

# Semiannual Report to the Congress

Office of Inspector General  
U.S. Department of Labor



April 1 – September 30, 2006

Volume 56

## A Message from the Inspector General

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I am pleased to submit this Semiannual Report to the Congress, which highlights the significant activities and accomplishments of the Office of Inspector General (OIG) for the six-month period ending September 30, 2006. During this reporting period, our investigative work led to 295 indictments, 260 convictions, and over \$76 million in monetary accomplishments. In addition, we issued 66 audit reports and questioned \$90.2 million in costs.

During this reporting period, the OIG continued to provide audit and investigative oversight of the Department of Labor's (DOL's) response to Hurricanes Katrina and Rita. We issued six management letters related to this effort. One of the letters identified individuals who had received disaster unemployment assistance (DUA) from one state, while also receiving DUA or state unemployment compensation from another state. In addition, an OIG investigation led to the indictment of a disaster-reconstruction company owner who had allegedly neglected to pay approximately \$1.4 million in employee taxes owed to the Federal and state governments.

OIG audits included significant recommendations to address vulnerabilities identified in DOL programs and operations. For example, we issued a performance audit that determined that DOL's coal mine hazardous condition complaint process needed improvement. We also conducted several audits assessing the adequacy of the Department's information security program and identified challenges in the areas of access controls and protection over personally identifiable information.

Our investigations continue to combat labor racketeering in the workplace and fraud involving DOL programs. One particular investigation resulted in several former high-ranking officials of Laborers' International Union of North America Local 91 in the State of New York either pleading guilty or being sentenced for conspiring to commit violations of the Hobbs Act.

Another significant case involved Ralphs Grocery Company. Ralphs pled guilty to several felony counts related to charges that it illegally rehired locked-out workers during the supermarket labor dispute in Southern California more than two years ago. In June 2006, the company agreed to pay \$70 million in fines and restitution.

Finally, recognizing the need to collaboratively combat document and benefit fraud, the OIG joined with the Departments of Homeland Security, Justice, State, and other agencies to form task forces in 10 major cities. Led by the U.S. Immigration and Customs Enforcement, the task forces have been highly effective in targeting criminal organizations and ineligible beneficiaries engaged in this type of fraud. In one case, an investigation found that the owner of a labor leasing company used counterfeit labor certification forms to apply for at least 250 green cards. The owner of the company pled guilty to charges and faces 37 to 46 months' incarceration.

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 .....	\$76 million
Investigative cases opened.....	325
Investigative cases closed .....	321
Investigative cases referred for prosecution .....	163
Investigative cases referred for administrative/civil action .....	180
Indictments.....	295
Convictions .....	260
Debarments .....	24
Audit and other reports issued .....	66
Total questioned costs .....	\$90.2 million
Outstanding questioned costs resolved during this period .....	\$10.0 million
Allowed <sup>1</sup> .....	\$8.8 million
Disallowed <sup>2</sup> .....	\$1.2 million

*Note:* The OIG 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 DOL has not sustained.

2 *Disallowed* means a questioned cost that the DOL 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.*

#### Mine Safety and Health Administration

Recent fatalities and increased production in the coal industry have heightened concerns for the safety and health of the nation's coal miners. In response to coal mine catastrophes that occurred earlier this year, Congress enacted the Mine Improvement and New Emergency Response (MINER) Act of 2006 to provide for updated emergency response plans, increased training and availability of rescue teams, improved communication technology, and training programs for miners and mine inspectors. Because of these developments, the OIG has recently increased its oversight of DOL's Mine Safety and Health Administration (MSHA).

The hazardous condition complaint process and Accountability Program administered by MSHA's Office of Coal Mine Safety and Health (CMS&H) are key components of MSHA's capability to protect the safety and health of the nation's coal miners. Two recent OIG reports identified the need for improvement in these areas:

- CMS&H's hazardous condition complaint process provides for immediate inspections in response to certain alleged hazards. An OIG report made a number of recommendations, including that MSHA ensure that complaints are recorded accurately and completely, quantify the expectation of evaluation and inspection timeliness, and ensure that complaint evaluations and inspections are consistent with the Mine Safety and Health Act of 1977 and MSHA policy.
- MSHA's Accountability Program evaluates the quality of MSHA enforcement activities through peer reviews of district activities. The OIG recommended improvements to increase the validity and management oversight benefits of CMS&H's program through the implementation of a standard process for selecting mines to be reviewed, and improved procedures for conducting and reporting on review activities and tracking corrective actions. Budget limitations and the potential loss of experienced enforcement personnel increase the challenges to MSHA as it strives to carry out its mission and implement the requirements of the MINER Act.

#### Information Technology Security

The Department's information technology (IT) systems include major applications, general support systems, and mission-critical systems, many of

them sensitive. DOL relies on these critical information systems to carry out its mission, including monitoring and analyzing the nation's labor market and economic activities, managing workforce services, and protecting and compensating American workers.

With continuous new developments in IT come new threats to IT system security. We are concerned with the Department's ability to keep up with these developments and threats in order to ensure adequate security and safeguarding of DOL IT systems and data. Our work has shown that the Department's overall information security program could be improved by placing a priority on access controls in high- and medium-risk systems, including those containing sensitive information. This would help reduce the risk of unauthorized access to systems and sensitive information, including information that is accessed remotely or physically transported or stored outside Department facilities. Without strong access controls, the Department is vulnerable to unauthorized access and changes to its information systems, which could ultimately impact the integrity of data generated and stored by the systems to carry out DOL's mission. The exploitation of security weaknesses could affect the Department's delivery of high-quality services to its customers and the accuracy and completeness of the information made available for use by Congress, other government organizations, and the public.

### Procurement

The OIG continues to be concerned about DOL's procurement activities. This *Semiannual Report* describes three audits that identified problems with departmental procurement activities related to compliance with the Federal Acquisition Regulation and Small Business Administration requirements. Also, as previously reported, prior OIG audits identified issues relating to the Department's organizational structure that compromise the effectiveness and integrity of the procurement function by inadequately segregating responsibilities for program and procurement activities. To address the prior issues, the OIG recommended that 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) requires DOL and other executive agencies to appoint a Chief Acquisition Officer (CAO) whose primary duty is acquisition management. However, DOL's current organization continues to be out of compliance with that requirement. Currently, the Assistant Secretary for Administration and Management (ASAM) serves as the CAO in addition to carrying out other primary duties, some of them programmatic, associated with that position. This will be further exacerbated as the Department places regional contracting authority for the Job Corps program under the ASAM. The OIG continues to call on the Department to establish an organizational structure that both meets the requirements of SARA and resolves the inadequate segregation of duties that exists under the current configuration.

### Job Corps Program

As discussed in several reports issued during this *Semiannual Report* period, the OIG continues to have concerns regarding the Job Corps program, particularly in the areas of center oversight, student safety and health, and procurement. Performance-based contracts continue to pose risks that contractors will misrepresent performance to receive not only payment for services that were not provided, but also performance incentive payments. A recent audit showed that a Job Corps center significantly overstated its employment and educational placement outcomes. One reason this occurred was because the responsible regional office's monitoring procedures were ineffective. Two regional monitoring reports had identified systemic weaknesses in the office's placement verification process, but no formal corrective action was taken. Further, the regional office did not comply with the requirement to report potential fraud incidents to the OIG through the Department's Incident Reporting System. Our audit report of a National Park Service (NPS)-operated center identified several conditions that posed health and safety risks to the center's student and staff population that warranted immediate corrective actions. Job Corps had previously identified these conditions but did not ensure that NPS adequately addressed them. Finally, an audit of one Job Corps regional office's procurement activities found that improvements were needed to ensure full compliance with the Federal Acquisition Regulation.

