,582	
Labor Racketeering	\$27,620,004	\$103,391,586

<b>Recoveries:</b> (The dollar amount/value of an agency's action to recover or reprogram funds or to make other adjustments in response to OIG investigations)	\$1,432,314
<b>Cost Efficiencies:</b> (The one-time or per-annum dollar amount/value of management's commitment, in response to OIG investigations, to utilize the government's resources more efficiently)	\$1,851,614
<b>Restitutions:</b> (The dollar amount/value of restitutions resulting from OIG criminal investigations)	\$79,266,524
<b>Fines/Penalties:</b> (The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations)	\$558,561
<b>Civil Monetary Actions:</b> (The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, or other penalties resulting from OIG civil investigations)	\$20,282,573
<b>Total</b>	<b>\$103,391,586</b>

	Convicted	Sentenced	Monetary
<b>Foreign Labor Certification</b>			
Alamgir, Mohamad	X		
Bablu, Mohamad	X		
Beiner, April	X		
Bennett, Marian	X		
Bertucci, Jessica	X		
Bray, Dorothy	X		
Center, Henry	X		
Cheema, Nasir	X		
Corey, Joanne	X		
Demalteris, Lillian	X		
Detrojan, Yuri		X	
Dhingra, Praveedra	X		
Diack, Abdoulaye		X	
Diagne, Bathie		X	\$100
Dimele, Cynthia	X		
Fall, Matar		X	
Farella, Frank	X		
Flores, Teasha	X		
Galbo, Mario	X	X	
Giandanoto, Melissa	X		
Graf, Peter		X	\$308,750
Greenblatt, Norman	X	X	
Grimes-Hardie, Barry	X		
Gutierrez, Debra	X		
Javid, Kalid	X	X	\$1,100
Kaufman, Sidney	X		
Kelly, Karen	X		
Kolomitsyev, Andre		X	
Kratsov, Igor		X	
Laryea, Adelaide	X		
Lim, Eun		X	\$500
Lutterodt, Anthony	X	X	\$100
Matousek, Milan	X	X	\$100
Matsiuk, Yuri		X	
Mederos, Paul	X		
Patel, Nayan	X		
Pioppo, John	X	X	
Poteat, Cassandra	X		
Qazi, Muhammed	X	X	\$100
Rahman, Majipur	X	X	\$100
Raiser, Cynthia	X		
Sahib, Noor	X	X	
Saifi-Chowdhury, Mohamad	X		
Santanastasio, Louise	X		
Scarpa, Mildred	X		
Seck, Awa		X	
Smith, Doris		X	\$10,000
Sohna, Mariam		X	
Vera, Teresa	X		
	37	21	\$320,850

	Convicted	Sentenced	Monetary
<b>Employee Misconduct</b>			
Brown, Kevin	X		
"Pre-trial Diversion"	X	X	\$78,000
Medley, Alonzo	X	X	\$1,228
Roberts, Lori	X		
Robinson, Tracey	X		
Rudolph, Joe	X		
Simon, Chester	X		
"Pre-trial Diversion"	X	X	\$1,300
	8	3	\$80,528
<b>ESA - Black Lung</b>			
Massey, Linda	X	X	\$13,086
"Pre-trial Diversion"	X	X	\$23,159
"Pre-trial Diversion"	X	X	\$7,115
Watts, Robert	X		
Williams, Anthony	X		
	5	3	\$43,360
<b>ESA – FECA</b>			
Banks, Isadore		X	\$62,609
Bentley, Thomas	X	X	\$1,000
Blevins, Charles		X	\$112,873
Brummett, Anthony		X	\$76,168
Burke, Margaret	X	X	\$28,083
Cazeno, Erroll	X		
Cook, Danny		X	\$724,100
Cooper, Mary		X	\$42,188
Eubanks, Ivey		X	\$34,898
Feldman, Edward, M.D.		X	\$5,100
Garth, Sandra	X		
Graves-Garner, Sherri		X	\$114,465
"Pre-trial Diversion"	X	X	\$7,960
Harms, Michael		X	\$354,990
"Pre-trial Diversion"	X	X	\$16,050
Hilliard, Michael	X		
Jordan, June	X	X	\$75,100
Lambert, Shane	X		
Menth, Elizabeth	X	X	\$4,602
Morrison, James, M.D.	X		
Parker, Donna	X		
Parrelli-Ball, Tina		X	\$57,879
Skahen, Brad	X		
Stakely, James, M.D.		X	\$1,806
Vickers, Norman		X	\$39,962
Vieira, Matthew		X	\$13,146
White, Carl		X	
Wright, Robert	X		
Young, Scott	X		
	15	20	\$1,772,979
<b>ESA – Longshore</b>			
Pyzik, Edward	X		
	1		
<b>ESA - Wage And Hour</b>			
Adkins, Robert		X	\$100

