



# Semiannual Report to the Congress

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## A Message from the Inspector General

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I am pleased to submit this Semiannual Report to the Congress, which summarizes the significant activities and accomplishments of the Office of Inspector General (OIG) for the six-month period ending March 31, 2006. During this reporting period, our investigative work led to 227 indictments, 233 convictions, and over \$43 million in monetary accomplishments. In addition, we issued 57 audit reports and questioned \$6.8 million in costs.

During this period, the OIG provided audit and investigative oversight of the Department of Labor's response to Hurricane Katrina. As part of this effort, we issued seven management letters recommending that the Employment and Training Administration address issues we identified through reviews of unemployment insurance claims and National Emergency Grant activities in the affected states. Moreover, this Office joined the Hurricane Katrina Task Force created by the U.S. Attorney General, which seeks to address fraud associated with the Government response to the hurricane. Our work was also coordinated with member agencies of the President's Council on Integrity and Efficiency.

The OIG continued to combat fraud and abuse in the Department's foreign labor certification program which provides employers access to foreign labor. A notable OIG achievement was the prosecution of a business owner who had submitted over 1,400 fraudulent foreign labor certifications which netted him over \$4.5 million. The defendant was sentenced to 44 months in prison and three years probation.

We have had great success in combating corruption involving monies in union-sponsored benefit plans. One investigation led to the sentencing of an individual who had embezzled from his employees' benefit plans, resulting in nearly \$1 million in unpaid medical claims. The defendant was sentenced to 90 months in prison and three years' probation.

From an audit perspective, the OIG made significant recommendations to address vulnerabilities we identified in DOL programs and operations. For example, we conducted an audit relating to a settlement agreement that the Wage and Hour Division made with Wal-Mart, which disclosed serious breakdowns in the process for developing, negotiating, and approving settlement agreements. This resulted in giving concessions to Wal-Mart in exchange for little commitment from the employer beyond what it was already doing or required to do by law. As a result of our audit, a new policy was issued surrounding the settlement negotiation process.

In addition, the OIG issued a 9<sup>th</sup> unqualified opinion on the Department's financial statements. While the opinion reflects our conclusion that DOL's financial statements were fairly presented, we did identify a number of weaknesses and made recommendations for corrective actions.

The OIG remains committed to promoting the economy, integrity, effectiveness, and efficiency of DOL programs and detecting waste, fraud, and abuse against those programs. I would like to express my sincere appreciation to a professional and dedicated OIG staff for their significant achievements during this reporting period.



Gordon S. Heddell  
Inspector General

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## Selected Statistics

Investigative recoveries, cost-efficiencies, restitutions, fines and penalties, forfeitures, and civil monetary action .....	\$43.3 million
Investigative cases opened.....	418
Investigative cases closed .....	191
Investigative cases referred for prosecution .....	133
Investigative cases referred for administrative/civil action .....	77
Indictments.....	227
Convictions .....	233
Debarments .....	19
Audit and other reports issued .....	57
Total questioned costs .....	\$6.8 million
Outstanding questioned costs resolved during this period .....	\$14.8 million
Allowed <sup>1</sup> .....	\$2.6 million
Disallowed <sup>2</sup> .....	\$12.2 million

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

1 *Allowed* means a questioned cost that the Department of Labor has not sustained.

2 *Disallowed* means a questioned cost that the Department of Labor has sustained or has agreed should not be charged to the government.

### Significant Concerns

*The OIG provides information and assistance to the Department and Congress 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.*

#### Lessons Learned from the 2005 Hurricanes

On August 29, 2005, Hurricane Katrina made landfall, causing extensive damage. Less than one month later, Hurricane Rita also made landfall and added to the extensive damage in the Gulf Coast area. The devastation and evacuations caused by the hurricanes generated a massive Federal response that required oversight by the Inspector General community. With such a large volume of Federal money being spent in response to the disaster, the opportunity for fraud can be very high.

DOL's response concentrated on its state partners' payment of Unemployment Insurance (UI) and Disaster Unemployment Assistance (DUA) to individuals who became unemployed as a result of the hurricanes, and on DOL's funding of National Emergency Grants (NEGs) for states to provide temporary jobs and other assistance to workers dislocated by the disasters. An especially useful tool in identifying UI and DUA claimants who relocate to other states to obtain employment, and who, therefore, may no longer be eligible to collect benefits, is the National Directory of New Hires (NDNH). However, at the time Katrina hit, only one of the four directly affected states – Texas – had initiated a pilot program to use the NDNH. In addition, the State of Louisiana's decisions to suspend certain statutes relative to the payment of UI to Katrina victims through November 19, 2005, and to deliver the majority of its UI and DUA benefit payments via debit cards, increased the risk of individuals fraudulently receiving benefits to which they were not entitled. Also, the Department's decision to allow hurricane victims 90 days to provide proof of eligibility for DUA created opportunities for ineligible persons to collect benefits. Regarding the NEGs, some program operators needed additional guidance on allowable activities and how to transition clients from short-term interventions to strategies to increase their employment prospects over the long term.

Heeding the lessons learned from the 2005 hurricanes, actions should be taken to: accelerate states' access to the NDNH; develop guidance on compensating back-end controls that must be in place when existing controls are suspended; evaluate and mitigate risks associated with putting technology to new uses in times of crisis, such as paying unemployment claims via debit cards; and develop guidance on the allowable and appropriate uses of NEGs. We believe such actions can place the Department – and those it serves – in better stead in the face of future disasters.

### Procurement Concerns

We continue to be concerned that the current DOL organizational structure creates inadequate separation of duties between procurement and program functions. Prior OIG audits reported two conditions related to the Department's organizational structure that compromise the effectiveness and integrity of the procurement function. First, the OIG's 2004 audit report on procurements by the Mine Safety and Health Administration found that inadequately separated duties allowed program staff to exert undue influence over the procurement process. Second, our 2005 audit of DOL's procurement of encryption software found that overall responsibility for the Information Technology and procurement functions were delegated to one executive; and, the inadequate separation of duties and resulting organizational conflict of interest contributed to lapses in compliance with departmental procurement requirements. To address these issues, the OIG recommended the Department create an independent Acquisition Office, reporting directly to the Deputy Secretary, that would supervise the Department's acquisition workforce.

The Services Acquisition Reform Act of 2003 (SARA) addressed a number of issues aimed at improving procurement management, including requiring each Federal agency head to establish a Chief Acquisition Officer (CAO) position to be filled by a non-career employee whose primary responsibility is acquisition management. Although the Department circulated a draft Secretary's Order in June of last year to establish a CAO pursuant to SARA, the Order has not been finalized. Further, the Department still needs to address the separation of incompatible program and acquisition duties by placing operational oversight of day-to-day acquisition duties throughout the Department under the direction of the CAO, as the OIG recommended.

### Job Corps Program

Job Corps is a \$1.5 billion national training and employment program whose mission is to serve at-risk youth throughout the United States--about 60,000 annually in over 125 centers nationwide. Given Job Corps' magnitude and mission, it is an important component of our nation's workforce development system. A review and assessment of the Job Corps program being undertaken by the Department as part of the program's statutorily-required transfer to the Office of the Secretary presents an opportunity to consider these and other challenges in improving the Job Corps program. Based on our past and ongoing work, we have identified a number of challenges we believe the Department should address in order to assist Job Corps in its mission.

#### **Performance Based Contracts**

One of the challenges relates to the use of performance-based contracts to operate Job Corps centers. Because the contracts tie incentive fees,

bonuses, and option year awards directly to contractor performance, performance-based contracts pose special risks that contractors can falsify reported performance in order to receive unwarranted incentive payments and better their positions to compete for future awards. Our audits have found:

- falsified contractor-reported information regarding GEDs and high school diplomas earned;
- inaccurate reporting of vocational completions and job placements; and
- manipulation of data on student separations done in order to inflate the number of students enrolled at a given time so that additional payments are awarded.

In addition to payments for services contractors did not provide, manipulation of performance data can be used to avoid Federal oversight, as Job Corps regional offices sometimes use reported performance as a basis for deciding the amount and level of center supervision.

### **Safety and Health**

Job Corps is also challenged to assure the safety and health of students at a time when the influence of gangs, drugs, and violence are a concern for youth everywhere. The safety and health of students in Job Corps' care is crucial to their short-term well-being and long-term success. There is a statutory requirement that Job Corps enforce a "zero tolerance" policy with respect to violence and illegal substances. We believe that Job Corps needs to remain vigilant in the enforcement of this important policy.

### **Procurement**

Improper procurement of contract operators and service providers is a risk to both financial and program integrity. Recent OIG recommendations called for the Department to restructure its procurement function to achieve proper segregation of duties between procurement activities and program operations throughout the Department. While the FY 2006 departmental appropriation, which directed the transfer of the Job Corps program to the Office of the Secretary, specified that Job Corps would retain its own procurement authority as part of the transfer, such authority should be segregated from program operations to the greatest extent possible.

### **Student Attainment**

A significant percentage of Job Corps students are at high risk for cognitive disabilities, such as learning disabilities, attention deficit hyperactivity disorder, mental retardation, and traumatic brain injury. A recent OIG audit focused on whether Job Corps could do more to identify students with unknown or undisclosed cognitive disabilities. We believe that effective identification and accommodation of such disabilities would address significant barriers to employment and improve Job Corps student attainment.

Although the cost of implementing such a process program-wide might be significant, we believe those costs should be measured against the potential for reducing barriers to employment and improving outcomes for students with cognitive disabilities.

### The Permanent Foreign Labor Certification Program

For several years, this office has reported that a significant concern exists in the current practice of substituting alien beneficiaries on permanent labor certification applications and resulting certifications. In February 2006, ETA published a proposed rule change which would eliminate this practice. The proposed rule would also establish a 45-day period for employers to file approved permanent labor certifications in support of a petition with the Customs and Immigration Services agency of the Department of Homeland Security. The proposed rule also expressly prohibits the sale, barter, or purchase of permanent labor applications and certifications. In addition, the proposed rule restates current law regarding submission of fraudulent or false information, clarifies DOL procedures for handling possible fraud, and adds a procedure for debarment from the program.

We are encouraged by ETA's proposed rulemaking actions, but we remain concerned until the rule is finalized and we can assess the impact of its implementation. We also acknowledge that ETA has established fraud awareness measures within the permanent labor certification program and is exchanging information with the OIG regarding possible fraud affecting the program. While these are positive developments, the amount of fraud in this program remains an area of concern.

### Major Management Challenges at DOL

The Report Consolidation Act of 2000 (P.L. 106-531) requires the OIG to identify the most serious management challenges faced by the Labor Department. These challenges and the Department's response to them are published in the Department's annual report. The challenges identified by the OIG in DOL fiscal year 2005 annual report are:

- Improving the Integrity of the Procurement System
- Reducing Improper Payments
- Safeguarding Unemployment Insurance
- Maintaining the Integrity of Foreign Labor Certification Programs
- Improving Financial and Performance Accountability
- Improving Systems Planning and Development
- Ensuring Security of Employee Benefit Plan Assets
- Improving Management of Real Property Assets
- Pursuing Reauthorization of the Workforce Investment Act

The challenges in their entirety are on the OIG's Web site ([www.oig.dol.gov](http://www.oig.dol.gov)).

### Response to Hurricane Katrina

*On August 29, 2005, Hurricane Katrina hit the Louisiana, Mississippi, and Alabama coasts, resulting in a national disaster, the displacement of more than 1 million people, and the losses of thousands of jobs. In response, the Department of Labor has paid out more than \$1 billion in benefits to individuals or as grants awarded to states affected by the hurricane. The following are the areas of greatest concern to the DOL OIG:*

- **Unemployment Insurance (UI)**, which primarily provides income maintenance to persons who have lost their jobs through no fault of their own, as determined under state law.
- **Disaster Unemployment Assistance (DUA)**, which provides financial assistance to persons whose employment or self-employment has been lost or interrupted as a direct result of a major disaster and who are not eligible for UI.
- **National Emergency Grants (NEGs)**, which are awarded to states to temporarily employ and train dislocated workers. Such funds can be used to employ workers on projects that provide food, clothing, shelter, and other humanitarian assistance for disaster victims and to provide training and other services.