The review and assessment of the Job Corps program being undertaken by the Department as part of the program's transfer to the Office of the Secretary, as well as the Department's creation of a Job Corps Advisory Committee to evaluate the program, present an opportunity to consider these and other challenges in improving the program. The OIG will continue to provide audit emphasis of the Job Corps program in the coming year.

### Hurricane Katrina

The immediate, massive Federal response that occurred as a result of Hurricanes Katrina and Rita focused on humanitarian assistance and expediting the payment of benefits to those who were directly affected by the devastation. To facilitate these efforts, some internal controls and other requirements were suspended or waived, which increased the opportunity for fraud. Even now, as the focus of Federal efforts shifts toward disaster recovery and reconstruction, our reviews continue to identify abuses in the DOL programs that were intended to provide immediate benefits to workers who became unemployed or dislocated by the disasters, as well as to identify new risks that are posed during the recovery and reconstruction phase. These abuses and risks hold valuable lessons regarding controls and mechanisms that should be in place before the next disaster strikes.

Our audits have identified numerous cases of individuals receiving both Disaster Unemployment Assistance (DUA) and Unemployment Insurance (UI), or receiving either DUA or UI while also receiving DOL-funded Public Service Employment (PSE) wages. In the case of Louisiana, the State waived the requirement for claimants to submit DUA eligibility documentation for the

first 90 days, and was challenged to process the high volume of documentation that was subsequently submitted. In addition, the National Directory of New Hires (NDNH)—a mechanism for identifying claimants who went to work in other states but failed to report their employment, and who thus may no longer have been eligible for benefits—was not initially used by Louisiana. Another underused tool is the real-time connection to the Social Security Administration (SSA) database, which allows states to confirm the accuracy of information provided by claimants before claims are established. Our ongoing work regarding the misuse of Social Security numbers to obtain unemployment benefits is showing that the SSA database would have been an effective compensating control to prevent overpayments and fraud resulting from the misuse of Social Security numbers following the hurricanes.

In the area of National Emergency Grants (NEGs), our ongoing work identified a concern regarding NEG participants meeting the eligibility criteria for training. In the State of Mississippi, we found that \$1.8 million in NEG funding was used to cover the educational expenses of over 500 students who were mass enrolled in NEG-funded college courses, even though they were already attending college. Moreover, the State accepted eligibility self-certifications without later verifying the students' eligibility for training.

Based on our findings to date, the OIG believes that the use of the NDNH, the real-time connection to the SSA database, and post-verification of eligibility self-certifications are important tools that can increase the integrity of DOL assistance programs on a daily basis, not just in times of disaster.

With respect to the investigative efforts of the OIG in response to the hurricanes, the OIG initiated a two-phased approach to the unprecedented workload brought on by this natural disaster. Phase I focused on addressing the thousands of possible cases of fraudulent claims for UI and DUA benefits. As part of this effort, the OIG has opened over 270 investigations to date, which have resulted in 28 arrests, 43 indictments, and 25 convictions.

Phase II of the OIG's investigative work commenced in May 2006 and is concentrating on labor racketeering schemes in reconstruction and debris removal. Finally, as part of the overall investigative response, the OIG is participating in several Federal, state, and local Hurricane Katrina Fraud Task Forces nationwide.

## Foreign Labor Certification

For several years, the OIG has reported significant concerns about the current practice of substituting alien beneficiaries on permanent foreign labor certification program applications and the resulting certifications. In February 2006, the Employment and Training Administration (ETA) published a proposed rule change that would eliminate this practice. The proposed rule would also establish a 45-day period for employers to file approved permanent foreign labor certifications in support of a petition with the U.S. Citizenship and Immigration Services agency of the Department of Homeland Security. The proposed rule also expressly prohibits the sale, barter, or

## Significant Concerns

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purchase of permanent foreign labor applications and certifications. In addition, the proposed rule restates current law regarding the 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 and its establishment of fraud awareness measures within the permanent foreign labor certification program. In addition, we acknowledge and appreciate ETA's sharing of information regarding potential program fraud, as well as its assistance in combating the same. Equally appreciated are the contributions of the Department of Homeland Security and the Department of Justice in helping to identify and prosecute those who seek to intentionally violate laws intended to ensure the integrity of the program. These are all positive and hopeful developments; however, until the proposed rule change is finalized and determined to be an effective method of significantly reducing and preventing fraud in the program, the amount of that fraud remains an area of concern.

*The OIG at the DOL is unique among inspectors general in that it has an “external” program function to conduct criminal investigations to combat the influence of labor racketeering and organized crime in the nation’s labor unions. Labor racketeering is the infiltration, domination, and/or use of a union or employee benefit plan for personal benefit by illegal, violent, or fraudulent means. Organized crime is defined as activities carried out by groups with a formalized structure whose primary objective is to obtain money through illegal activities. Traditionally, organized crime has been carried out by La Cosa Nostra (LCN) groups, also known as the “mob” or the “Mafia.” 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 DOL’s foreign labor certification and Unemployment Insurance (UI) 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.*

### Civil RICO Rids ILA of Corrupt Conduct and Ties to Organized Crime

On April 24, 2006, Peter Gotti, the former Boss of the Gambino LCN Family, signed a Consent Judgment and Decree designed to put an end to his control of the International Longshoremen's Association (ILA).

Gotti is currently incarcerated after being convicted of criminal Racketeer Influenced and Corrupt Organizations (RICO) violations. Gotti's influence was a key factor in a scheme involving the awarding of a lucrative service provider contract by the ILA Management International Longshoremen's Association (MILA) Managed Health Care Trust Fund to a company associated with the Gambino LCN family.

In signing the Consent Judgment and Decree, Gotti agreed to the relief sought by the Government pursuant to a civil RICO investigation. According to the terms of the Decree, Gotti is permanently enjoined from participating in any way in the affairs of the ILA and its benefit plans, participating in the affairs of any other labor organization, engaging in acts of racketeering, knowingly associating with members or associates of organized crime, knowingly associating with any person barred from participating in any labor organization or employee benefit plan, and participating or investing in any activity on the waterfront.

In July 2005, a civil complaint was filed (amended February 2006) to both end the influence of organized crime within the ILA and its related benefit funds and to seek the appointment of a monitor to enforce democratic reforms enabling the ILA to become a corruption-free labor organization. The benefit funds cited in the complaint include ILA MILA Health & Welfare Fund, the MILA Board, the Metro-ILA Funds, the Board of Trustees of the Metro-ILA Funds, and the Metropolitan Marine Maintenance Contractors Association. All have been enjoined from associating with known criminals, committing acts of racketeering, and interfering with any court-appointed officers.

### Bookkeeper Embezzles Union Funds

Leslie Bell, a former bookkeeper and comptroller for Laborers' International Union of North America (LIUNA) Local 1184, was sentenced on April 10, 2006, to 18 months' incarceration, three years' supervised probation, and

ordered to pay restitution in the amount of \$156,423. Additionally, Bell was barred from employment in any union for a period of 13 years.

After an investigation disclosed that Bell embezzled \$178,452 over a three-year period, her employment with Local 1184 was terminated. The embezzlement consisted of forged checks written to pay off creditors and personal tax liabilities, and taking money from union dues. Prior to her sentencing, Bell paid restitution in the amount of \$22,028.59 for money used to pay off her credit card debt and that of her husband. This case was worked jointly with the Office of Labor Management Standards (OLMS). *U.S. v. Leslie Patricia Bell* (C.D. California)

### Sentencing and Indictment in SEIU Embezzlement Case

Martin Gregory Ludlow, a former City of Los Angeles council member, was sentenced on June 5, 2006, to five years' probation, ordered to serve 2,000 hours of community service, and ordered to pay \$36,492 in restitution for his role in a scheme to embezzle money from Service Employees International Union (SEIU) Local 99. Separately, on June 20, 2006, the former president of Local 99, who was removed from office in May 2004 after Local 99 was placed into trusteeship, was charged in a superseding indictment for her role in the scheme. She has been charged with one count of conspiracy to embezzle and 23 substantive counts of embezzlement of union funds.