	Convicted	Sentenced	Monetary
Rai, Harpal	X		
"Sealed"	X		
"Sealed"	X		
San Luis Gonzaga Construction Co.		X	\$50
Talao, Gerardina		X	\$50
Talao, Virgilio		X	\$50
Zakheim, Steve	X		
	4	4	\$250
<b>ETA – Job Corps</b>			
Gulley, Sharmon		X	\$8,397
		1	\$8,397
<b>ETA – Trade Adjustment Assistance</b>			
Vargas, Esther	X	X	\$125,100
	1	1	\$125,100
<b>ETA – Unemployment Insurance/SWA</b>			
Barrera-Olivares, Mario	X	X	\$1,332,324
Benitez, Hector		X	
Bonilla, Ramon		X	\$58,770,074
Chandler, Fatiha	X	X	\$105
Chase, Ashley		X	\$12,771
Chau, Kevin	X		
Clark-Meddings, Sandra	X	X	\$500
Comeaux, Aros		X	\$17,589
DiBartolo, Victor		X	\$645,470
Dinh, Coung	X		
Engel, Donald	X		
Espino, Ruben	X		
Espino-Martinez, Elisa	X	X	
Espino-Martinez, Manuel	X	X	\$800,989
Garcia-Marmolejo, Gustavo		X	\$200
Glynn, Eric		X	\$9,377
Harris, Darryl	X		
Henry, Stanley	X	X	\$96,933
Kent, Cedric	X		
Monge-Pascacio, Hipolito	X		
Mozaffary, Pouriya		X	\$1,860
Murillo, David	X		
Ngo, Tan		X	\$806,135
Nguy, Binh	X		
Peipong, Xue	X		
Petro, Roger	X	X	\$739
Phillips, Tommy	X	X	\$9,863
Pina, Misael	X		
Prewitt-Garrett, Chris	X	X	\$6,368
Ramirez De La Rosa, Guadalupe	X	X	\$225,700
Ramos, Angel	X	X	\$3,593
Richie, Irma	X		
Richie, Mary	X		
Roberts, Lucinda	X	X	\$7,838
Scott, Lisa		X	\$27,325
Sherpa Software Group, L.P.		X	\$552,665
Smith, David	X		
Soto, Nelson	X		

	Convicted	Sentenced	Monetary
Vo, April	X	X	\$38,265
Vo, Tuyen	X		
Ziemkiewicz, Michael	X	X	\$972
	30	25	\$63,367,655
<b>ETA – Welfare-to-Work</b>			
Friedlander, Paul	X		
	1		
<b>ETA – WIA</b>			
Mallo, Francis	X	X	\$1,720
Veret, Bianca	X		
	2	1	\$1,720
<b>ETA – WOTC</b>			
Eison, Myra		X	\$302,292
		1	\$302,292
<b>Benefit Plan</b>			
Cacioppo, Anna	X		
Cacioppo, Charles, Jr.	X		
Deangelis, Peter		X	\$2,000
Decter, Kenneth	X		
Freeman, Steven	X		
“Sealed”	X		
Gaskell, Kimberly	X		
Gelson, William	X		
Hyde, John	X		
Ihle, Paul	X		
Jairath, Ravindra, M.D.	X		
Johnston, Mark	X	X	\$43,583
Kirkland, Dean	X		
Kistling, Thomas	X		
Kupfer, Charles	X		
Kvasnicka, Philip	X		
Lontine, John		X	\$1,000
Manous, Peter	X		
Manzo, Ronald	X		
Mayhew, Robert		X	\$1,000
Mendelsohn, Lawrence		X	\$115,554
Mutino, Joseph	X		
Oliveira, Elario	X		
Pastrick, Kevin	X		
Payne, Bruce	X	X	\$6,877
Perez, Joseph		X	\$572,103
Sartoski, Ryan	X	X	\$1,459
Soto, Marta		X	\$274,417
Talbott, Dennis		X	\$1,000
Tucker, Darrell	X		
Uhrin, Richard		X	\$381,201
Vitale, Martin		X	\$15,000
“Sealed”		X	\$2,200,000
Wiederhorn, Andrew	X	X	\$2,025,000
Zerth, Barbara	X		
Zerth, Richard	X		
	26	14	\$5,640,194