*Additionally, the Department of Homeland Security (DHS), through the Federal Emergency Management Agency (FEMA), provided special funding to DOL's Occupational Safety and Health Administration to operate a Safety and Health Annex to protect the responders.*

*The Federal response called for coordinated and effective oversight by the inspector general community. As part of a larger initiative led by the DHS OIG with respect to all Federal response activities, the DOL OIG launched a phased approach to provide audit and investigative oversight of DOL's Katrina activities. We also began participation in the Hurricane Katrina Fraud Task Force, created on September 8, 2005, by the Attorney General of the United States as part of the broad effort of the Federal government to deter, detect, and prosecute instances of fraud related to the Hurricane Katrina disaster.*

### Initial Response

We first assessed risks and identified vulnerabilities that might hinder the effective delivery of services and benefits to eligible individuals. Through early and frequent discussions with the Department's leadership, the OIG drew on its past experience with DOL programs to communicate, and provide advice on how to mitigate, potential risks, such as improper payments and

unsafe working conditions. We saw a significant vulnerability in the UI program in that evacuees who were receiving unemployment benefits from a state affected by the disaster could obtain employment in another state while continuing to receive unemployment benefits. We recommended that the Department work with Louisiana and the other affected states to obtain or accelerate access to the National Directory of New Hires (NDNH)—a national database originally created for child support enforcement purposes that collects information on people who have obtained employment—to identify UI and DUA claimants who went to work in other states.

One product of the early efforts was an OIG Risk Alert given to state auditors of all states and territories. The Risk Alert provided information on and identified vulnerabilities associated with DOL programs involved in the hurricane response. Moreover, the OIG worked with states to perform data mining and other techniques on UI and DUA data files to identify potentially fraudulent overpayments, and we initiated investigations as appropriate. At the same time, we initiated reviews of National Emergency Grant programs in Louisiana, Mississippi, Texas, and Alabama to identify and communicate to the Department issues that needed policy decisions, monitoring, or other action. Instead of the normal audit reporting process, in order to expedite the dissemination of our recommendations, we issued management letters that we post on our Web site to convey our preliminary results to the Employment and Training Administration (ETA). We considered the management letters to be an interim reporting mechanism, intended to be used with the understanding that more detailed, subsequent reviews may be performed.

### **Unemployment Insurance and Disaster Unemployment Assistance**

Workers who became unemployed for reasons attributed to Hurricane Katrina could be eligible for UI or DUA depending on their work history. UI benefits are paid to covered workers who become involuntarily unemployed for economic reasons and meet state-established eligibility rules. Upon the President's declaration of a major disaster, affected workers who would typically be ineligible for UI may be eligible for DUA. DUA provides financial assistance to persons whose employment or self-employment has been lost or interrupted as a direct result of a major disaster and who are not eligible for UI. An individual may not receive both UI and DUA benefits at the same time.

As a result of Hurricane Katrina, the states of Louisiana and Mississippi were overwhelmed UI and DUA claims. Louisiana saw the number of unemployment claims increase dramatically, to a peak of more than 300,000 claims in October 2005, over tenfold the volume of its prior year's claims. To administer claims for affected persons in a timely manner, Louisiana suspended certain statutes relative to UI through November 19, 2005, and delivered the majority of its claim payments via debit cards.

### Claims Review

Before the hurricane hit, only one of the four directly affected states, Texas, had initiated a pilot program to use the National Directory of New Hires (NDNH). The NDNH is a particularly useful source in identifying and reducing potential fraud and overpayments to claimants who continue to receive unemployment benefits after having secured, but not reported, new employment. Following Katrina, as the OIG had recommended, the Department and the State of Louisiana worked to expedite that state's access to the NDNH. In December 2005, Louisiana cross-checked the names of the state's recipients of UI and DUA benefits against the NDNH and identified approximately 23,000 people whose benefits could potentially have been discontinued upon securing new employment. We have received Louisiana's file of the NDNH matches, and, along with the State, are in the process of conducting further analysis to determine claimant eligibility. However, the risk of overpayments will continue until Louisiana makes a determination and takes appropriate action based on each claimant's continuing eligibility for benefits.

In one analysis of state-provided unemployment data, we identified 233 duplicate claims where the same Social Security number was used in Mississippi and Louisiana, resulting in potential overpayments of almost \$277,000 in DUA benefits. Based on our recommendation, ETA began assisting states in their case reviews to identify fraudulent claims and establish and collect the overpayments. Through this analysis and additional data mining, we identified more than 400 instances of potential fraud and compiled extensive documentation as a basis for deciding whether to open investigative cases. As of March 31, 2006, the OIG has opened 188 investigations of possible fraud.

In a separate instance, we analyzed potentially fraudulent claims related to an individual arrested by the Sacramento, California, Police Department who had in his possession eight Louisiana-issued debit cards, all with different names and Montana addresses. We calculated the original value issued on the debit cards to be in excess of \$15,000 and provided Louisiana the names and Social Security numbers of the potentially fraudulent claims. Based on our recommendation, ETA followed up with the State to ensure that those claims were stopped and overpayments established.

### National Emergency Grants Review

National Emergency Grants are discretionary awards authorized by the Workforce Investment Act (WIA) that are intended to temporarily expand service to dislocated workers at the state and local levels in response to needs arising from significant economic dislocations, including natural disasters, which cannot be met with formula allotments. To assist in the

hurricane recovery efforts, ETA awarded NEG funds totaling more than \$190 million to Alabama, Louisiana, Mississippi, and Texas.

As part of our oversight of the uses of NEG funds, we visited more than 20 temporary job worksites and interviewed more than 100 NEG participants. Those preliminary reviews of services provided under the NEG funds identified and alerted ETA to a number of issues, including the following:

- identifying allowable NEG services, especially as the need for direct “humanitarian assistance to evacuees” decreased;
- transitioning participants from NEG services to longer-term interventions (e.g., the WIA formula-funded programs);
- distributing NEG funding at the local level; and
- implementing controls to prevent DUA payments to NEG participants.

We recommended that ETA evaluate these issues to ensure that funds are properly spent and only eligible participants are served. ETA responded that a Katrina Team was organized by the Office of National Response to assist affected states in resolving questions and members of that team will also participate in monitoring the states’ activities. We consider our recommendations to be resolved.

### Planned Work and Next Steps

The OIG plans to conduct additional work in the area of DUA claims because of the potential monetary impact that fraudulent claims and overpayments have on Federal funds. Audit efforts that we plan to focus on include:

- Louisiana’s controls over debit card issuance, particularly cards that were never activated or were undelivered to the claimant;
- The monetary impact of Louisiana not redetermining DUA claimants’ eligibility for UI benefits for the quarters starting October 1, 2005, and January 1, 2006;
- The monetary impact of DUA benefits initially paid to claimants when they may have been eligible for UI; and
- DUA ineligibility for Mississippi, Louisiana, and Texas claimants.

### OIG Investigations

*In addition to our audit plans relating to Hurricane Katrina, the OIG anticipates a significant increase in investigative work. As of March 31, 2006, the OIG has opened 188 investigations. We are continuing to conduct analysis of thousands of possible fraud cases that could warrant formal investigation.*

### **Individuals Charged with Defrauding Federal Disaster Program**

Ten people have been charged, as of March 8, 2006, with conspiracy and theft of Federal public money for their scheme to obtain hurricane disaster relief benefits. The ringleader was also charged with aggravated identity theft and forfeiture allegations. The investigation found that she had allegedly made at least 22 fraudulent claims for hurricane disaster relief via the telephone and online with FEMA and the Louisiana Department of Labor (LDOL) by using 17 stolen identities. The identities included the names and Social Security numbers of other persons without their knowledge or consent. Using a mailing address that she controlled, the ringleader received approximately \$83,000 in fraudulently obtained Hurricane Katrina disaster benefits. There was no evidence to indicate that the defendants had ever lived or worked in the disaster area. This investigation is being worked jointly with the DHS OIG, the U.S. Postal Inspection Service (USPIS), LDOL, and the Texas Workforce Commission.

### **Hurricane Evacuee Charged in Disaster Relief Scam**

A Hurricane Katrina evacuee, who resides in Conroe, Texas, was charged with mail fraud and conspiracy for obtaining LDOL DUA debit cards in the names of other individuals. The defendant allegedly paid Conroe residents in cash or drugs to obtain their identification information, so he could file for DUA benefits in their names, listing a false prior place of employment in Louisiana. At the time of his arrest, the defendant had had more than \$70,000 worth of the debit cards mailed to him for personal use. This joint investigation is being conducted with the DHS OIG.

### **Non-Evacuee Accused of Submitting Multiple Disaster Relief Claims**

An individual was charged on January 19, 2006, with wire fraud and illegal use of Social Security numbers in a scheme to fraudulently obtain disaster relief benefits. The investigation found that the Georgia resident had allegedly filed 51 claims with slight variations on the same information to obtain DUA debit cards using the same post office box. He was able to obtain \$32,340 for 40 of the claims he submitted. This case is being jointly worked with the Social Security Administration (SSA) OIG and USPIS.

## Job Corps

*Job Corps was established by Congress in 1964 and 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. About 60,000 students participate annually in the program. The program is primarily carried out at residential facilities that provide intensive education, vocational training, youth development, counseling, job placement, and follow-up services. For fiscal year (FY) 2005, more than \$1.5 billion was appropriated for Job Corps. As part of a requirement contained in the FY 2006 Appropriations Act, Job Corps was transferred out of the ETA and into the Office of the Secretary of Labor.*

### Job Corps Cognitive Disabilities

We conducted an audit of Job Corps processes for assessing students for unknown or undisclosed cognitive disabilities that would affect the student's ability to complete the job-training program. Although Job Corps is not statutorily required to specifically assess all students for cognitive disabilities, doing so falls within the overall mission and purpose of the program so that accommodations can be made and special services provided to facilitate their success in the program.

We found that improving efforts to assess and account for students with unknown or undisclosed cognitive disabilities would help Job Corps achieve its overall mission but would increase costs. While we acknowledge that formally evaluating all Job Corps students could be cost prohibitive, we believe that only those students who are identified through an initial screening as possibly cognitively disabled should be referred for formal evaluation. Because national and regional studies suggest that certain characteristics are prevalent in both cognitively disabled youth and the Job Corps student population, effective identification and accommodation would address significant barriers to employment and improve the students' outcomes.

Further, certain Job Corps centers that operate high school diploma programs are required to assess students enrolled in the center schools for cognitive disabilities under specific circumstances defined in the Individuals with Disabilities Education Act Amendments of 1997 or section 504 of the Rehabilitation Act of 1973.

At the time we issued our audit, Job Corps remained part of the ETA. As such we recommended that ETA require that Job Corps strengthen the program's efforts to identify students with unknown or undisclosed cognitive disabilities. Specifically, among our recommendations were that Job Corps conduct a pilot program to develop an appropriate screening and formal evaluation methodology and assess the impact on performance and costs; implement national policies and procedures as needed to conduct initial screening of all students for cognitive disabilities; ensure center schools comply with statutory

requirements regarding special education for students with cognitive disabilities; and establish criteria for identifying and reporting cognitively disabled students.

ETA did not agree with our recommendations related to launching a pilot program to develop an initial screening and formal evaluation methodology. ETA stated that, pending the results of ongoing research on new models, Job Corps would continue to follow its current process for identifying cognitive disabilities, which ETA stated is comparable to the process used by public schools. ETA neither agreed nor disagreed with the remaining recommendations. Job Corps' actions in progress or planned, however, will meet the intent of the remaining recommendations, if implemented appropriately. ([Report 09-06-001-03-370, issued November 3, 2005](#))

## 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.*

### District of Columbia's WIA Program

At the request of a member of the District of Columbia Council, we conducted a performance audit of the District of Columbia's WIA program, which is administered by the District's Department of Employment Services, for program years 2001 and 2002, and additional periods as warranted to answer the audit objectives. Washington, D.C. received approximately \$30 million in WIA funding in 2001 and 2002.

Our audit disclosed that the Department of Employment Services' policy manual did not provide low-income participants who faced multiple barriers to employment with a choice of training providers. We also found that for 60% of our sampled participants, the Department of Employment Services did not maintain sufficient information in the case files to explain the cause of delays in enrolling them in training, and it did not terminate over half of the Adult and Dislocated Worker Program participants in our sample within 90 days of their last service received, contrary to WIA program requirements. Further, we determined that the Department of Employment Services did not comply with the District's procurement regulations in awarding Youth Opportunity subgrants. Finally, we found that the Department of Employment Services did not meet the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, because it did not obtain the required single audit reports for two subgrantees. Based on our findings, we recommended that ETA ensure that the Department of Employment Services:

- revises its policy manual to ensure it provides a choice of training providers to low-income participants facing multiple barriers to employment;
- directs case workers to sufficiently document all activity related to enrolling Adult and Dislocated Worker participants in approved training and document the reasons for any delay in starting training;
- automatically terminates participants who have not received any services for 90 days;
- develops and implements procedures to ensure subgrant awards are properly reviewed; and
- implements a process and tracking system to obtain required OMB A-133 single audit reports.