During his 2003 city council campaign, Ludlow sought financial support from the former president of Local 99. The local had approved a \$500 political contribution to the Ludlow campaign. Subsequently, Ludlow and the former president conspired to place six campaign workers on the union's payroll and provide union-paid health benefits to a seventh campaign worker. When their scheme was discovered, they attempted a cover-up by falsifying and backdating documents.

As a result of the investigation, Ludlow stepped down from his later position as executive secretary-treasurer of the Los Angeles County Federation of Labor. Under his plea agreement, he is barred from any union-related employment for 13 years and cannot apply to lift the bar before 5 years. This is an ongoing investigation being worked jointly with OLMS and the Federal Bureau of Investigation (FBI). *U.S. v. Martin Gregory 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.*

### Ralphs Grocery Agrees to Pay \$70 Million for Actions Taken During Labor Dispute

Kroger subsidiary Ralphs Grocery Company pled guilty on July 26, 2006, to charges of conspiracy, false statements, false representation of Social Security numbers, providing false statements to an employee benefit plan, and identity theft, for its role in a labor dispute. Ralphs agreed to pay \$50 million in restitution to current and former employees of Ralphs, and a \$20 million fine, to be imposed pending approval of the presiding judge at sentencing.

Ralphs illegally rehired approximately 1,000 locked-out grocery workers during a 2003–2004 grocery store labor dispute. The labor action affected approximately 19,000 Ralphs employees who were represented by seven United Food and Commercial Workers (UFCW) locals. During the lockout, Ralphs engaged in a company-wide course of criminal conduct involving the hiring of locked-out employees under false names, Social Security numbers, and documentation, which intentionally undermined the financial integrity of the union and its affiliated benefit plans. Ralphs acted to conceal its hiring of locked-out employees from the unions by assigning locked-out employees to work at stores far from where they regularly worked. Ralphs failed to disclose the locked-out workers to the administrator of the UFCW Joint Pension and Benefit Trust Funds. At the time of this criminal conduct, two executives, who were serving as trustee and alternate trustee to the trust funds, breached their fiduciary duties while serving as Ralphs' top negotiators with the unions. The company admitted that it benefited from this concealment because the unions did not learn of the illegal rehiring. This case was worked jointly with the Employee Benefits Security Administration (EBSA), the Social Security Administration (SSA) OIG, and the Internal Revenue Service (IRS) Criminal Investigation Division (CID). *U.S. v. Ralphs Grocery Company* (E.D. California)

### Union Service Provider and Investment Broker Plead Guilty in Embezzlement Scheme

Michael G. Linder, president of Joseph Anthony & Associates (JAA), pled guilty on June 30, 2006, to charges of embezzlement of union Employee Retirement Income Security Act (ERISA) funds, mail fraud, and theft of honest services. Linder was the compensated third-party administrator for various union-affiliated benefit funds throughout the State of Illinois, including

those of the Ironworkers, Sheetmetal Workers, Plumbers and Pipefitters, Painters and Cement Masons Unions. Linder was fired after Iron Workers Local 498 Retirement Fund officials learned that he received undisclosed commissions from an insurance company to which he sent plan funds to be invested.

Linder defrauded the local pension plans by recommending to the trustees of the plans that they change their investments to mutual funds being administered by a specific insurance company. However, instead of causing the plans' assets to be invested in mutual funds, Linder caused the assets to be invested in group annuity contracts. Under those contracts, and JAA's own contract, JAA and another corporation operated by Linder received \$5 million in fees and commissions between 1996 and 2003.

In an unrelated scheme, Linder admitted that, between 1998 and 2003, he had embezzled \$1,930,154 from three pension plans and two health and welfare plans by setting up bank accounts for each plan to be used to pay premiums on life insurance or stop-loss insurance policies. Linder overbilled each plan for the insurance premiums and siphoned off the excess amounts.

Linder entered a guilty plea on December 10, 2004, for a third scheme in which he had been charged with a racketeering violation for giving two plan trustees each a motorcycle with the intent to influence their actions. Linder awaits sentencing for all three schemes.

In a related scheme, Michael J. "Mick" Brdecka, a registered investment broker, pled guilty on June 23, 2006, to charges of making a fiduciary graft payment involving an ERISA benefit plan. Between 1997 and 2000, Brdecka paid fees, kickbacks, commissions, and money totaling \$130,000 through a third party to Linder to influence Linder to direct union officials as potential clients to Brdecka's investment advisors firm. This case was worked jointly with EBSA. *U.S. v. Michael G. Linder* and *U.S. v. Michael J. Brdecka* (N.D. Illinois)

### **Carpenters Union Official and Training Director Found Guilty in Embezzlement Scheme**

Paul Hernandez and Kenneth Castaldi, former officials of the United Brotherhood of Carpenters and Joiners (UBCJ), were convicted on September 21, 2006, of theft of ERISA benefit funds, theft of union funds, mail fraud, and false statements. Hernandez and Castaldi embezzled funds from a State of Indiana grant that was intended to reimburse UBCJ expenditures for scaffolding training mandated by the Occupational Safety and Health Administration (OSHA). Hernandez was the trustee of the Northwest Indiana UBCJ Joint Apprenticeship Committee (JAC). Hernandez set up a separate checking account specifically to handle the grant fund checks without the knowledge of the State, the JAC, or the union. Hernandez designated himself and Castaldi as signatories on the account. From 1998 through December of 2002, Hernandez wrote checks to himself as well as for taxes in excess of \$80,000. He also wrote checks to pay for over \$28,000 in credit card charges for items unrelated to scaffolding training.

Castaldi, a former training director for the school that was to benefit from the grant, wrote checks in excess of \$15,000 to himself from 1998 through August of 2001. Hernandez and Castaldi also wrote checks in excess of \$16,000 to pay a clerical secretary over whom they both exercised supervisory influence. This case was worked jointly with EBSA. *U.S. v. Paul Hernandez* and *U.S. v. Kenneth Castaldi* (N.D. Indiana)

### **Trustee Charged with Embezzling \$3.85 Million from Pension and Medical Benefit Plans**

The owner of a Florida home care services company, who was also the sole trustee to that company's pension and medical plans, was charged on September 8, 2006, with embezzling \$3.85 million from the plans.

In the alleged scheme, the defendant transferred funds from the plans to a Las Vegas corporation created by using a fictitious identity. The funds transferred by the defendant were used to purchase bonds totaling \$3.85 million. The corporation has no other assets other than \$1,000 used to establish a bank account and no revenue from operations. Almost immediately after the receipt of the \$3.85 million, the defendant and others caused the funds to be retransferred as purported loans to other corporations under the defendant's control, allowing him to steal assets from the pension and medical plans. A substantial portion of the siphoned funds was infused into the home care services company as working capital. This is a joint investigation with EBSA.

### **Union Executive and Service Provider Accused of Embezzlement and Kickbacks**

An indictment unsealed on May 31, 2006, charged a former executive administrator of the Boilermakers National Funds (BNF) and a general contractor with conspiracy, embezzlement from an employee benefit pension plan, embezzlement from a health care benefit program, and offer and acceptance of a kickback to an administrator of an employee benefit plan.

From 1999 to 2001 the BNF was allegedly defrauded of approximately \$900,000 through the renovation of the BNF building. The BNF authorized approximately \$920,000 for the remodeling of the BNF building. However, an analysis of the renovation costs identified that BNF expended approximately \$2.2 million to complete the renovations. The executive administrator inappropriately authorized approximately \$800,000 more in payments than the value of the work performed during the renovation. This is a joint investigation with EBSA.