	Convicted	Sentenced	Monetary
<b>Internal Union</b>			
Aginsky, David	X		
Angelone, John		X	
Barnwell, William	X	X	\$19,388
Bondi, Richard		X	\$250
Boyd, Byron, Jr.		X	\$110,000
Brennan, Thomas	X		
Browne, Walter	X		
Cassarino, Primo		X	
Cicccone, Anthony		X	\$3,200,000
Davis, Arenia	X		
Dennis, Ralph		X	\$47,000
Devaney, Patricia	X		
Gotti, Peter		X	\$3,774,250
Gotti, Richard G.		X	\$12,000
Gotti, Richard V.		X	\$13,500
Hernando, Ileana	X		
Hubbard, Gerhard	X	X	\$18,102
Levine, Robert		X	\$193,656
Little, Charles		X	\$110,000
O'Neil, Kevin		X	\$35,000
Phillips, Jennifer		X	\$35,141
Rookard, John		X	\$45,100
Stewart, Linda		X	\$65,005
Williamson, David	X	X	\$3,200
Williamson, Sandra	X	X	
	10	19	\$7,681,592
<b>Labor Management</b>			
Bader, Lawrence	X		
Borazzo, Robert	X		
Cacace, Joel Jr.		X	\$166,533
Carrara, Carl, Sr.	X	X	\$400
"Sealed"		X	\$347,342
Coriasco, Richard		X	\$256,697
Cross, Wayne	X		
Culotta, Phil	X		
DeRoss, Jack		X	\$1,173,000
DeRoss, Jamie		X	\$40,100
DJH Mechanical Associates, LTD	X		
Diminno, Morris		X	\$400
"Sealed"	X		
Fawell, Scott	X		
Fidler, Allan	X	X	\$500
Forrest, Linda	X	X	\$158,100
Geraghty, Raymond	X		
Greco, Andrew	X		
Gregorio, Lou, Jr.	X		
Guidice, Anthony		X	
Kilcullen, Sean		X	\$19,162
"Sealed"	X		
Lepore, Raymond	X		
Liquori, Frank, Sr.	X		
Liquori, Frank, Jr.	X		

	Convicted	Sentenced	Monetary
Lyles, Otho	X		
Majuri, Charles		X	
McGowan, James	X	X	\$237,810
Nguyen, Hua	X	X	\$480,425
Perry, Brian	X		
Polito, Anthony		X	\$386,373
Proto, Anthony	X		
"Sealed"	X		
"Sealed"	X		
"Sealed"	X		
Ronan Potts, LLC	X		
Saah, Richard	X		
Segreti, John	X	X	
"Sealed"	X		
Troy, Richard		X	\$74,782
Vincent, Steven		X	\$100
"Sealed"		X	\$20,000
Weber, Dorothy	X	X	\$543,278
	30	20	\$3,905,002
<b>Worker Exploitation</b>			
Diaz-Lopez, Maritzana		X	
Espinoza-Cruz, Angel	X		
Garcia-Burgos, Pedro		X	\$136,240
Herri, Herri	X	X	\$100
"Pre-trial Diversion"	X	X	
"Pre-trial Diversion"	X	X	
Lakireddy, Prasad		X	\$20,100
Lopes, Braulio	X		
Ma, Yu	X	X	\$50,000
Pseng, Kuochan	X	X	\$175,000
Yang, Kevin	X	X	
	8	9	\$381,440

The OIG Hotline provides a communication link between the OIG and persons who want to report alleged violations of law, rules, or regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. During this reporting period, the OIG Hotline received a total of 2,755 contacts. Of these, 2,396 were referred for further review.

**Allegation Reports by Source:**

Hotline Operations—Calls, Correspondence, and Walk-ins from Individuals or Organizations .....	2,709
Correspondence from Congress .....	4
Correspondence from DOL Agencies .....	9
Letters from Non-DOL Government Agencies .....	19
Incident Reports from DOL Agencies .....	7
Reports by OIG Components.....	7
<b>Total .....</b>	<b>2,755</b>

**Allegation Reports by Referral:**

Referred to OIG Components .....	87
Referred to DOL Program Management.....	1,098
Referred to Other Agencies .....	1,211
<b>Total .....</b>	<b>2,396</b>

United States Department of Labor  
Office of Inspector General

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U.S. Department of Labor  
Office of Inspector General  
Room S-5512  
200 Constitution Avenue, N.W.  
Washington, D.C. 20210

The OIG Hotline is open to the public and to Federal employees 24 hours a day, 7 days a week to receive allegations of fraud, waste, and abuse.