The Department of Employment Services responded that it has either planned or taken action to address three of the recommendations; it did not

respond to the remaining two recommendations. As the auditee provided no additional information for consideration, the report findings and recommendations remain unchanged. The recommendations will be resolved during DOL's formal audit resolution process. ([Report 03-06-002-03-390, issued March 31, 2006](#))

## Youth Offender Demonstration Grants

*The Youth Offender Demonstration Grants (YODP) program is a joint venture between ETA and the U.S. Department of Justice. Its goal is to provide insights into which strategies are most effective for preventing or intervening in juvenile crime and to provide transitional work experiences that will lead to long-term employment. The target group of participants for the demonstration projects consists of high-risk young people who generally are disconnected from the workforce development and education systems and are more likely to come into contact with either the juvenile or criminal justice systems. The YODP has been funded since 1998, operating in heavily impoverished communities, for the purpose of providing services to youth ages 12 to 24 who are offenders, gang involved, or at risk of becoming gang involved. The YODP's primary goals are to enhance youth functioning, decrease recidivism, and promote enduring workforce participation.*

### Yonkers Workforce Investment Board's Youth Offender Demonstration Program Grant

The OIG conducted a performance audit of a \$600,000 YODP grant awarded to the Yonkers, New York, Workforce Investment Board (WIB). The audit found that the Yonkers WIB—which had contracted with three community-based organizations (CBOs) to implement the grant—did not effectively monitor the CBOs to ensure that the targeted youth participants received services. We questioned approximately \$57,000 that the WIB paid to its largest CBO contractor because the contractor fully staffed the project for only four of 19 months and maintained no documentation that it provided services to targeted youth at any time. In addition, neither the WIB nor the CBO contractors documented the performance data that was reported to ETA.

The WIB responded that there may be reason to support administrative findings but did not believe there was evidence to support the questioned costs. The Yonkers WIB provided no information that addressed the questioned costs, findings, or recommendations. We recommended that ETA recover the questioned costs and ensure that the Yonkers WIB establishes an adequate management information system with policies and procedures to manage performance for other DOL grants. ([Report 02-06-205-03-390, issued February 27, 2006](#))

## Welfare-to-Work

*DOL provided Welfare-to-Work (WtW) grants to create job opportunities for the hardest-to-employ welfare recipients and other eligible persons. The grants funded job placement services, transitional employment, and other support services recipients need to make the successful progression into long-term unsubsidized employment. The program was authorized only for FYs 1998 and 1999, although the grants could be in operation for as long as five years.*

### National Puerto Rican Forum Welfare-to-Work Grant

The OIG conducted a performance audit of a \$4 million WtW grant awarded to the National Puerto Rican Forum (NPRF), a not-for-profit organization whose mission is to empower Latinos and other minorities to achieve socioeconomic parity through education and economic advancement. The grant required NPRF to provide transitional assistance to shift welfare recipients into unsubsidized employment providing good career potential for achieving economic self-sufficiency.

We questioned \$424,080 in grant costs, primarily because they were not allocable to the grant, lacked supporting documentation, or lacked grant officer approval for equipment purchases and leasehold improvements. We also found that NPRF did not maintain adequate placement information to support its program results. NPRF generally agreed with the recommendations but requested that the questioned costs be waived. Since no additional information was provided, the report findings remain unchanged. The recommendations will be resolved during DOL's formal audit resolution process. ([Report 02-06-201-03-386, issued March 31, 2006](#))

## Foreign Labor Certification

*The Department's foreign labor certification programs provide U.S. 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 the program is the responsibility of three Federal departments: Labor, Homeland Security, and State. Prior OIG audits have identified vulnerabilities, and our investigations continue to identify fraud against these programs.*

### Defendants Sentenced for Visa Fraud Scheme

Naran Ivanchukov, the owner of Global Recruitment and Immigration Services, Inc., was sentenced December 2, 2005, to 44 months in prison and three years' probation for his leading role in a large-scale immigration fraud ring. To date, 9 of 10 defendants have been convicted and sentenced for having participated in the scheme. The remaining defendant is a fugitive in China. The defendants submitted more than 1,400 fraudulent labor certifications for mostly Chinese nationals seeking entry into the United States. The fraudulent documents included forged signatures, false claims concerning the recruitment of U.S. workers, false claims of the immigrants' work history, and misrepresentations of existing jobs. Ivanchukov pled guilty in August 2005 to charges of conspiring to commit both immigration fraud and tax fraud.

He and his co-conspirators assisted aliens in obtaining green cards through the Permanent Foreign Labor Certification program. They profited by more than \$4.5 million by charging the aliens as much as \$120,000 to pursue their visa applications. In addition, his daughter, Michelle Pappadakis, Global's vice president, received a sentence of 18 months in prison and two years' probation for structuring Global's cash bank deposits to avoid Federal reporting requirements. Ivanchukov was ordered to pay a \$3.2 million judgment, which includes the forfeiture of his residence, various banking and brokerage accounts, and thousands of dollars in jewelry. Pappadakis was ordered to forfeit \$70,000.

In November 2005, Rex Wingerter, the attorney who submitted the applications to DOL for Global, received four months in prison and six months of home detention and was ordered to pay a \$70,000 fine and surrender his law license. Another defendant, George Tsui, who owned the U.S. Eagle immigration brokerage firm, was sentenced to 70 months in prison and ordered to forfeit \$500,000.

This is a joint investigation with Immigration Customs Enforcement (ICE), the FBI, the Department of State OIG, and the IRS. *U.S. v. Ivanchukov, et al.* (E.D. Virginia)

## Attorneys Plead Guilty in Visa Fraud Conspiracy

Immigration attorneys Irwin Fredman and Sergei Danilov and their firms pled guilty in December 2005 and March 2006, respectively, to charges related to visa fraud conspiracy. Both agreed to forfeit more than \$200,000 and to surrender their law licenses. Between April 2001 and May 2005, the two attorneys submitted in excess of 100 false labor certifications and H-1B visa applications to DOL, the Bureau of Citizenship and Immigration Services, and various state labor agencies. Fraudulent filings, which included more than 25 corporations in the District of Columbia, Maryland, and Virginia, involved the use of actual corporations with no positions available and the falsification of alien work experience. In one case, the company owner was unaware that applications were being filed on his behalf.

Fredman and Danilov charged their alien clients between \$6,000 and \$35,000 for the false filings. Besides recruiting aliens and company owners to take part in the false submissions, Danilov also was involved in several other complex fraudulent schemes. For example, Danilov had paid monies to companies to use their names in filing the applications for the aliens.

In addition, Danilov recruited District of Columbia employee John Sliva to fraudulently backdate numerous alien labor certifications and submit those applications to the U.S. DOL Philadelphia Regional Office. In return, Sliva was given cash, clothing, and NHL hockey tickets. On February 23, 2006, Sliva pled guilty to charges of conspiracy to commit immigration fraud for filing fraudulent applications. This was a joint investigation with ICE and the District of Columbia OIG. *U.S. v. Fredman, et al. U.S. v. Sliva* (D. Maryland)

## Senior Community Service Employment Program

*The Senior Community Service Employment Program is a part-time employment program for low-income persons age 55 or over, and is authorized in Title V of the Older Americans Act.*

### Director of a Senior Services Agency Charged in Embezzlement Scheme

On January 26, 2006, the executive director of the Wyoming County Council on Aging in Itmann, West Virginia, was charged with theft of Federal funds, money laundering, and the filing of false tax returns. This investigation found that from 1999 through 2004, the director allegedly embezzled more than \$425,000 of Title V grants, partially funded through the DOL Senior Community Service Employment Program. In addition, he allegedly established a simplified employee pension plan from which he consequently received tax-deferred contributions of nearly \$300,000 to which he was not entitled. This investigation is being worked jointly with the IRS, the FBI, and the Employee Benefits Security Administration.

## 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 persons who have lost their jobs through no fault of their own, as determined under state law. OIG investigations are currently identifying UI fraud schemes that are more complex, costly, and far reaching than in the past. They include schemes involving identity theft and nontraditional organized crime groups. In recent years, the program has suffered losses in the millions of dollars because of a variety of fraud schemes. In addition to our investigative work, OIG audits conducted during this period questioned costs claimed by two states. Highlighted below are selected accomplishments.*

### Uncorrected Errors Reported by States

As indicated in the Financial Management section of this report, during our audit of the Department's financial statements, we noted errors reported on states' monthly submissions of form ETA 2112, which provides a summary of transactions for the state unemployment fund. For example, we identified an aggregate \$900 million variance between the ending cash balance reported by the states and the amount recorded in DOLAR\$. We also found that ETA did not effectively review the monthly reports in order to detect and correct such errors on a timely basis; nor had ETA provided adequate instructions or training on reporting UI Trust Fund activity.

While the net misstatement was not material to the Department's FY 2005 financial statements, the lack of ETA monitoring and oversight of reports submitted by the states creates a risk that future errors in state reports that go undetected by ETA could be material, potentially affecting the opinion on the Department's financial statements. We recommended that additional instructions be provided to the UI reporting entities and that ETA implement procedures to review data reported on the ETA 2112. The Department concurred with those findings and indicated that various edit checks and reconciliation procedures will be implemented in FY 2006.

### Defendants Sentenced in Identity Theft Scheme

Rogaciano Herrera and his business partner, Ismael Lozano, were sentenced in October 2005 for their roles in an identity theft scheme involving the UI program. They were sentenced to 57 months' and 51 months' incarceration, respectively. Each received two years' probation, and they were ordered to pay a total of \$403,328 in restitution to the Texas Workforce Commission. Both men will be remanded to the custody of ICE following their incarcerations for possible deportation, since they are illegally in the United States. Herrera and Lozano pled guilty in August and May 2005, respectively,

to identity theft and mail fraud charges for using more than 200 stolen identities to defraud the UI program. They had stolen the Social Security numbers of applicants who had pursued employment at their fictitious janitorial services business. They then used legitimate employers' names and addresses to file 222 UI claims and obtain more than \$693,000 in UI benefits from February 2001 through February 2005. This was a joint investigation conducted with the USPIS, ICE, and the SSA OIG. *U.S. v. Herrera, U.S. v. Lozano* (N.D. Texas)

### Inside Job Yields Multiple Pleas in UI Fraud Scheme

Benjamin Hopkins, a claims examiner for the Illinois Department of Employment Security, pled guilty on February 17, 2006, to mail fraud charges for his participation in a scheme to process UI applications. He received the applications from four co-conspirators in exchange for cash and other in-kind benefits. From 1985 to 2005, Hopkins processed about 580 fraudulent UI claims that caused about \$1.9 million in UI benefit checks to be mailed to addresses controlled by the four co-conspirators and to numerous undocumented workers. A total of eight defendants have been charged with mail fraud. Another has been charged with aggravated identity theft for selling 46 names and Social Security numbers of her company's employees to a co-defendant for use in the scheme. Eight of the nine that were charged have pled guilty during this reporting period. This joint investigation was conducted with ICE, USPIS, the FBI, and the State of Illinois. *U.S. v. Hopkins, et al.* (N.D. Illinois)

## Office of Workers' Compensation Programs

*The Employment Standards Administration's (ESA's) Office of Workers' Compensation Programs (OWCP) administers four major disability compensation programs, which provide wage replacement benefits, medical treatment, vocational rehabilitation, and other benefits to certain workers or their dependents who experience work-related injury or occupational disease. Two such programs are the Federal Employees' Compensation Act (FECA) program and the Black Lung Benefits program. In the FECA program alone, nearly \$2.4 billion in medical and death benefits and wage loss compensation was paid from July 1, 2004, to June 30, 2005, 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–\$500,000 savings for the government.*

### FECA Symposium

Since 1993, government costs for FECA benefits have increased more than 30% to 2.4 billion in 2005. This has prompted Federal agencies and their OIGs to find ways to reduce costs, return people to work, and identify and prevent fraud in the program. On March 22, 2006, the Department of Labor OIG, along with the Department of Commerce OIG, hosted a symposium for the entire OIG community to address issues relating to the FECA program. The goal of the symposium was to engage the inspector general community in a more coordinated and collaborative approach to doing work related to the FECA program. The symposium was supported by ESA management, who gave a presentation and offered continuing assistance to OIGs throughout government to address FECA issues in their respective agencies. Some 150 OIG auditors, inspectors, evaluators, and investigators from across the government attended. As part of this symposium the OIG community is developing a comprehensive long-term plan to address this complex issue.