### **Twenty Indicted in Boston Area International Longshoremens' Association Probe**

On August 9, 2006, a state grand jury in Massachusetts indicted 20 individuals, including 19 members of three Boston area locals of the International Longshoremens' Association (ILA). The indictments allege that

local ILA union bosses and officials abused their positions of power and trust to orchestrate fraudulent schemes designed to steal benefits from employee benefit funds and defraud employers through no-show jobs. The union bosses are charged with submitting false timesheets and using their power and influence on the docks to get benefits and monies for ineligible individuals, including their own family members.

These indictments allege that minor children of Longshoremen were fraudulently placed on the payroll of companies in order to lock in a higher pay rate and greater seniority should that child ever work on the waterfront. The indictments also allege that some Longshoremen worked under the names of others in order to allow those others to meet hourly requirements for certain benefits. Another scheme involved the illegal receipt of state unemployment benefits. The indictments charge that the total monetary loss for these acts is approximately \$250,000 to \$300,000.

This is a joint investigation with the Massachusetts State Police, financial investigators assigned to the Massachusetts Attorney General's Office, the Massachusetts Division of Unemployment Assistance, and EBSA.

## RICO Conviction and Sentencing for Gambino Crime Family Capo

Gregory DePalma, a long-standing Gambino Crime Family *capo*, was sentenced on September 26, 2006, to 12½ years in prison and 3 years' supervised release, and ordered to pay \$70,000 in restitution, \$50,000 in forfeiture, and a \$2,700 special assessment. The sentence was handed down as a result of his conviction on June 6, 2006, on 27 counts, including RICO, theft or embezzlement from an ERISA employee benefit plan, conspiracy, extortion, illegal gambling, loan-sharking, interstate transportation of stolen property, and the receipt of stolen goods. To date, 32 defendants have been convicted and 18 defendants are awaiting sentencing.

DePalma's trial proved his ongoing relationship with James Vetrano, president of United Food & Commercial Workers (UFCW) Local 305. Testimony revealed that Vetrano had facilitated an FBI undercover agent's use of a fictitious corporation at DePalma's direction. This was done in order to receive medical and pension benefits from the employee benefit plans of UFCW Local 305, as well as for no-show employees Robert Vaccaro Sr. and Robert Vaccaro Jr., who are, respectively, a Gambino LCN Family member and associate.

DePalma's crew engaged in, among other traditional LCN activities, gambling, extortion, numbers operations, loan-sharking, stolen property, and labor racketeering in New York, New Jersey, and Connecticut. The crew used violence and threats to carry out the activities of their criminal enterprise.

In addition, Joseph Moray, a Gambino LCN Family associate, received UFCW Local 305 pension and health benefits on behalf of his company, USA Recycling, Inc., which had been dissolved by the State of New York. Vetrano, Moray, and Vaccaro Jr. pled guilty to the benefits

scheme charges. Vaccaro Sr. pled guilty to other charges in the indictment, including racketeering and extortion. This case is an ongoing joint investigation with the FBI and has included technical assistance and expert trial testimony from the EBSA. *U.S. v. Arnold Squitieri, et al.* (S.D. New York)

## 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.*

### Guilty Pleas and Sentencings for Laborers' Union Officials in Racketeering and Extortion Case

During the month of August 2006, eight high-ranking officials of the LIUNA Local 91 pled guilty or were sentenced for their roles in a conspiracy to commit violations of the Hobbs Act. Through their violent scheme, Local 91 officials extorted both local and out-of-town businesses of their right to hire and retain workers of their choice at construction projects in Niagara County, New York.

Former Local 91 officials who pled guilty on August 1, 2006, to charges of racketeering conspiracy include: Mark Congi, former president and business agent; Albert Celeste, former assistant business agent; and Paul Bellreng, former Local 91 steward and picket captain. On that same day, Joel Cicero, Local 91's former vice president and training director, pled guilty to charges of Hobbs Act extortion.

The four individuals sentenced between August 21 and 25, 2006, in addition to receiving terms of incarceration and orders to pay restitution, were each barred from holding any type of union office for a period of 13 years. These former Local 91 officials, at the behest of other former union leaders, committed acts of violence and property sabotage in an effort to extort both union and nonunion tradespersons out of their rightful jobs. Dominick Dellaccio, former business manager and president of Local 91, was sentenced to 38 months in prison and ordered to pay \$20,000 in restitution. Salvatore Bertino, former vice president and union steward, and Andrew Shomers, former union steward, were each sentenced to 51 months' imprisonment followed by two years of supervised release, and ordered to pay restitution of \$30,000. For his participation in a violent attack upon four members of the Bricklayers' Union, Anthony Cerrone, a former laborer for Local 91, was sentenced to 27 months' imprisonment followed by two years of supervised release, and ordered to pay restitution of \$20,000.

Including these latest judicial actions, there have been a total of three indictments and 18 convictions in this case. The first indictment, which was handed down in May 2001, charged 14 members of Local 91 with Hobbs Act violations. Since then, there have been two superseding indictments, which included additional counts of Hobbs Act extortion and interstate transportation in aid of racketeering.

This is a joint investigation with the FBI, the New York State Police Special Investigations Unit, the Niagara County Sheriff's Department, and the Niagara Falls Police Department. *U.S. v. Mark Congi, et al.* (W.D. New York)

## Taft-Hartley Violations and Extortion Result in Guilty Verdicts for Union Officials

Donny Douglas, a former United Auto Workers (UAW) international servicing representative, and Jay Campbell, a former shop committee chairman for UAW Local 594, were found guilty on June 27, 2006, of conspiracy to violate the Taft-Hartley Act and extortion. A third defendant, William J. Coffey, also a union representative, died in the period between the indictment and the trial, and charges against him were posthumously dismissed.

Between August 1995 and August 1997, Douglas, Campbell, and Coffey, using their union positions, conspired during and between various collective bargaining events with General Motors (GM) to demand the hiring of family members into skilled trades positions. The defendants knew these family members were not qualified for those positions and that such hiring was in violation of the normal hiring process that existed in the union contract with GM. Furthermore, their demands threatened the settlement of ongoing negotiations between Local 594 and GM, culminating with a threat to prolong an 87-day strike that occurred in 1997.

To avert the continuation of the strike, GM conceded to the illegal demands. This strike idled approximately 5,000 workers. The strike was estimated to have cost GM in excess of \$400 million and was the longest strike at GM since 1970. This was a joint investigation with the FBI. *U.S. v. Donny G. Douglas* and *U.S. v. Jay D. Campbell* (E.D. Michigan)

## Four Indicted in Scheme to Defraud New York City Contracts of \$10 Million

On April 7, 2006, a 32-count superseding indictment charged, among others, three individuals affiliated with several related New York–based construction companies with conspiracy, unlawful labor payments, mail fraud, money laundering, and filing false income tax returns. These charges were in connection with New York City contracts through which they allegedly obtained \$10 million in criminal proceeds by fraud. Two of the three are charged with paying approximately \$1 million in bribes to the business agents of Local Unions 14 and 15 of the International Union of Operating Engineers in order to allow their companies to circumvent the requirements of established collective bargaining agreements. Additionally, a former employee of Con Edison was charged with receiving bribes from two of the defendants to allow them to overcharge Con Edison for construction work.

Between 1990 and 2004, one of the construction companies was awarded numerous New York City contracts for public works projects. It is alleged that, from 1990 through 2002, the defendants participated in a series of schemes to defraud the City of New York, members of Locals 14 and 15, and various public utility companies. This was accomplished through bribes, inflated invoices, and the use of a “front company” in violation of New York City’s Minority Business Enterprise program.

This case is being worked jointly with the IRS, FBI, Transportation OIG, and U.S. Postal Inspection Service (USPIS).