### Former Civilian Navy Employee Sentenced

Ina Cox, a former Charleston Naval Base employee, was sentenced on October 20, 2005, to five years' probation and ordered to pay \$341,000, after pleading guilty to charges of making false statements to obtain workers' compensation benefits. The investigation revealed that while Cox worked as property manager for several apartments owned with her husband, she failed to report the ownership and income to OWCP. Cox received FECA benefits for a work-related injury over a four-year period. *U.S. v. Cox* (D. South Carolina)

## Former FECA Recipient Sentenced

Danny Miller, a former Kentucky National Guard technician and the owner of Miller's Independent Safety, was sentenced on February 13, 2006, for his scheme to fraudulently obtain OWCP benefits by creating fictitious OWCP and OSHA documents using a counterfeit DOL seal. He was sentenced to 15 months in prison and ordered to pay \$107,693 in restitution. To enhance his business, Miller created and distributed fake OSHA press releases and other documents about the business's achievements in the occupational safety field. He also created false OWCP benefits statements to obtain a home loan. *U.S. v. Miller* (D. Kentucky)

## Medical Providers Sentenced for Defrauding Black Lung Benefits Program

On December 19, 2005, Carolyn Davis was sentenced to five years' incarceration and her husband, Otis Davis, to three years for their part in a scheme to defraud the Black Lung Benefits program and the Medicare program. They were also ordered to pay restitution of \$171,933. Both were convicted in August 2005 of charges of health care fraud, aiding and abetting, and the obstruction of a criminal investigation.

The investigation found that Carolyn Davis committed fraud through her control of the Kentucky Black Lung Association (KBLA), a nonprofit corporation that assists coal miners in receiving Federal benefits, and through their oxygen supply company, J & J Medical, Inc. KBLA referred miners to a physician who provided Davis with signed prescriptions for oxygen supplies without patient names. Davis then inserted fictitious information afterwards and billed Medicare and the Black Lung Benefits program. The Davises obstructed the investigation by creating false documents, removing documents from patient files, and attempting to influence witnesses. The case was worked jointly with the U.S. Department of Health and Human Services OIG. *U.S. v. Davis, et al.* (E.D. Kentucky)

## Weaknesses in ESA Benefit Program Accounting

As indicated in the Departmental Management section of this report, during our audit of the Department's financial statements, we noted a weakness in ESA's accounting for benefit programs. We found that because of significant employee turnover and insufficiently detailed or comprehensive written procedures to enable new staff to perform required activities, ESA did not:

- perform various accounting procedures in a timely, complete, or accurate manner;
- maintain its subsidiary system for tracking the balance of intragovernmental accounts receivable for the FECA program; or

- have a formal process to reconcile its various benefit payment subsidiary systems with amounts reported to Treasury and recorded in the DOLAR\$ general ledger.

Without timely and accurate entries, a current intragovernmental receivables tracking system, or timely reconciliations, ESA could not prepare accurate or complete financial information to be used by managers and other parties. We recommended that the Chief Financial Officer and ESA develop adequate, detailed written procedures that address all significant aspects of its accounting and financial management, and implement other procedures to ensure that benefit program transactions are complete, are recorded accurately and in a timely manner, and are reconciled between the general ledger and subsidiary records. ESA generally concurred and has begun taking steps to address our recommendations.

## Mine Safety and Health Administration

*The Mine Safety and Health Administration (MSHA) administers the provisions of the Federal Mine Safety and Health Act of 1977 and enforces compliance with mandatory safety and health standards as a means to eliminate fatal accidents, reduce the frequency and severity of nonfatal accidents, minimize health hazards, and promote improved safety and health conditions in the nation's mines.*

### Allegations of Unfair Enforcement in the Mine Safety and Health Administration's District I

We initiated an audit in response to a congressional request that we review allegations by several underground anthracite coal mine operators that they were treated unfairly by MSHA. Specifically, they alleged that enforcement activities directed by MSHA District 1 officials were excessive and unjustified and that mine operators who were publicly critical of MSHA were harassed through increased enforcement. The mine operators also asserted that some MSHA regulations should not apply to anthracite coal mining.

We found no indications or corroborating evidence to support the allegations of harassment and unwarranted enforcement of MSHA safety standards. However, we believe that MSHA has not fully addressed the possibility that current regulations do not adequately reflect operating methods and conditions unique to anthracite mining. We recommended that MSHA evaluate whether the existing petitions for the modification process efficiently address the applicability of existing regulations to varying mining techniques or whether any existing regulations require revision for anthracite mining methods. MSHA generally concurred with our recommendations and has planned or initiated corrective actions. ([Report 05-06-003-06-001, issued March 31, 2006](#))

## **Occupational Safety and Health Administration**

*The mission of the Occupational Safety and Health Administration (OSHA) is to ensure safe and healthful conditions for workers by authorizing the enforcement of the standards developed under the Occupational Safety and Health Act; to assist and encourage states in their efforts to ensure safe and healthful working conditions; and to provide for research, information, education, and training in the field of occupational safety and health. OSHA is responsible for the safety and health of workers in nearly every workplace in the United States.*

### **Contractor Pleads Guilty to Charges Brought After Worker's Death**

Glen Wagner and his company, Wagner Excavation Services, Inc. (WESI), pled guilty on October 12, 2005, to charges of willful violation of OSHA regulations causing the death of an employee. As part of the trenching work for a contract with North Franklin Township, Pennsylvania, to install a new storm water drainage system, WESI was required by OSHA regulations to use trench boxes to protect workers from cave-ins when the depth of the trench went below certain levels. Despite the warnings from OSHA of the safety violations, several cave-ins consequently occurred, resulting in near injuries and the death of a WESI employee.

According to the plea agreement, Wagner and WESI will pay a criminal fine totaling \$50,000 (\$25,000 from each party), and pay \$100,000 in civil penalties and fines levied by OSHA. As part of the plea agreement, WESI will participate in public service commitments designed to educate employers about excavation work and OSHA regulations. The investigation was conducted with OSHA. *U.S. v. Wagner* (W.D. Pennsylvania)

## Wage and Hour Division

*The Wage and Hour Division (WHD) within the Employment Standards Administration (ESA) is responsible for the administration and enforcement of a wide range of laws that collectively cover virtually all private, state, and local government employment. WHD activities include obtaining compliance with the minimum wage, overtime, child labor, and other employment standards.*

### Wal-Mart Settlement Agreement

We conducted an audit of WHD's process that led to a January 11, 2005, settlement agreement with Wal-Mart. The agreement stemmed from allegations that Wal-Mart violated child labor provisions of the Fair Labor Standards Act of 1938, as amended. Our audit was designed to determine:

- whether the process for negotiating, developing, and approving the Wal-Mart agreement and its contents complied with applicable Federal laws and regulations;
- whether procedures for negotiating, developing, and approving settlement agreements were adequate;
- whether development of the Wal-Mart agreement complied with established Department of Labor policies and procedures; and
- whether the content of the Wal-Mart agreement was comparable to agreements WHD entered into with other employers.

Although we did not find that the Wal-Mart agreement violated Federal laws or regulations, we found serious breakdowns in WHD's process for developing, negotiating, and approving settlement agreements. Those breakdowns resulted in the Department entering into an agreement that differed significantly from WHD's agreements with other employers, in that it gave significant concessions to Wal-Mart in exchange for little commitment from the employer beyond what it was already doing or required to do by law. Specifically, the agreement provisions included the following: a requirement that WHD notify Wal-Mart 15 days prior to any WHD audit or investigation; avoidance of formal citation and penalty assessment if Wal-Mart brings its facility into compliance within 10 days of a WHD formal notice of a violation; and a requirement that press releases be jointly developed by WHD and Wal-Mart. Further, we were concerned that the Department's Office of the Solicitor was not consulted during the negotiation process and was not involved in the development or review of the agreement; rather, significant portions of the agreement were written by Wal-Mart attorneys.

We recommended that ESA develop and implement written procedures for negotiating, developing, and approving agreements with employers and that it require all future agreements to be developed in coordination with the Solicitor. ESA agreed with our conclusion that the process WHD had employed in negotiating settlement agreements required greater control and

oversight. In June 2005, ESA issued a new policy surrounding its settlement negotiation process. Based on ESA's new policy, and our review of selected settlement agreements that ESA has entered into since June 27, 2005, we consider both recommendations to be closed. ([Report 04-06-001-04-420, issued October 31, 2005](#))

### **Restaurant Owners Plead Guilty to Smuggling Undocumented Workers to Work for Low Wages at Family Business**

Hin Khai Phu and his son, Alan Phu, the owners of three Houston restaurants, pled guilty on February 17, 2006, to conspiring to entice and smuggle undocumented workers into the United States to work below minimum wage. The investigation began with the filing of a child labor complaint in August 2001 with DOL's Wage and Hour Division. The complaint alleged that a minor had worked at two of the restaurants an average of 60 hours per week for four weeks and was paid only \$125. The salary amounted to less than 52 cents an hour, even though the minimum wage is \$5.15.

Between December 1998 and August 2001, the Phus staffed their restaurants with Mexicans whom they enticed to illegally enter the United States. These employees were paid approximately \$2.77 per hour for their labor, less a payment to reimburse the Phus for the smuggling fee. The aliens were harbored in a house and told that they could be arrested and deported if they tried to leave. This joint investigation was conducted with ICE and DOL's WHDD. *U.S. v. Phu* (S.D. Texas)

## DOL Financial Management

### Consolidated Financial Statement Audit

The OIG issued an unqualified opinion on DOL's consolidated financial statement for the ninth consecutive year. We found that DOL substantially complied with the standards of the Federal Financial Management Improvement Act (FFMIA). The Act's standards require agencies to implement and maintain systems that provide timely, accurate, and useful information upon which to base decisions and to ensure accountability on an ongoing basis.

#### Reportable Conditions

We noted four new areas involving internal controls that we consider to be reportable conditions, although we do not consider them to be material weaknesses. We also noted 10 outstanding reportable conditions from prior years that continue to require management's attention. The new reportable conditions, including any subsequent agency action, are discussed in the Worker Benefits Programs and Information Technology sections of this report.

#### New Reportable Conditions

- Weaknesses in ESA benefit program accounting
- Uncorrected errors reported on states' ETA 2112
- Incomplete capitalization of internal use software costs
- Inappropriate capitalization of software license fees

#### Outstanding Reportable Conditions

The outstanding reportable conditions from prior years include the following:

- Job Corps real property
- FECA medical bill processing
- FECA medical bill receivables
- Medical evidence to support FECA compensation payments
- Application controls over financial information
- Logical security controls
- Office of the Assistant Secretary for Administration and Management procurement files
- Grant accounting
- UI benefit overpayments
- Managerial cost accounting

## Information Technology

*The Department operates sensitive systems consisting of major applications, general support systems, and mission-critical systems. DOL relies on the critical information systems to monitor and analyze the nation's labor market and economic activities, manage workforce services, and protect and compensate American workers. The OIG assessed information technology general, application, and security controls for eight financially significant applications and environments across six departmental agencies and at a Department-wide level. We also tested and updated the audit findings and recommendations identified in previous years. In addition, the OIG issued a report to summarize all audit work performed related to and in support of the FY 2005 DOL financial statement audit.*

*The OIG found that the Department has made significant progress in implementing control recommendations from prior years. However, DOL continues to have significant deficiencies in the design and operation of controls in two areas identified as reportable conditions in prior years: lack of strong application controls over the access to and protection of financial information, and lack of strong logical access security controls to secure the Department's networks and information. Further, as a result of our current audits, we issued 95 new recommendations across the agencies and at the Department level and restated 76 prior-year recommendations during the current year across five agencies and at the Department level.*

### Application Controls over Financial Information

Regarding application controls over the access to and protection of financial data, we found continued weaknesses across DOL, including: identification and documentation of supporting environments; application password settings; user access to applications; lack of application segregation of duties policies or enforcement of those policies; user recertifications, including lack of user recertification or incomplete recertification documentation; and controls over outputs to other applications. These systemic weaknesses within application controls were found in three agencies and resulted in 32 findings and 57 related recommendations. The Office of the Chief Information Officer (OCIO) generally agreed with our recommendations and proposed action plans that address the control issues raised in our findings.

### Logical Access Security Controls over the Department's Networks and Information

Logical access security controls over the Department's networks and information continue to be a risk due to systemic weaknesses across the Department in the areas of background checks; network, operating system,

and database configuration; and lack of segregation of duties policies or enforcement of such policies. The systemic weaknesses within logical security controls were found across five agencies, as evidenced by 23 findings and 36 related recommendations. The OCIO generally agreed with our recommendations and proposed action plans that address the control issues raised in our findings.

### Office of the Solicitor FISMA Audit

We conducted an audit in the Office of the Solicitor (SOL) to determine full compliance with the Federal Information Security Management Act (FISMA). We identified four high-risk security control findings in the following control areas: authorization to process; mobile data security, identification, and authentication; and logical access controls. The control findings have the potential effect of increasing the risks of unnecessary system downtime and misuse and destruction/exposure of critical data. We made 10 recommendations related to the high-risk security control findings, and SOL generally concurred.

### Incomplete Capitalization of Internal Use Software Costs and Inappropriate Capitalization of Software License Fees

As indicated in the Financial Management section of this report, two reportable conditions involved accounting for software-related costs. Our audit identified more than \$53 million of internally developed software costs that were not appropriately capitalized in accordance with generally accepted accounting principles (GAAP) and DOL policy. Three of the agencies involved were unaware of the capitalization requirements, and we concluded that the Office of the Chief Financial Officer (OCFO) was not monitoring agencies in this regard. In response to our audit, the Department recorded appropriate adjustments to the year-end financial statements. The Department also agreed to monitor agency compliance and reissue the guidance for capitalizing costs of internally developed software.

Our audit also disclosed that DOL agencies inappropriately capitalized \$6.7 million in software licenses acquired in FY 2005 and \$2.4 million acquired in prior years. The costs of those licenses did not meet the criteria for capitalization established under GAAP; therefore, they should have been expensed in the year acquired. The Department's policy manual did not provide guidance or requirements as to how DOL agencies should account for software license fees, and the OCFO was not adequately monitoring agencies. The Department took action to expense approximately \$4.9 million of license fees in FY 2005 and will research the remaining amounts and make the appropriate adjustments in FY 2006. The Department also agreed to issue relevant guidance and monitor agency compliance over accounting for software license costs.

## Employee Integrity Investigations

### Former OSHA Manager Sentenced for Accepting Bribes

Mario Solano Jr., a former OSHA employee, was sentenced to two years in prison and two years' probation and ordered to forfeit nearly \$30,000 after pleading guilty on March 29, 2006, to charges of conspiracy to accept a bribe by a public official. His co-defendants, Elias Casillas and Jose Campos, received sentences of five years' probation and one year of probation, respectively, after pleading guilty to charges of conspiracy to pay a gratuity to a public official. Casillas was also ordered to pay a \$4,000 fine.

As the OSHA assistant area director of El Paso, Texas, Solano used his authority to force companies to get safety training from Campos. Casillas, another OSHA employee, served as a cash courier between Solano and Campos. Additionally, Campos and Casillas created Southwest Border Enterprises to funnel the proceeds. This was a joint investigation with the FBI. *U.S. v. Solano, et al.* (W.D. Texas)

### Former ETA Manager Pleads Guilty to Stealing Laptops

On November 3, 2005, Basit Chaudhary, a former supervisory program manager for ETA, pled guilty to a criminal information for his role in stealing laptops. The investigation revealed that Chaudhary sold some of the computers to private individuals. As part of the plea agreement, Chaudhary admitted that as purchasing agent for ETA, he stole laptop computers from ETA valued at approximately \$24,000. Chaudhary was terminated from Federal employment on March 19, 2004, and is awaiting sentencing. *U.S. v. Chaudhary* (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 groups, also known as the “mob” or the “Mafia.” According to the Department of Justice, however, there has been a rapid rise in transnational organized crime groups engaging in new criminal enterprises. There are now organized crime groups that include people from Asia, Russia, Eastern Europe, Nigeria, and West Africa.*

**Traditional Organized Crime** *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. 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. The schemes include embezzlement or more sophisticated devices, such as fraudulent loans or excessive fees paid to corrupt union and benefit plan service providers.*

**Nontraditional Organized Crime** *Our current investigations are documenting an evolution of labor racketeering and organized crime corruption. We are finding that nontraditional organized crime groups are engaging in racketeering and other crimes against workers in both union and nonunion environments. Moreover, they are exploiting the Department of Labor’s foreign labor certification and Unemployment Insurance programs.*

**Impact of Labor Racketeering** *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. The public also suffers when organized crime orchestrates illicit strikes and work slowdowns or resorts to violence to maintain its operation of labor rackets.*

*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.*

## Internal Union Investigations

*Our internal union cases often involve instances of corruption, such as union officers who abuse 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 to exercise influence in an industry for corrupt purposes or to operate traditional vice schemes, such as drug dealing and theft. Following are examples of our work in this area.*

### Union Officials Convicted of Taft-Hartley Violations

Walter Mabry, executive secretary-treasurer of the Michigan Regional Council of Carpenters (MRCC), and Anthony Michael, former president of MRCC, were convicted on February 27, 2006, of receiving prohibited payments. The payments were in violation of the Taft-Hartley Act in the form of discounts from a number of construction companies whose employees were represented by MRCC.

The investigation found that Mabry and Michael, using their union positions, conspired to solicit and obtain extraordinary discounts exceeding \$147,000 on building materials, labor, and related costs. Several local construction companies gave the discounts to reduce Mabry's costs of constructing a personal residence in Michigan. Eight defendants have been convicted and sentenced for their roles in this case. This was a joint investigation with the FBI and the Employee Benefits Security Administration (EBSA). *U.S. v. Mabry, et al.* (E.D. Michigan)

### Former Union Official Sentenced for Embezzlement

William Good Jr., former financial secretary-treasurer of the International Association of Machinists Local Lodge 821, was sentenced on January 23, 2006, to 18 months in jail and three years' probation and ordered to pay \$192,494 in restitution. He had pled guilty in October 2005 to charges of embezzling union funds. The investigation found that during a nearly six-year period that ended in August 2004, Good wrote fraudulent checks drawn on the union's bank account, forged the signatures of union officers, and deposited the unauthorized checks into his personal bank account. After he had begun the embezzlement in 1999, he convinced the union's executive board to send the union bank account statements and bills to his home. He then began falsifying union records to cover up the embezzlement. Good converted the union funds to pay his Internet gambling debts. This was a joint investigation with the Office of Labor Management Standards (OLMS). *U.S. v. Good* (C.D. California)

## Former Labor Officials Caught in Embezzlement Conspiracy

Martin Ludlow, a former Los Angeles city council member and leader of the Los Angeles County Federation of Labor (LACFL), pled guilty on March 28, 2006, to charges of conspiracy to embezzle union funds. His co-conspirator, a former president of the Service Employees International Union (SEIU) Local 99, was charged on March 3, 2006, with embezzling union funds.

The investigation revealed that between October 2002 and March 2003, they conspired to secretly divert more than \$30,000 of union resources to Ludlow's 2003 Los Angeles city council campaign. The investigation also disclosed that the Local 99 official used union funds for herself and family members to take trips without union authorization. She lost her leadership position in Local 99 when the SEIU International took over the union in 2004.

The investigation found that the Local 99 official conspired to hire phantom union employees who actually worked on the campaign to elect Ludlow to the Los Angeles city council. Ludlow won the election but later resigned his council post in 2005 to become the executive secretary-treasurer of LACFL. This was a joint investigation with the FBI, the Los Angeles City Ethics Committee, the Los Angeles District Attorney's Office, and OLMS. *U.S. v. Ludlow* (C.D. California)

## Benefit Plan Investigations

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

### Owner Sentenced to More Than Seven Years in Prison

Steven Whiting, the former owner of both Badger Die Casting Corporation and Western Rubber, Inc., was sentenced on February 17, 2006, to 90 months' incarceration and three years' probation and ordered to pay restitution of \$922,380. The investigation revealed that he had converted employee contributions to both the health and welfare plan and the 401(k) plan, which resulted in nearly \$1 million in unpaid medical claims. Whiting was charged with embezzlement from an employee benefit plan, health care embezzlement, and making false statements relating to health care matters. This was a joint investigation with the FBI and EBSA. *U.S. v. Whiting* (E.D. Wisconsin)

### Service Provider Sentenced to 15 Years in Prison

Mark Strange, the former president of Administrative Services of North America, Inc. (ASONA), was convicted at trial on November 10, 2005, of state charges of misapplication of more than \$200,000 of fiduciary property for embezzling funds from employee benefit plans. Strange was sentenced to 15 years in prison and ordered to pay \$837,000 in restitution to the primary victim, Association of Vineyard Churches.

ASONA was a third-party administrator of employee health and welfare benefit plans, including the Houston Police Patrolmen's Union Local 109 Medical Reimbursement Plan and Trust. In this capacity, ASONA maintained full discretionary control over plan assets, enabling Strange to divert participant premiums to his personal accounts and file false expenditure reports to pay for large unauthorized bonuses, luxury automobiles, country club memberships, and personal loans. This investigation was conducted jointly with EBSA. *State of Texas v. Strange*

### Company Officials Convicted in Employee Benefits Embezzlement Scheme

John Jackson Jr., the former president of Burruss Company, and Larry Carey, the vice president of finance, were convicted on March 9, 2006, of

multiple charges related to their embezzlement scheme that sent the company into bankruptcy in 2000. Both were found guilty of the charges, which included bank fraud, wire fraud, making false statements under ERISA, embezzlement from an employee benefit plan, and embezzlement from a health care plan.

Burruss was a wood products company, at which some employees were represented by the Southern Council of Industrial Workers, a Carpenters Union affiliate. Between August 1999 and October 2000, Jackson and Carey routinely inflated lumber inventory and falsely re-aged accounts receivable invoices in order to gain additional funds from Fleet Capital Corporation, which had provided Burruss with an operating line of credit. As a result, Fleet lost approximately \$17 million, the largest loss in the Southeast Region of the corporation. Jackson and Carey used an account at Wachovia Bank, unbeknownst to Fleet or Burruss accountants, to deposit tax refunds, equipment sales proceeds, and an insurance check from 1998 to 2000. They also paid themselves bonuses of \$744,000 from the account.

In addition, they embezzled in 1999 about \$325,000 from the Burruss Pension Plan by delaying their required contributions by nearly a year. The following year, Jackson and Carey deducted \$110,000 of health care contributions from employee wages and failed to remit those funds to the third-party health care plan administrator. The third-party administrator stopped paying the medical claims of Burruss employees and filed for bankruptcy with approximately \$374,000 in claims unsupported by payments from Jackson and Carey. More than 700 Burruss employees lost their jobs because of the pair's actions. The case was investigated with the FBI and EBSA. *U.S. v. Jackson, et al.* (W.D. Virginia)

### Painting Contractor Sentenced to More Than Four Years in Prison

John Phelps, an owner of Ash Painting, Inc., was sentenced on October 21, 2005, to 51 months' incarceration and five years' probation and ordered to pay \$292,750 in restitution. In October 2003, Phelps pled guilty to charges of wire fraud and theft from an employee pension plan. From 1998 through 2001, Phelps' company was engaged in four Federal contracts that were subject to the terms of the Davis-Bacon Act. As part of the fringe benefit package required by the act, the employees were to receive the ERISA-covered pension plan benefits. However, Phelps submitted false information to DOL, required under the Davis-Bacon Act, about work hours and pension plan contributions and failed to forward contributions to the plan. This investigation was worked with EBSA. *U.S. v. Phelps* (D. Hawaii)

## 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.*

### Former Union Stewards Sentenced for Violent Extortion Acts

Steven Markle and Andrew Tomascik, former union stewards for Laborers Local 91 in Niagara Falls, New York, were sentenced for their roles in a racketeering conspiracy involving several members and former officers of the union. Markle and Tomascik were sentenced to 57 months' imprisonment and 48 months' imprisonment, respectively. Both received two years' probation. Markle's sentence was imposed as a result of a January 2005 jury trial, where he and co-defendant Anthony Cerrone were convicted of Hobbs Act extortion. Markle, Tomascik, and others participated in an attack on union tile setters working at the construction of a supermarket in 1998. Besides the Markle and Tomascik convictions, seven Local 91 members have been convicted of racketeering conspiracy, two other defendants were convicted of attempted destruction of a truck owned by Alliant Food Service, and one was convicted on perjury charges. The six-year investigation was 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. Markle* (W.D. New York)

### Union Official Sentenced to Nearly Four Years in Prison for Extortion

Joseph DiFlumera, a former United Food and Commercial Workers Union (UFCW) official, was sentenced on December 16, 2005, to 46 months in prison and two years' probation and ordered to pay a \$600 fine. He is also prohibited from engaging in any gambling activity while on probation. DiFlumera had pled guilty in September 2005 to wire and mail fraud charges related to his extortion scheme. For 14 years, he coerced the Victory Supermarket chain to pay him more than \$1 million or face reprisal in the form of union organizing efforts. When DiFlumera retired in 1996, he also forced them to hire him as a consultant for amounts up to \$10,000 a month. When the extortion began in 1989, he was a special assistant to the international director of organization for UFCW. This investigation was conducted jointly with the FBI and the Boston, Massachusetts, Police Department. *U.S. v. DiFlumera* (D. Massachusetts)

## Four Individuals Charged in Wages and Benefits Conspiracy

On January 6, 2006, four construction company officials were charged with mail fraud, major fraud regarding contracts, and tax conspiracy in connection with the construction of the Pittsburgh Pirates professional baseball park, the Petersen Events Center, and the reconstruction of the Pentagon following the September 11, 2001, terrorist attack. The complex investigation revealed that the owner of CAPCO Contracting, Inc., two CAPCO employees, and an executive for AMEC Construction Management, Inc., allegedly conspired to commit fraud in connection with those projects through a fraudulent billing scheme.