## **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.*

### **Coal Mine Hazardous Condition Complaint Process Should Be Strengthened**

The OIG conducted a performance audit of the hazardous condition complaint process managed by the Mine Safety and Health Administration's (MSHA) Office of Coal Mine Safety and Health (CMS&H). The hazardous condition complaint process is the mechanism in place to satisfy statutory requirements for immediate mine inspections in response to certain alleged hazards. It is critically important that the process work effectively to give miners and their representatives a voice and a means to ensure appropriate and prompt action is taken to remove hazardous conditions from the nation's coal mines.

We found that CMS&H had made efforts to improve the hazardous condition complaint process. For example, CMS&H had significantly expanded the Mine Act's definition of a "complaint" that required its action. In addition, CMS&H also investigated verbal complaints, unsigned or anonymous complaints, and complaints originating from someone other than the miner or miner's representative. However, also among our findings were that improvements are needed to ensure: improved management of the contractor that receives Headquarters complaints; timely evaluation and inspection of complaints; and complete management reporting on hazard complaints.

We found deficiencies in MSHA's process for receiving and documenting complaints that were routed to MSHA through a contractor-run answering service. Since October 2005, a contractor has received \$4,000 annually to operate MSHA's Code-A-Phone call center. Contractor personnel answered calls using a script provided by MSHA, transcribed complainants' responses verbatim, and electronically transmitted complaint transcripts to appropriate MSHA personnel. Our audit found that the scripts contained deficiencies concerning complainant confidentiality and disclosure of CMS&H's time frames for responding to complaints. For example, the call scripts did not instruct the contractor to inform callers that they could remain anonymous, notify callers that calls received after business hours would not be addressed by CMS&H until the next business day, nor that hazardous complaints could be made directly to the districts. Further, several MSHA district offices and Union officials expressed concern about the contractor's lack of mining knowledge, which was not a requirement of the contract. Any actual or perceived deficiencies in initiating hazardous condition complaints may have diminished the effectiveness of the Code-A-Phone as a mechanism to file complaints because individuals may be discouraged from using the process.

With respect to the timely evaluation and inspection of hazardous condition complaints, our audit found that a significant number of complaints--we estimated nearly one third of complaints filed with MSHA headquarters and 15 percent of those filed with the districts--took two or more days before an inspection was initiated. These delays may have subjected miners to prolonged hazardous conditions.

Finally, we found MSHA management reports of hazardous complaints were significantly understated. CMS&H management relied on reports that were based on hazardous condition complaints filed solely with MSHA headquarters, about one-third of the total complaints. The reports did not include complaints filed directly with the districts. In addition, information reported to the public on the number of coal mine hazardous condition complaints received in CY 2004 was significantly understated. The incomplete reporting may have impacted CMS&H oversight and enforcement decisions and public perception of CMS&H enforcement responsibilities.

During our audit, CMS&H initiated action to monitor the quality of services provided by the contractor receiving complaints filed through MSHA headquarters, track the timeliness of hazardous condition complaint evaluations and inspections, and use the MSHA Standardized Information System to record, track, and report headquarters- and district-generated hazardous condition complaints. MSHA initiated or planned corrective action to address our recommendations, except that MSHA did not agree with our recommendations to quantify an expectation for timeliness in specific terms (e.g., number of hours) for evaluating complaints and for beginning inspections of "imminent danger" allegations. MSHA stated that it deploys resources "as soon as possible," which is the requirement contained in the Mine Act. While we do not advocate meeting standards of timeliness at the expense of appropriately addressing safety concerns, we are concerned with leaving the statutory language of "as soon as possible" undefined. We believe that agency-established goals and measures are needed in this area to protect the health and safety of miners – the primary objective of the Federal Mine Safety and Health Act of 1997.

### **MSHA Coal Mine Safety and Health Accountability Program Needs Improvement**

The Accountability Program was established to evaluate the quality of MSHA enforcement activities through peer reviews of District activities, and to provide reasonable assurance that policies and procedures are being complied with consistently throughout MSHA. In the course of conducting an ongoing performance audit of MSHA's Accountability Program within CMS&H, we identified five potential issues for which recommended improvements would aid CMS&H in the Headquarters (HQ) Reviews of Districts it will be initiating in the coming months.

The HQ Reviews of Districts, conducted biennially for each District office, are comprehensive and include in-depth reviews of the enforcement activities for a selected operation(s). District Peer Reviews, conducted at selected field offices annually, focus on MSHA's enforcement systems to identify

deficiencies in the level and consistency of enforcement, concentrating on those activities that most directly affect the safety and health of miners. Results of the District Peer Reviews are used by HQ personnel to ensure enforcement consistency nationwide, as well as to identify systemic weaknesses and trends, and potential best practices within MSHA's inspection programs.

We found that, as currently defined, the Accountability Program does not ensure that either the District Peer Reviews or the HQ Reviews of Districts:

- **Include a standard process for selecting mines to be reviewed:** In HQ Reviews of Districts, only underground coal mines are considered for review, excluding surface mines and facilities from possible selection. This limits the value of the reviews by preventing procedural deficiencies or improprieties related to the oversight of surface mines and facilities from being detected and corrected. According to MSHA, some Districts have included surface operations and facilities in their District Peer reviews. In addition, in District Peer Reviews, varying criteria are used to select a mine(s) for review. This creates a risk that an individual could manipulate the selection to reduce the effort required to complete the review or to avoid detection of deficiencies or improprieties.
- **Require a review team member to visit those mines selected during the reviews:** A review solely based on records increases the risk that errors (unintentional) or misrepresentations (intentional) in the documentation would not be detected. A physical tour of selected portions of the mine would provide a basis of comparison against events and conditions depicted in the mine's plans and inspection records. According to MSHA, Headquarters and some District Peer Reviews have included mine visits as part of their review process.
- **Require a review team member to interview appropriate district and/or field office personnel during the reviews:** Omitting interviews of individuals involved in or knowledgeable of district or field office activities (e.g., MSHA personnel, mine operators, union officials) limits the scope of information used to assess those offices' operations. This increases the risk that operational deficiencies will not be detected. Interviews of appropriate individuals during reviews would provide an opportunity to corroborate and expand on information about operational issues identified through other review sources. While MSHA acknowledged they do not interview all of the parties cited by the OIG, they stated that interviews of District Management personnel are conducted.
- **Include a centralized system for HQ to record and track the deficiencies and corrective actions identified during reviews:** The Summary Accountability Reports submitted by District

Managers to CMS&H officials presented peer review information in a variety of formats and levels of detail, making it more difficult for CMS&H HQ officials to determine that all appropriate (a) review work was performed, (b) results were reported, and (c) corrective actions were identified. It also makes it more difficult to analyze comparable information across districts to identify trends and systemic issues. A standard format for District Peer Review reports would facilitate the ability of CMS&H officials to carry out their oversight review and analysis.

In addition, for District Peer reviews, there is not a standard format for review reports and corrective action plans.