From 1999 through 2001, CAPCO's owner and its finance manager allegedly falsified invoices and supporting documentation by overreporting regular and overtime hours for work allegedly performed by CAPCO employees, added names of persons who had not worked on the jobs, and reported that certain wages were paid as overtime when they were actually paid with business expense checks, in which no wage taxes or benefits were paid. These payments affected benefits provided under a collective bargaining agreement with the International Union of Painters and Allied Trades District Council 57, because it enabled CAPCO to allegedly submit false reports and lower payments for hours worked per employee.

As a project supervisor for the Pentagon job, the AMEC executive was responsible for reviewing invoices submitted by CAPCO for reimbursement, as well as reviewing the numerous contract change orders. Contrary to AMEC policy, the executive allowed CAPCO to pay approximately \$30,000 for remodeling and repair work on his personal residence. The Pentagon project ran from September 2001 through May 2002, and the loss to the government, the union, and others was in excess of \$1 million. The investigation is being conducted jointly with the USPIS, the IRS, the Defense Criminal Investigative Service, the Defense Contract Audit Agency, and the FBI.

## 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 (SSA) 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 FECA, the Department and the OIG need legislative authority to easily and expeditiously access state UI wage records, SSA wage records, and employment information from the National Directory of New Hires, which is maintained by the Department of Health and Human Services.

A provision in the State Unemployment Tax Authority (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 who continue to collect UI benefits. However, this law does not provide DOL or the OIG with access to the National Directory of New Hires. To make the New Hire data even more useful for this purpose, Congress should require that employers report a new hire's first day of earnings and provide a clear, consistent, nationwide definition for this date. 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 that auditors with poor records do not perform additional plan audits. Changes should include providing EBSA with greater enforcement authority over registration, suspension, and debarment and the ability to levy civil penalties against employee benefit plan auditors. The ability to correct substandard audits and take action against auditors is important because benefit plan audits

help protect participants and beneficiaries by ensuring the proper value of plan assets and computation of benefits.

- **Repeal ERISA's limited-scope audit exemption.** This 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 who are auditing pension plans from rendering an opinion on the plans' financial statements in accordance with professional auditing standards. These "no opinion" audits provide no substantive assurance of asset integrity to plan participants or to the Department.
- **Require direct reporting of ERISA violations to DOL.** Under current law, a pension plan auditor who finds a potential ERISA violation is responsible for reporting it to the plan administrator, but not directly to DOL. To ensure that improprieties are addressed, we recommend that plan administrators or auditors be required to report potential ERISA violations directly to DOL. This would ensure the timely reporting of violations and would more actively involve 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 United States 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 would further protect employee pension plans.

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

If DOL is to have a meaningful role in the H-1B specialty occupations foreign labor certification process, it must have the statutory authority to ensure the integrity of that process, including the ability to verify the accuracy of information provided on labor condition applications. Currently, 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.

- All foreign nationals should have an eligibility determination by the U.S. Citizenship and Immigration Services before the employer's labor certification application is reviewed by DOL.
- DOL should have latitude and authority to deny applications for any misrepresentations or suspected fraud.
- Applications should be alien-specific.
- Foreign labor certifications should have an expiration date.
- 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.
- **Strengthen incumbent worker guidance to states.** Currently no Federal criteria define how long an employer must be in business or employee must be employed to qualify as an incumbent worker; and no Federal definition of "eligible individual" exists for incumbent worker training. Consequently, a state could decide that any employer or employee can qualify for a WIA-funded incumbent worker program.

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

The OIG continues to support reforms to improve the integrity of the FECA 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 directly and routinely 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 .....	41
Section 5(a)(1)—Significant Problems, Abuses, and Deficiencies.....	All
Section 5(a)(2)—Recommendations with Respect to Significant Problems, Abuses, and Deficiencies .....	All
Section 5(a)(3)—Prior Significant Recommendations on Which Corrective Action Has Not Been Completed.....	51
Section 5(a)(4)—Matters Referred to Prosecutive Authorities.....	53
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 .....	48
Section 5(a)(7)—Summary of Significant Reports .....	All
Section 5(a)(8)—Statistical Tables on Management Decisions on Questioned Costs .....	47
Section 5(a)(9)—Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use .....	46
Section 5(a)(10)—Summary of Each Audit Report Over Six Months Old for Which No Management Decision Has Been Made.....	51
Section 5(a)(11)—Description and Explanation for Any Significant Revised Management Decision .....	None
Section 5(a)(12)—Information on Any Significant Management Decisions with Which the Inspector General Disagrees .....	None

**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	3	469.7
Issued during the reporting period	0	
Subtotal	<hr/> 3	<hr/> 469.7
For which management decision was made during the reporting period:		
• Dollar value of recommendations that were agreed to by management	2	433.0
• Dollar value of recommendations that were not agreed to by management	0	0.0
For which no management decision had been made as of the end of the reporting period	1	36.7

**Implemented by DOL**

	Number of Reports	Dollar Value (\$ millions)
For which final action had not been taken as of the commencement of the reporting period	4	5.7
For which management or appeal decisions were made during the reporting period	2	433.0
Subtotal	<hr/> 6	<hr/> 438.7
For which final action was taken during the reporting period:		
• Dollar value of recommendations that were actually completed		0.0
• Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		0.0
For which no final action had been taken by the end of the period	6	438.7

**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)	39	24.1
Issued during the reporting period	18	6.8
Subtotal	57	30.9
For which a management decision was made during the reporting period:		
• Dollar value of disallowed costs		12.1
• Dollar value of costs not disallowed		2.6
For which no management decision had been made as of the end of the reporting period	34	16.2
For which no management decision had been made within six months of issuance		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)*	75	21.5
For which management or appeal decisions were made during the reporting period	16	12.2
Subtotal	91	33.7
For which final action was taken during the reporting period:**		
• Dollar value of disallowed costs that were recovered		10.6
• Dollar value of disallowed costs that were written off by management		0.5
For which no final action had been taken by the end of the reporting period	81	22.6

\* 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.

\*\* Does not include \$15.3 million of disallowed costs that are under appeal.

<b>Program Name Name of Report</b>	<b>Date Issued</b>	<b>Report Number</b>	<b># of Nonmonetary Recommendations</b>	<b>Questioned Costs (\$)</b>
<b>Employment and Training Programs</b>				
<b>Disability Employment Program</b>				
Single Audit: Way Station, Inc.	02/08/06	21-06-519-01-080	6	93,251
<b>Veterans Employment and Training</b>				
Single Audit: Way Station, Inc.	02/08/06	21-06-520-02-201		95,296
<b>United States Employment Service</b>				
Single Audit: Lower Rio Grande Workforce Development Board DBA Workforce Solution	01/12/06	21-06-509-03-320	1	11,336
<b>Job Training Partnership Act</b>				
Single Audit: National Association of Workforce Boards	11/04/05	21-06-506-03-340	6	
<b>Indian and Native American Program</b>				
Single Audit: Denver Indian Center, Inc.	02/10/06	21-06-518-03-355	3	
Single Audit: San Carlos Apache Tribe	02/10/06	21-06-524-03-355	4	35,124
Single Audit: Denver Indian Center, Inc.	02/14/06	21-06-527-03-355	2	
<b>Older Workers Program</b>				
Single Audit: Northern Virginia Urban League, Inc.	01/11/06	21-06-512-03-360	6	
<b>Job Corps Program</b>				
Strengthening Efforts To Assess and Account for Students with Cognitive Disabilities Would Help Job Corps Achieve Its Mission	11/03/05	09-06-001-03-370	8	
<b>Welfare-to-Work Program</b>				
National Puerto Rican Forum Welfare-to-Work Program	03/31/06	02-06-201-03-386	2	424,080
<b>Workforce Investment Act</b>				
Metropolitan College of New York Earmark Grant	12/20/05	02-06-202-03-390		
Yonkers Workforce Investment Board's Youth Offender Demonstration Program Grant	02/27/06	02-06-205-03-390	1	56,938
District of Columbia WIA Program	03/31/06	03-06-002-03-390	5	
Alleged Violation of WIA Program and Federal Guidelines at One-Stop Center Operated by Affiliated Computer Services	12/13/05	05-06-002-03-390		
Single Audit: State of Utah	01/11/06	21-06-502-03-390	21	27,707
Single Audit: Twin Cities Community Development Corporation	11/17/05	21-06-503-03-390	19	
Single Audit: Sullivan County Board of Cooperatives Educational Services	11/04/05	21-06-505-03-390	1	183,508
Single Audit: Powhatan Renape Nation	01/11/06	21-06-511-03-390	2	62,270
Single Audit: National Puerto Rican Forum	01/12/06	21-06-513-03-390	6	
Single Audit: The Navajo Nation	02/14/06	21-06-517-03-390	2	196,232
Single Audit: State of New Hampshire	02/10/06	21-06-522-03-390	2	106,600
Single Audit: National Association of Workforce Boards	03/23/06	21-06-533-03-390	4	
<b>Goal Totals</b>		<b>22</b>	<b>101</b>	<b>1,292,342</b>
<b>Worker Benefit Programs</b>				
<b>Unemployment Insurance Program</b>				
Single Audit: State of Michigan	01/24/06	21-06-508-03-315	8	
<b>Wage and Hour</b>				
Agreement with Wal-Mart Indicates Need for Stronger Guidance and Procedures Regarding Settlement Agreements	10/31/05	04-06-001-04-420	2	
<b>Federal Employees' Compensation Act</b>				
Service Auditors' Report on the Integrated Federal Employees' Compensation System and Central Bill Process	10/14/05	22-06-002-04-431		
Special Report Relating to FECA Special Benefit Fund	10/21/05	22-06-006-04-431		
<b>Goal Totals</b>		<b>4</b>	<b>10</b>	
<b>Worker Safety, Health, and Workplace Rights</b>				
<b>Mine Safety and Health</b>				
Allegations of Unfair Enforcement – MSHA District One	03/31/06	05-06-003-06-001	1	

<b>Program Name Name of Report</b>	<b>Date Issued</b>	<b>Report Number</b>	<b># of Nonmonetary Recommendations</b>	<b>Questioned Costs (\$)</b>
Follow-Up of Prior Year Recommendations from the Audit of General and Security Controls for the MSHA Standardized Information System That Supports the FY 2005 Financial Statements	12/13/05	23-06-002-06-001		
<b>Occupational Safety and Health</b>				
Follow-up of Prior Year Recommendations from the Audit of General and Security Controls for OSHA's Integrated Management Information System That Supports the FY 2005 Financial Statements	11/25/05	23-06-008-10-001		
<b>Goal Totals</b>		<b>3</b>	<b>1</b>	
Departmental Management				
<b>ETA Management</b>				
Single Audit: Tacoma-Pierce County Employment And Training Consortium	12/23/05	21-06-501-03-001	1	33,258
Single Audit: State of Arizona	11/04/05	21-06-504-03-001	6	414,619
Single Audit: State of Florida	01/19/06	21-06-507-03-001	13	253,115
Single Audit: New Mexico Department of Labor	01/19/06	21-06-514-03-001	9	
Single Audit: Commonwealth of Pennsylvania	01/24/06	21-06-515-03-001	14	4,489,069
Single Audit: Government of the District of Columbia	02/03/06	21-06-521-03-001	7	
Single Audit: State of Louisiana	02/10/06	21-06-523-03-001	9	10,120
Audit of General, Application, and Security Controls for Selected ETA Information Technology Systems That Support the FY 2005 Financial Statements	01/23/06	23-06-005-03-001	15	
<b>ESA Management</b>				
Audit of General, Application and Security Controls for Selected ESA Information Technology Systems That Support the FY 2005 Financial Statements	01/23/06	23-06-003-04-001	43	
<b>OASAM Management</b>				
Audit of Information Technology General and Security Controls for the OASAM's E-Procurement System That Supports the FY 2005 Financial Statements	12/13/05	23-06-006-07-001	25	
Audit of the Office of the Chief Information Officer Department-Level Information Technology General and Security Controls Supporting the FY 2005 Financial Statements	01/23/06	23-06-007-07-001	1	
Department-wide Results from the Audits of General, Application, and Security Controls for Selected DOL Information Technology Systems That Support the FY 2005 Financial Statements	01/23/06	23-06-009-07-001	4	
<b>Office of the Solicitor Management</b>				
Federal Information Security Management Act Audit of the Litigation Support System	10/07/05	23-06-001-08-001	12	
<b>Office of the Chief Financial Officer</b>				
Findings and Recommendations Identified in an Audit Of the Report on Performance and Accountability for The Year Ending September 30, 2005	12/15/05	22-06-001-13-001	11	
Fiscal Year 2005 Independent Auditors Report	11/14/05	22-06-003-13-001		
Independent Auditors' Report on the Special-Purpose Financial Statements	11/18/05	22-06-004-13-001		
Independent Accountants' Report on Agreed-Upon Procedures for Federal Intragovernmental Activity and Balances	12/02/05	22-06-005-13-001		
Audit of General, Application, and Security Controls for Selected OCIO Information Technology Systems That Support the FY 2005 Financial Statements	01/23/06	23-06-004-13-001	12	
<b>Goal Totals</b>		<b>18</b>	<b>182</b>	<b>5,200,181</b>
<b>Report Totals</b>		<b>47</b>	<b>294</b>	<b>6,492,523</b>