We made five recommendations based on our audit work to date to address these issues that will enhance CMS&H officials' ability to derive the most benefit from their District Peer Reviews and HQ Reviews of Districts and contribute to the overall mission of protecting the safety of miners. MSHA generally concurred with our recommendations, stating that the enhancements will not only create a more uniform and standardized approach to HQ and District Peer review processes, but also assist CMS&H in strengthening this very important oversight program. With regard to our recommendation related to visiting mines during reviews, MSHA stated that it would include visits to a percentage of mine(s) selected for District Peer Reviews. We will take into consideration MSHA's proposed action, and further assess this issue, as we complete our ongoing audit work of the Accountability Program. ([Report 05-06-006-06-001, issued September 29, 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 enforcing 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.*

### **Construction Company President Sentenced for Fatal Balcony Collapse and Manager/Engineer Sentenced for Falsifying Payroll Records**

Kang Yeon Lee, president of Big Apple Construction, was sentenced on June 15, 2006, to 30 months' imprisonment and two years' supervised release for his role in the death of a worker by willfully failing to comply with OSHA regulations, and for committing mail fraud in a scheme to conceal his failure to pay the prevailing wage to workers on a Federally funded project for the U.S. Postal Service at John F. Kennedy (JFK) Airport. As part of his plea agreement, Lee has agreed to pay over \$2 million in compensation and penalties. Lee has settled approximately \$350,000 of the restitution and was ordered to pay an additional \$300,000 prior to his surrender on September 5, 2006. On August 24, 2006, Dai Ki Kim, the manager and engineer for Big Apple Construction, was sentenced to one year of probation for his role in submitting certified payroll records that knowingly contained false representations.

This investigation arose out of the May 2004 collapse of a balcony under construction that killed a worker and seriously injured two others. An OSHA investigation revealed that Big Apple Construction failed to provide fall-protection equipment to its workers. Lee had been cited by OSHA in 2001 for failing to provide the equipment. Further investigation revealed that Big Apple Construction did not pay its workers the required prevailing wage at the JFK Airport project. Lee directed Kim to certify falsified payroll records to show that Big Apple workers were paid the required wage. Big Apple Construction had also signed a collective bargaining agreement with the Mason Tenders Local 79, to which Big Apple had failed to contribute any funds on behalf of its workers. This case was worked jointly with OSHA, EBSA, the Wage and Hour Division, the U.S. Postal OIG, and the NYC Department of Buildings. *U.S. v. Kang Yeon Lee* (E.D. New York) and *U.S. v. Dai Ki Kim* (E.D. New York)

## **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) 2006, 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 Employment and Training Administration (ETA) and into the Office of the Secretary of Labor.*

### **Performance Audit of Job Corps Center Operating Costs Identifies Reporting Deficiencies**

We conducted a performance audit of Job Corps Center (JCC) operating costs at 12 contractor-operated centers for the period October 2004 through March 2005.

We found that, overall, Job Corps contractors complied with laws, regulations, and Job Corps policies and procedures relating to center operating costs. However, the OIG identified three areas of noncompliance that could result in overbilling to the government and an increased possibility of fraud through the manipulation of accounting records. Two areas were related to specific contractor operations: a lack of adequate internal controls over program expenditures at the Earle C. Clements JCC; and improper recording and reporting of indirect administrative costs at the Jacksonville JCC. A third area of noncompliance was a crosscutting issue whereby journal entries to record costs were not properly approved, adequately supported, or correctly recorded at five JCCs.

We made six recommendations to the Office of Job Corps to require corrective actions be taken by the individual center contractors. We also made a recommendation to require each center to have written policies and procedures for the preparation, documentation, recording, and approval of all journal entries made to the centers' books of account. This latter issue was also found to exist at other JCCs in the prior year audit. In its response, Job Corps agreed to implement the report recommendations. ([Report 03-06-005-01-370, issued September 29, 2006](#))

### **Audit of Job Corps Student Pay Allotment and Management Information System**

We conducted a performance audit of Job Corps Student Pay Allotment and Management Information System (SPAMIS) activity and results for the two-year period ended September 30, 2005. Job Corps uses SPAMIS to process payments to the students. Over 90 percent of the payments are for Living Allowances to students during enrollment at JCCs and Transition

Allowance payments given to students when they complete or terminate the Job Corps program. The Job Corps Data Center (JCDC) in Austin, Texas, which is operated by a contractor, RS Information Systems, Inc., is responsible for managing SPAMIS.

The OIG found that, overall, controls over SPAMIS financial operations were adequate. However, we identified several weaknesses requiring management attention:

- Job Corps management did not fully utilize monthly SPAMIS reports;
- accounting and financial documents did not have the proper review or authorization;
- the contractor incorrectly accounted for bank charges;
- the contractor's accountant was responsible for payroll tax review and was also listed as the IRS third-party designee, a segregation-of-duties concern;
- Job Corps Program Payroll Reports contained negative Federal income tax withholding for students paid; and
- contractor-established policies and procedures were incomplete or, at times, disregarded.

Also, while Job Corps has been effective in reducing the balance of unclaimed Living and Transition Allowance checks by \$1.7 million, to \$7.9 million, it has not determined whether state escheat laws apply to these unclaimed checks. Job Corps could owe the states the value of the unclaimed checks, as determined by each state's escheat laws.

We made six recommendations to the Office of Job Corps to develop policies and procedures to address our findings. Job Corps agreed with the recommendations and has either planned or initiated corrective actions. ([Report 03-06-003-01-370, issued September 29, 2006](#))

## **American Business Corporation Georgia Overstated Job Corps Placement Outcomes**

The OIG conducted a performance audit of Job Corps employment and educational placements reported by American Business Corporation (ABC) Georgia. This was due to allegations of fraud and/or abuse related to the reporting of placement outcomes by ABC Georgia and Federal personnel who are responsible for oversight of the program. The placement data reported on students who have completed the Job Corps program is used by the Department in its annual reporting to Congress.

We found that ABC Georgia's reported placement outcomes for program years 2003 and 2004 were not reliable, and that it had claimed a significant number of invalid placements. One of the reasons that this occurred was because the procedures the Job Corps Atlanta Regional Office (ARO) used to monitor ABC Georgia placement activities were not effective. In addition, ARO's placement verification processes had systemic weaknesses, and, despite concerns noted in two of its monitoring reports, ARO did not take

formal corrective actions. Further, ARO did not comply with its reporting requirement to report potential fraud incidents to the OIG through the Department's Incident Reporting System.

Job Corps has already begun taking action to improve performance data reliability. It has convened a national performance data reliability work group to make recommendations for processes to ensure system-wide integrity of performance data.

OIG recommendations included that Job Corps:

- implement the recommendations of the national work group relative to the monitoring and follow-up of Career Transitional Service providers' placement activities in order to correct weaknesses and breakdowns in the region's application of its monitoring policies and procedures;
- prepare a corrective action plan for all future program monitoring reports;
- ensure training of all applicable ARO personnel regarding their responsibility to report potential fraud incidents to the OIG through the Department's Incident Reporting System;
- assess almost \$215,000 in liquidated damages resulting from ABC Georgia's identified invalid placements; and
- determine whether bonus payments made to center operators based on the identified invalid placements had a material financial impact and, if so, work with the Solicitor's office to determine overpayments and those liable for repayment.

In its response to our draft report, ABC Georgia objected to the use of UI wage information in determining the validity of placements, and disagreed with our conclusions. The Job Corps ARO concurred with our findings. ([Report 09-06-004-01-370, issued September 29, 2006](#))

## **OIG Identified Over \$300,000 in Questioned Costs at Los Angeles YWCA**

We conducted an audit of the Young Women's Christian Association of Greater Los Angeles (YWCA), which operates the Los Angeles JCC, based on allegations of improper expenditures that were made against the YWCA. We found that one of six allegations was substantiated, while a second allegation could be neither substantiated nor disproved due to a lack of documentation. The four remaining allegations were unsubstantiated.