<u>Program Name</u> Name of Report	<u>Date</u> Issued	<u>Report</u> Number	<u># of Nonmonetary</u> Recommendations	<u>Questioned</u> Costs (\$)
<b>Older Workers Program</b>				
Quality Control Review: Single Audit of Experience Works	03/23/06	21-06-534-03-360	0	
<b>Workforce Investment Act</b>				
Management Letter: Grant Implementation Issues – NEG Issued to Alabama Department of Economic and Community Affairs For Hurricane Katrina Relief	02/28/06	04-06-003-03-390	5	
Management Letter: Grant Implementation Issues – NEG Issued to Mississippi Department of Employment Security for Hurricane Katrina Relief	02/27/06	04-06-004-03-390	3	
Management Letter: Items to Consider for Effective Implementation of the NEG Awarded to the Texas Workforce Commission for Hurricane Katrina and Rita Relief	12/20/05	06-06-001-03-390	1	
Management Letter: Grant Implementation Issues – NEG Issued to Louisiana DOL for Hurricane Katrina Relief	12/20/05	06-06-003-03-390	1	
Quality Control Review: Single Audit of Worksource for Dallas County	03/16/06	21-06-532-03-390	0	
<b>Goal Totals</b>		<b>6</b>	<b>10</b>	
<b>Unemployment Insurance Program</b>				
Management Letter: Claimants with Unemployment Claims in Both Mississippi and Louisiana Related To Hurricane Katrina	12/20/05	06-06-004-03-315	1	
Management Letter: One Individual in Possession of Multiple Hurricane Disaster Unemployment Assistance Claims in Louisiana	03/03/06	06-06-005-03-315	0	15,092
Follow-up on Claimants with Unemployment Claims In Both Mississippi and Louisiana Related to Hurricane Katrina	03/20/06	06-06-008-03-315	0	276,986
<b>Goal Totals</b>		<b>3</b>	<b>1</b>	<b>292,078</b>
<b>OASAM Management</b>				
FY 2005 FISMA Executive Summary	10/07/05	23-06-010-07-001	0	
<b>Goal Totals</b>		<b>1</b>	<b>0</b>	
<b>Total – Other Reports Issued</b>		<b>10</b>	<b>11</b>	<b>292,078</b>

Agency/ Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs (\$)
<b>Nonmonetary Recommendations and Questioned Costs</b>					
<b>Being Resolved in Conjunction with DOL-Consolidated Financial Statement Audit</b>					
CFO/Admin	02/27/98	FY 1997 Consolidated Financials	12-98-002-13-001	1	
CFO/Admin	03/31/04	Performance and Accountability Audit, CFO Findings and Recommendations	22-04-002-13-001	1	
<b>Being Resolved in Conjunction with Longshore and Harbor Workers' Financial Statement Audit</b>					
ESA/DLHWC	09/30/05	Longshore and Harbor Workers' Financial Statements	22-05-010-04-432	1	
<b>Final Management Decision Issued by Agency Did Not Resolve; OIG Negotiating with Program Agency</b>					
ETA/JTPA	09/25/98	Cherokee Nation	06-98-009-03-340	1	
ETA/OJC	09/22/99	Talking Leaves Job Corps Center	06-99-010-03-370	2	
ETA/UIS	09/13/02	State of Maryland Workforce Agency UI Tax and Benefit Information System	23-02-008-03-315	14	
ETA/UIS	09/13/02	UI Tax and Benefit Information System Security – ETA	23-02-009-03-315	9	
DOL/Multi	08/06/02	Single Audit: State of Florida	22-02-512-50-598	1	38,799
VETS/Admin	09/22/03	GISRA Audit: Veterans' Employment and Training Service	23-03-012-02-001	8	
ETA/UIS	03/11/03	Michigan UI Tax and Benefit Information System Security	23-03-003-03-315	53	
ETA/UIS	02/27/03	California UI Tax and Benefit Information System Security	23-03-005-03-315	1	
ETA/WIA	09/30/03	Audit of Dislocated Workers Program	02-03-204-03-390	4	
OSHA/Admin	09/30/03	Evaluation of OSHA's Handling of Immigrant Fatalities in the Workplace	21-03-023-10-001	1	
VETS/Admin	12-04/03	Rehabilitation Services and Veterans Programs, Albuquerque, NM	06-04-001-02-001	2	1,593,700
VETS/Admin	04/30/04	Single Audit: U.S. Veterans Initiatives	22-04-508-02-201	1	
ETA/SESA	09/30/04	Despite Assurances to the Contrary DOL Has Not Maintained Accountability Over Equity in Real Property	06-04-002-03-325	8	
ETA/SESA	09/30/04	State Workforce Agencies' WIA Grant Programs Are Accruing Federal Equity in Real Properties	06-04-003-03-325	1	
ETA/UIS	09/30/04	New Hires Detection is a Better Method for Establishing UI Overpayments than the Wage UI/Benefit Crossmatch	05-04-002-03-315	1	
ETA/Admin	09/30/04	Audit of General Application and Security Controls for Selected ETA IT Systems	23-04-023-03-001	1	
OASAM/DIRM	03/31/05	Award and Management of Contracts for Encryption Software Were Significantly Flawed	05-05-005-07-720	1	
OSEC/ILAB	09/26/05	Single Audit: Vital Voices Global Partner	21-05-550-01-070	11	
VETS/Admin	09/26/05	Single Audit: Veterans Benefits Clearinghouse	21-05-530-02-001	5	
ETA/Admin	09/14/05	Single Audit: The Navajo Nation	21-05-546-03-001	16	68,962
ETA/UIS	09/28/05	FISMA Audit – State of Texas UI and Tax Benefit System	23-05-019-03-315	27	
ETA/WTW	09/26/05	Seminole Nation of Oklahoma	21-05-553-03-386	3	10,434
ETA/WIA	02/08/05	Single Audit: Government of Guam	21-05-506-03-390	8	289,027
ETA/WIA	09/14/05	Single Audit: Seminole Nation of Oklahoma	21-05-555-03-390	6	
ETA/WIA	09/28/05	Single Audit: Oglala Sioux	21-05-560-03-390	8	62,851
MSHA/Admin	10/29/04	MSHA Procurements Showed A Pattern of Disregard for Federal and DOL Acquisition Rules and Requirements	25-05-001-06-001	1	
<b>Pending Workforce Investment Act Reauthorization</b>					
ETA/WIA	09/30/03	Evaluation of WIA Youth Program	06-03-006-03-390	1	
<b>Final Management Decision Not Yet Issued—Agency Awaiting Response from Internal Revenue Service</b>					
EBSA	03/29/02	Improved Oversight of Cash Balance Plan Lump Sum Distributions Is Needed	09-02-001-12-121	2	
<b>Final Management Decision Not Yet Issued by Agency</b>					
OSEC/ILAB	09/08/05	Jesus Cares Ministries	03-05-001-01-070	2	157,710
VETS/Admin	03/24/05	Single Audit: State of Florida	21-05-523-02-001	2	245,226
ETA/Admin	09/23/05	Single Audit: State of Arizona	21-05-532-03-001	9	3,636,953
ETA/Admin	09/28/05	Single Audit: State of Illinois	21-05-551-03-001	13	211,996
ETA/UIS	09/29/05	Single Audit: Government of the US Virgin Islands	21-05-561-03-315	13	
ETA/WTW	07/07/05	Complaint Involving Goodwill Industries	04-05-001-03-386	3	45,097
ETA/WTW	09/30/05	Performance Audit – City of Savannah	04-05-004-03-386	4	2,856,430
ETA/WIA	09/27/05	Single Audit: Government of Guam	21-05-503-03-390	6	185,584

Agency/ Program	Date Issued	Name of Audit	Report Number	Number of Recommendations	Questioned Costs (\$)
ETA/WIA	02/08/05	Single Audit: State of Illinois	22-05-536-03-390	5	
ETA/WIA	09/26/05	Single Audit: Powhatan Renape Nation	21-05-556-03-390	10	1,000
<b>Total Nonmonetary Recommendations, Questioned Costs</b>				<b>267</b>	<b>9,403,769</b>
<b>Cost Efficiencies</b>					
ETA/OTAA	09/30/05	HCTC Performance Audit	02-05-204-03-330	<b>20</b>	<b>36,711,035</b>
<b>Total Cost Efficiencies</b>					
<b>Total Audit Exceptions and Cost Efficiencies</b>				<b>287</b>	<b>46,114,804</b>

	<b>Division Totals</b>	<b>Totals</b>
<b>Cases Opened:</b>		
Program Fraud	348	
Labor Racketeering	70	418
<b>Cases Closed:</b>		
Program Fraud	138	
Labor Racketeering	53	191
<b>Cases Referred for Prosecution:</b>		
Program Fraud	73	
Labor Racketeering	60	133
<b>Cases Referred for Administrative/Civil Action:</b>		
Program Fraud	66	
Labor Racketeering	11	77
<b>Indictments:</b>		
Program Fraud	110	
Labor Racketeering	117	227
<b>Convictions:</b>		
Program Fraud	107	
Labor Racketeering	126	233
<b>Debarments:</b>		
Program Fraud	9	
Labor Racketeering	10	19
<b>Recoveries, Cost Efficiencies, Restitutions, Fines/ Penalties, Forfeitures, and Civil Monetary Actions:</b>		
Program Fraud	\$13,297,385	
Labor Racketeering	\$30,001,611	\$43,298,996

<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)	\$3,053,401
<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)	\$7,923,870
<b>Restitutions:</b> (The dollar amount/value of restitutions resulting from OIG criminal investigations)	\$30,798,080
<b>Fines/Penalties:</b> (The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations)	\$1,153,645
<b>Civil Monetary Actions:</b> (The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, or other penalties resulting from OIG civil investigations)	\$370,000
<b>Total</b>	<u>\$43,298,996</u>

	Convicted	Sentenced	Monetary
<b>Foreign Labor Certification</b>			
Aguirre-Luna, Edgar	X	X	
Bajwa, Mohammad		X	
Balsirov, Bemba		X	\$45,100
Barabash, Peter	X		
Botes, Petrus	X	X	\$30,600
Brown, Kimberly	X		
Castillo, Heracio	X	X	
Coetzee, Joyce	X	X	\$30,500
Cohen, Kenneth	X		
Cohen, Ping	X		
Danilov, Sergei	X		
Dupreez, Franciska	X		
Dupreez, Johannes	X		
Estep, Jeffrey	X		
Fredman, Irwin	X		
Fur, Stanley	X		
Galicia-Lopez, Jesus		X	\$100
Garcia, Carlos	X		
Garcia, Judy	X	X	
Garcia, Luis	X		
Garcia, Weclain	X	X	
Hakani, Ameen	X	X	\$1,500
Hernandez, Carlos	X	X	
I.J. Fredman Law Offices	X		
Isaula-Mesa, Elsa	X		
Ivanchukov, Naran		X	\$3,200,200
Javid, Abdul		X	\$130,100
Jimenez, Cruz	X	X	
Jirnov, Aleksey	X		
Lam, Hai	X	X	\$100
Longoria, Juan	X	X	
Lopez, Lino	X	X	
Martinez, Armando	X	X	
Mbengue, Knady		X	
Merchant, Arif	X	X	\$1,500
Morales, Juan	X	X	
New Superstar Corporation		X	\$20,400
Ni, Eddie	X	X	\$87,179
Okhatina, Alena	X		
Ortiz, Rosalba	X		
P.J. Services, LLC	X	X	\$150,000
Pappadakis, Michelle		X	\$70,100
Quraishi, Mohammed A. Q.	X		
Quraishi, Mohammed A. A.	X		
Quraishi, Mohammed A. R.	X		
Rich, Eli		X	
Rivas, Roland	X	X	
Rosales Martinez, Xochil	X		
Rosales Rosales, Jose	X		