Regarding the substantiated allegation, we questioned \$300,870, which was the estimated cost that the YWCA improperly charged Job Corps for developing two proposals for Job Corps contracts. Such costs are unallowable. A lack of detailed trip records prevented us from determining whether the YWCA Chief Executive Officers (CEO) used a government vehicle for personal use. However, we did determine that the Los Angeles JCC should have billed the YWCA for \$3,000 in annual vehicle insurance costs related to the CEO's assigned government vehicle. Instead, JCC bore

the cost. The OIG recommended that Job Corps recover the above \$303,870. We also recommended that Job Corps direct the Los Angeles JCC and the YWCA to comply with applicable regulations and provisions regarding the use of U.S. Government vehicles. Job Corps agreed with our recommendations and stated that the Regional Office would closely monitor the YWCA's compliance. ([Report 09-06-005-01-370, issued September 29, 2006](#))

### **Improvements Are Needed in the Boston Regional Office's Procurement of JCC Operators and Service Providers**

The OIG performed an audit of allegations that Boston Regional Office Job Corps officials engaged in five abusive procurement practices that impacted the awarding of a contract to operate three Puerto Rico Job Corps centers and other services for Puerto Rico and the Virgin Islands. As part of our work in determining whether the allegations were valid, we examined whether any former DOL Job Corps employees were working for the incumbent contractor, and whether the procurement process and subsequent award of the contract complied with applicable procurement laws and regulations.

JCC operators, outreach and admissions providers, and career transition service providers are required to be selected, in almost all cases, based on a full and open competitive process. The procurement process for those services has been administered by Job Corps regional offices using the procurement requirements found in the Federal Acquisition Regulation (FAR) and the DOL Acquisition Regulations (DOLAR). Job Corps applies the requirements of FAR and DOLAR through the use of the Job Corps Procurement Compendium (Compendium), which is designed to assist regional office staff in properly documenting required procurement decisions and activities by providing examples and models that can be customized for each procurement.

While the OIG did not find any of the allegations to be substantiated, we made two recommendations to Job Corps to improve the office's procurement procedures: update the Compendium to include the FAR requirement that the notice to offerors not meeting the competitive range be provided "promptly"; and ensure that the Regional Director of the Boston Regional Office of Job Corps issues written guidelines for the office to comply with the FAR requirement to promptly provide an offeror whose score did not meet the competitive range the basis for why the offeror was excluded from further consideration for a contract. Job Corps concurred with the first recommendation. Because contracting authority was being transferred from the Job Corps Regional Directors to Office of the Assistant Secretary for Administration and Management (OASAM) contracting officers, Job Corps stated that the second recommendation is no longer applicable. However, the OIG considers the second recommendation applicable until we are provided evidence that Regional Directors no longer have contract authority for awards to Job Corps center operators, outreach and admissions providers, and Career Transition Service providers. Subsequent to issuance of the final report, OASAM stated that it concurred with the report's recommendation and

is in the process of updating the guidance. ([Report 26-06-002-01-370, issued September 29, 2006](#))

### **National Park Service Has Not Assured the Safety and Health of Students and Staff at the Oconaluftee JCC**

The Oconaluftee JCC is one of three centers operated by the National Park Service (NPS). The Department provides funding to NPS to operate the JCCs and, through a 1989 Interagency Agreement between NPS and DOL, NPS agreed to comply with Job Corps' rules, regulations, and guidelines. While conducting a performance audit of the Oconaluftee JCC, we found three safety conditions that warranted immediate corrective actions by the Office of Job Corps: fire detection and alarm systems were not operable in every building, food handling and storage areas had deteriorated in the dining hall due to long-term roof damage, and the NPS ranger firing range was located too close to the Center's student and staff population.

The OIG made three recommendations, which Job Corps agreed to address. Job Corps stated that funding has been provided to NPS to correct the recommendations relating to fire detection and alarm systems and food safety issues. Regarding the third recommendation, Job Corps reported that qualified National Office safety staff had performed an inspection of the shooting range and determined that it did not pose a risk to student health. ([Alert Report 26-06-001-01-370, issued July 7, 2006](#))

## 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. Included among the programs established by WIA are National Emergency Grants (NEGs) for workers who become unemployed as a result of natural or other disasters. WIA also establishes pilot, multiservice, research, and multistate projects under which Congress has funded multiple “earmark” grants.*

### Questionable Eligibility of College Students in Mississippi’s National Emergency Grant Training Program

The State of Mississippi was awarded a National Emergency Grant in response to Hurricane Katrina. The NEG’s initial purpose was to create temporary jobs to assist in disaster cleanup and restoration. It was later modified to authorize Mississippi to provide the training opportunities necessary to lead to permanent employment.

While conducting an ongoing performance audit of participant eligibility in the Mississippi NEG, we identified an issue that warranted immediate corrective action by ETA. The OIG specifically found that 39 of a sample of 125 NEG participants, or 31 percent, from one Local Workforce Investment Area were already attending college when they entered into an Individual Training Account (ITA) funded by the NEG. Further review at five Workforce Investment Network (WIN) Job Centers showed that the centers had entered into ITAs totaling \$1.8 million to cover the educational expenses of 533 students who were already attending college at the time that they were enrolled under the NEG. This amount accounted for about 60 percent of the total \$3.1 million in ITAs awarded by these WIN Job Centers. Also, the State accepted eligibility self-certifications performed by the students, even though college transcripts/schedules in the participant files included college enrollment dates that were both prior to and after Hurricane Katrina. Mississippi had no system in place to determine whether information provided by participants was factual, or to terminate assistance in the event that participants were found to be ineligible. In addition, WIA requires that participants receive core and intensive services before accessing training. If unable to obtain and retain employment through such services, then they are eligible for training services. We found that core and intensive services, and training placement, for college students were all performed on the same day. This would not have afforded the students sufficient time to seek employment prior to enrolling in NEG training.

We recommended that ETA: work with Mississippi to ensure that NEG participants meet the eligibility criteria for training; issue policy guidance that will require adequate documentation of eligibility for those college students

enrolled under the NEG grants based on self-certification; and require Mississippi to review all NEG participant files related to college educational assistance to ensure that participants are eligible to receive NEG services. ETA's comments indicated that it interpreted our first recommendation to mean that Mississippi should cease enrolling college students. ETA further contended that WIA regulations do not impose a "work test" requirement, and Federal regulations do not stipulate a minimum time period for intensive services prior to determining participants' need for training services. However, based on WIA's requirements, the OIG's position is that students should not be enrolled without first determining that they have been unable to obtain or retain employment, and without assessing the students' need for training services. With regard to the remaining two recommendations, ETA stated it will follow up in writing with the grantee to ensure that it has a system in place to comply with the grant requirements, and that appropriate reviews have been conducted. ([Management Letter 04-06-008-03-390, issued September 28, 2006](#))

### **Nearly One-Third of Grant Costs Are Questioned in New York Grant**

The OIG conducted a performance audit of an earmark grant awarded to Westchester Putnam Counties' Consortium for Worker Education and Training, Inc. (WP-CWE), a not-for-profit corporation whose purpose is to provide outreach and pre-apprenticeship training for the construction industry. The grantee expended the entire \$500,000 awarded under the grant. The grant required WP-CWE to provide training to 60 youth and 45 adult participants who were residents of New York's Westchester and Putnam Counties.

We questioned a total of \$163,651 in grant costs: \$127,357 because claimed costs were not reasonable, allowable, and allocable to the grant; and \$36,294 because 28 percent of reported adult participants were not eligible. The questioned costs comprise \$91,939 in administrative costs that exceeded grant limits, \$24,667 in legal services costs that were unallowable or not adequately documented, and \$10,751 in common costs that were overallocated to the grant. WP-CWE reported that it met grant performance goals. However, we found that 13 adult participants did not meet specific eligibility requirements, and WP-CWE trained only 34 eligible adult participants. Therefore, we determined that the corporation did not achieve the grant's goals for adult training.