	Convicted	Sentenced	Monetary
Sanchez, Fidel	X	X	
Sanchez, Humberto	X	X	
Sanchez, Jose	X	X	
Sanchez-Santiago, Evodio	X	X	
Santiago, Jose	X	X	
Sergei Danilov and Associates	X		
Shvartsberg, Alex	X		
Sigmon, Ujawala		X	\$1,100
Silva, Luis	X	X	
Simon, Junior	X	X	
Sliva, John	X		
Stein, Robert	X		
Tsui, George		X	\$500,100
Wingerter, Rex		X	\$70,100
Worthy, Anthony	X	X	
	52	38	\$4,338,679
<b>Employee Misconduct</b>			
Alston, Wanda	X	X	\$5,646
Budd, Brett	X	X	\$500
Campos, Jose	X	X	\$100
Casillas, Elias	X	X	\$4,100
Chaudhary, Basit	X		
DeFarias, Nilton	X	X	\$100
Solano, Mario Jr.	X	X	\$29,968
Zahrai, Farinaz	X		
	7	6	\$40,414
<b>ESA: Black Lung</b>			
Arrington, Carolyn	X		
Carroll, Herbert		X	\$13,434
Curren, Connie	X		
Davis, Otis		X	
Davis, Carolyn		X	\$171,933
Elswick, Charlotte	X	X	\$6,366
"Pre-trial Diversion"	X	X	\$8,709
Helmick, Pamela		X	\$64,004
Hisle, James		X	\$14,032
Hisle, Susan		X	\$14,032
Lester, Lona	X	X	\$15,190
Lucas, Elizabeth	X		
Moore, Raymond	X	X	\$6,366
Pettus, Paul	X	X	\$7,916
Robinson, Elizabeth	X	X	\$24,665
Rollins, Patricia		X	\$13,380
Scott, Trena		X	\$2,638
Tidwell, Jimmy	X	X	\$10,387
Work, Elizabeth		X	\$96,819
	10	16	\$469,871
<b>ESA: FECA</b>			
Barker, Robert		X	\$21,198
Butler, Fannie	X	X	\$5,521

	Convicted	Sentenced	Monetary
Cox, Ina		X	\$341,000
Crawford, Marc		X	\$15,100
Currier, Richard	X	X	\$4,097
Dixon, Danny		X	\$24,976
Franklin, Harold, Jr.	X		
Gaudin, Ronnie		X	
"Pre-Trial Diversion"	X	X	\$1,000
Jerrett, Ronald	X	X	\$164,985
Knox, Cecil, M.D.		X	\$5,310
Mangrum, Cecil	X	X	\$49,101
Miller, Danny		X	\$107,693
Morgan, Marvin	X		
Mulero, Jesus	X		
Neugebauer, William	X		
Olson, Sharon	X	X	\$27,158
Rose, James III		X	\$60,382
Santi, Patricia	X	X	\$8,910
Shipley, Richard	X		
Smith, Clayton		X	\$78,412
Stephenson, Linda	X		
Washington, Anthony	X	X	\$3,169
	14	17	\$918,012
<b>ESA: Davis-Bacon</b>			
Booker, Valon		X	\$3,100
Carothers, Albert		X	\$100
Cirincione, Andrew	X	X	\$195,270
County Pneumatic Controls, Inc.	X	X	\$160
Davison, Lawrence		X	\$100
Phelps, John		X	\$292,750
	2	6	\$491,480
<b>ESA: Wage and Hour</b>			
Phu, Alan	X		
Phu, Hin	X		
Turner, David	X		
Williams, Eddie	X		
	4	0	\$0
<b>ETA: Unemployment Insurance/SWA</b>			
Asencio, Roberto	X	X	\$13,443
Bowers, Brenda	X		
Cadenas Gayton, Santa	X	X	\$75,026
Cardenas-Hernandez, Agustin		X	\$223,372
Castillo, Carmelo	X		
Clem, Jonathan		X	\$6,522
Garrett, Denise	X	X	\$8,000
Gee, Michael Jr.	X	X	\$3,258
Gonzalez, Amparo	X		
Grissett, James	X	X	\$5,491
Herrera, Rogaciano		X	\$201,864
Hopkins, Benjamin	X		
Huntspon, Jantae	X	X	\$8,316

	Convicted	Sentenced	Monetary
Jackson, Antwane		X	\$3,460
Jenkins, Michael	X		
Lozano, Ismael		X	\$201,864
"Pre-Trial Diversion"	X	X	\$922
Moore, Sherry	X	X	\$4,846
Muniz, Erendida	X		
Nichols, Shalanda	X		
"Pre-Trial Diversion"	X	X	\$922
Quintana-Cadenas, Camerino	X	X	\$95,026
Rodriguez, Delores	X		
Rodriguez, Jose	X		
Sanchez, Ramon	X		
Sanders, Calvin Jr.	X	X	\$8,216
Smith, Terry	X		
Smith-McGee, Malinda	X		
"Pre-Trial Diversion"	X	X	\$922
	24	17	\$861,470
<b>ETA: WIA</b>			
Enahoro, Chidi	X		
Garza, Mario	X		
	2	0	\$0
<b>OSHA</b>			
Wagner, Glen	X		
Wagner Excavation Services	X		
	2	0	\$0
<b>Benefit Plan</b>			
Alessandrini, Michael	X		
Assenzio, Joseph	X		
Barbera, Jude, M.D.		X	\$58,800
Boelens, Martin		X	\$14,027,508
Caldera, Leo	X		
Carey, Larry	X		
Ciccarelli, Phillip	X		
Cooper, Ricky	X	X	\$446,152
Deitering Landscaping, Inc.	X		
DeStefano, Louis	X		
Dillenbeck, John	X		
DiMartino, Robert	X		
Driscoll, William	X		
Filippelli, Louis	X		
Fornino, Joseph	X		
Gildea, Mary		X	\$2,441,791
Gomez, Carlos		X	\$2,441,191
Hawthorne, Geoffrey	X		
Hernandez, Joseph	X		
Hewitt, Albert		X	\$17,700
Humphrey, Charles	X		
Jackson, John Jr.	X		
Jay, Mark	X		
Jay, Michael	X		

	Convicted	Sentenced	Monetary
Johnson, Fernandos	X		
Joseph, Jerome	X		
Kelly, Bryan	X		
Kelly, Thomas	X		
Kenney, Michael		X	\$2,000
Lafata, Alfred Jr.	X	X	\$1,200
Larosa, Vincent	X		
Lasorsa, Nicholas	X		
"Sealed"	X		
"Sealed"	X		
Longworth, James		X	\$31,195
Lyles, Angelina	X		
Maguire, Patrick		X	\$7,000
McAndrews, William	X		
McCormack, Carol	X	X	\$91,754
McRory, John	X		
Megale, Anthony	X		
Miller, Edward, Jr.		X	\$10,100
Minuto, Leonard Jr.	X		
Oliveri, Paul	X		
Robinson, Edward	X		
Rutledge, Aaron	X	X	
Rutledge, Anthony	X	X	\$100
Sanseverino, Robert	X	X	
Sedia, Anthony	X		
Seipman, Paul	X		
Sessa, Luigi	X		
Shapiro, George, M.D.	X		
Sims, Judith	X		
Sisca, Alfonse	X		
Sobel, Beth	X		
Sobel, Ira		X	\$2,000
Spencer, Gordon	X		
Star Beach Boys, Inc.	X	X	\$40,400
Stone, James	X		
Strange, Mark	X	X	\$837,372
Sucarrato, Christopher	X		
Takats, Stephen	X	X	
"Sealed"	X		
Vaccaro, Robert Jr.	X		
Vaccaro, Robert Sr.	X		
Whiting, Steven		X	\$922,380
Will Work, Inc.	X		
"Pre-Trial Diversion"	X	X	\$2,225
	57	21	\$21,380,868
<b>Internal Union</b>			
Bruno, Joseph	X		
Bruschi, Ludwig	X		
Carcelli, Ronald Sr.	X	X	\$6,000
Cernadas, Albert		X	\$100

	Convicted	Sentenced	Monetary
Conigliaro, Alex	X		
Daly, Patrick	X		
Dentico, Lawrence	X		
Dewitt, Deborah		X	\$38,941
Dixon, Donald	X	X	\$106,152
Dolan, Terrence	X	X	\$21,100
Eddings, Lester	X		
Fallacara, Russell	X		
Good, William Jr.	X	X	\$192,494
Henderson, April	X	X	\$6,850
Lee, Chicherin	X		
Longbon-Hall, Patricia	X	X	\$10,158
Louis, Evon	X		
Ludlow, Martin	X		
Mabry, Walter	X		
Michael, Anthony	X		
Napolitano, Joseph	X		
Pastore, Steven	X		
Pellicciotti, Daniel	X		
Philly-Wide Interiors, Inc.	X		
Portes, Manuel	X	X	\$960,100
Psalms, Harold	X		
Richardson, Gregory	X		
Rocha, Joseph	X	X	\$200
Stevenson, Fredrick	X		
Washington, David	X		
Yeswita, John	X		
	29	10	\$1,342,095
<b>Labor Management</b>			
Acosta, Michael	X		
Adams, Dennis		X	
Aderman, Randy	X		
Affetto, Anthony	X		
Alogna, Ignazio		X	
Alvarez, Salvador		X	\$30,100
Baiona, Philip	X		
Barletta, Michael	X	X	\$21,300
Bertucci, Bruno	X		
Briatta, John	X		
Cannatello, Frank	X		
Cannatello, John		X	\$114,100
Coveliers, Debra		X	\$4,100
DJH Mechanical Associates, Ltd.		X	\$100,000
Dazle, Samuel		X	\$38,894
DiFlumera, Joseph		X	\$600
DiNino, Robert		X	\$5,100
Don Adams Roofing	X	X	\$1,000
Ferdinando, Joseph	X		
Franklin, Martha	X		
Franklin, William	X		

	Convicted	Sentenced	Monetary
Gonzalez, Joseph		X	\$100
Jones, Michael	X		
Laino, Robert		X	\$47,850
Laski, James	X		
Lee, Jae		X	\$242,000
Lee, Su		X	\$175,000
Lynch, Rosemary	X	X	
Malangone, Frank	X		
Mangiamele, Robert	X	X	\$7,600
Markle, Steven		X	\$20,000
Martin, Stephen, Sr.	X		
Mascia, John Jr.		X	
Mascia, Joseph		X	\$1,500
McKeown, Patrick		X	\$100
Megale, Anthony	X		
Melia, Nichola		X	\$50,000
Mingoia, Carmine	X		
Moscatiello, Louis Jr.		X	\$30,000
Nguyen, Hung	X	X	\$303,685
O'Connor, James	X		
Peters, Commelie		X	\$100
Ricciardo, Vincent		X	\$100
Riccitelli, Victor	X	X	\$7,500
Ruggiero, Joseph	X		
Ruttura, Peter		X	\$10,000
Simpson, Edward		X	\$10,100
Son, Ricky		X	\$576,100
Sparatorico, Salvatore		X	\$1,353
Stillo, Patrick		X	\$45,100
Taylor, Martin	X		
Tomascik, Andrew		X	\$20,000
Tsiropoulos, Athanasios		X	\$8,000
	25	34	\$1,871,382
<b>Other Labor Racketeering</b>			
Belov, Victor	X	X	\$200
Dzikanyan, Andranik		X	\$42,020
Dzikanyan, Maria		X	\$42,020
Makey, Aleksey		X	\$42,020
Makey, Svetlana		X	\$42,020
	1	5	\$168,280

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 1,595 contacts. Of these, 1,500 were referred for further review.

**Allegation Reports by Source:**

Calls, Correspondence, and Walk-ins from Individuals or Organizations .....	1564
Correspondence from Congress .....	4
Correspondence from DOL Agencies .....	4
Letters from Non-DOL Government Agencies .....	16
Incident Reports from DOL Agencies .....	5
Reports by OIG Components.....	2
<b>Total .....</b>	<b>1595</b>

**Allegation Reports by Referral:**

Referred to OIG Components .....	78
Referred to DOL Program Management.....	567
Referred to Other Agencies .....	855
<b>Total .....</b>	<b>1500</b>