In WP-CWE's response to the draft, it agreed with \$5,910 of questioned costs for unallowable legal services, but did not agree with the findings relating to excessive administrative costs or ineligible participants. Further, WP-CWE did not address our findings relating to lack of documentation for legal services costs, overallocated common costs, or not achieving grant goals. No additional information was provided that materially affected the report. ([Report 02-06-204-03-390, issued September 29, 2006](#))

## **Significant Audit Resolution – Florida Repays \$11.4 Million Based on 1998 Audit**

Based on a 1998 OIG audit, in April 2006 the U.S. Court of Appeals for the Eleventh Circuit upheld the February 2005 findings of the Department's Administrative Review Board (ARB), which held that the State of Florida had misspent \$11.4 million in Federal training funds and had to repay the money. The audit questioned this amount after it found that Florida had used Job Training Partnership Act funds to supplant adult education costs that should have been borne by the State. The Court rejected Florida's assertion that the ARB's ruling misconstrued the statutory language, was not supported by substantial evidence, and deprived the State of due process. In July 2006, Florida repaid the full amount owed, including statutory interest, without further proceedings. (Report 04-98-005-03-340, issued September 25, 1998)

## **Grant Money Embezzled by Training Institute**

Victor Mungai Kamunge, the owner of Merit Technical Institute, pled guilty on April 10, 2006, to charges of embezzling approximately \$392,000 from separate grant programs run by DOL and the Department of Education (DOE). From October 2001 to October 2003, Kamunge submitted or had others submit false student transcripts and attendance records on behalf of unsuspecting students, so that his company would qualify for DOL WIA funds. He then knowingly applied for and received DOE funding for programs that were ineligible. Kamunge embezzled approximately \$182,700 in WIA funds and approximately \$209,700 in funds from the DOE's Federal Family Education Loan Program. This was a joint investigation with the DOE OIG. *U.S. v. Victor Mungai Kamunge* (D. New Jersey)

## **Accountant Embezzles WIA Funds from Navajo Department of Workforce Development**

Elyse Hongeva, a former Navajo Department of Workforce Development (NDWD) accountant, pled guilty on June 19, 2006, to charges of embezzling approximately \$191,000 in WIA funds by depositing WIA participant "refund checks" from various vocational schools into a personal bank account that she controlled.

Rather than instructing NDWD employees to return checks comprising unspent balances of funds intended for WIA students to the NDWD office, Hongeva redirected the checks to a post office box in her name. Hongeva withdrew money out of the account and used it to gamble, attend sporting events, and pay for her son's tuition at a private college. This was a joint investigation with the FBI. *U.S. v. Elyse Hongeva* (D. Arizona)

## 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 needed 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.*

### Over \$1.6 Million Questioned in NY WtW Grant

The OIG conducted a performance audit of an approximately \$5 million WtW competitive grant awarded to The Doe Fund, Inc., a nonprofit community-based organization. Initially the grant was to assist long-term female welfare recipients facing multiple significant barriers to employment in becoming self-sufficient. However, it was subsequently modified to include all WtW-eligible females. The grant's performance goals were to serve 694 participants and place 381 in unsubsidized employment.

We questioned approximately \$1.6 million in costs related to unallowable fundraising and improperly allocated and unsupported costs. We also determined that The Doe Fund, Inc., drew down almost \$17,000 in excess of claimed costs, and lacked budget modification approval to exceed line item costs. We found that participants were eligible and that The Doe Fund, Inc., measured and reported enrollment and placement outcomes; however, it did not meet enrollment and performance goals and did not measure and report average wage at placement or average wage one year after placement, as required by the grant. In addition to recommending the questioned costs and excess drawdowns be recovered, the OIG also recommended that ETA ensure The Doe Fund, Inc., does not use Federal funds on existing or future grants for unallowable fundraising activities, and establishes policies and procedures to ensure that costs are properly documented and allocable to cost objectives. The Doe Fund, Inc. did not respond to the draft report. ([Report 02-06-206-03-386, issued September 29, 2006](#))

### Missouri Grantee's \$4.1 Million Claim for Reimbursements Questioned

The OIG performed an audit of DOL grants to St. Charles County, Missouri, because of allegations that its Department of Workforce Development (DWD) overcharged the grants. St. Charles County is a grant subrecipient of workforce development funds under the WIA and WtW programs from the State of Missouri. Responsibility for administering these grants was delegated to DWD, which received approximately \$5.4 million in WIA and WtW funds during our audit period of July 1, 2000, through July 31, 2004. Responsibility for maintaining the financial records of the entire county, including DWD, was assigned to the County's Department of Finance (DOF).

We could not conclude on the merits of the allegations because of a lack of critical documentation showing how costs were allocated to the DOL grants. For this reason, we questioned all WIA and WtW grant costs, totaling over \$4.1 million. DWD and DOF could not account for DOL grant funds and, therefore, could not support their claim for reimbursement to Missouri. We recommended that ETA direct:

- Missouri to submit alternative documentation to support the claimed cost allocations and, based on ETA's determination, recover unallowable or unsupported costs;
- Missouri to ensure that DWD allocates costs to DOL programs in accordance with the relative benefits received; and
- DWD and DOF to maintain adequate records to account for all expenditures of DOL program funds.

In comments to the draft report, Missouri and County officials stated that they intended to submit alternative documentation as evidence of the clients served and the expenditures made on behalf of these programs. Until documentation is provided and accepted by ETA, the \$4.1 million will remain as questioned costs. The response did not address Missouri's actions regarding the remaining two recommendations. ([Report 05-06-001-03-390, issued September 28, 2006](#))

## Foreign Labor Certification

*The Department's foreign labor certification programs provide U.S. employers access to foreign labor. The Permanent Foreign Labor Certification (FLC) 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, some of which have been initiated based on referrals from ETA, continue to identify fraud against these programs.*

### Luxury Cars and Over \$5.7 Million Are Forfeited in Immigration Fraud Scheme

Narendra Mandalapa, the owner of Cybersoftec, pled guilty on June 19, 2006, to charges of sponsoring himself for a green card using an alternate identity and of labor certification substitution. He faces 37 to 46 months' incarceration.

The investigation resulted from a July 2005 DOL OIG Hotline complaint regarding possible criminal conduct by the New Jersey-based company. It was discovered that Mandalapa used counterfeit ETA 750 labor certification forms to apply for at least 250 green cards via the FLC program and made profits of at least \$2.1 million from the sale of the counterfeit labor documents. Cybersoftec charged applicants between \$4,000 and \$22,500 to substitute their names onto previously approved labor certifications, which the applicants believed had not been used previously. As part of his guilty plea, Mandalapa consented to the forfeiture of over \$5.7 million and two luxury automobiles. He further agreed to pay full restitution to the approximately 250 applicants in this case. This was a joint investigation with the Department of Homeland Security (DHS), Immigration and Customs Enforcement (ICE), U.S. Citizenship and Immigration Services (USCIS), and the DOL Wage and Hour Division. *U.S. v. Narendra V. Mandalapa a/k/a Ramesh Dashrth* (D. New Jersey)

### Employment Contracting Agency Conspires with Law Firm in Visa Fraud Scheme

Philip Abramowitz, a former immigration attorney, pled guilty to conspiracy and visa fraud charges on August 14, 2006, for his role in a scheme to fraudulently obtain immigration visas. The immigration law firm of Korenberg, Abramowitz, and Feldun assisted over 1,000 aliens in obtaining immigration visas through a conspiratorial partnership with Employmasters International, an employment contracting agency. Many of the aliens paid up to \$20,000 for the visas, some of which were H-1B visas.

The owners of Employmasters each pled guilty to charges of visa fraud and conspiracy to commit visa fraud in February and May of 2005. Two other individuals pled guilty to the same charges in 2005 and a third to charges of

visa fraud in 2003. This was a joint investigation with ICE, USPIS, and the California Employment Development Department (EDD). *U.S. v. Philip Abramowitz* (C.D. California).

### **Law License Forfeited in Labor Certification Fraud**

Christopher C. Yum, a former immigration attorney, pled guilty on August 14, 2006, to charges of making false statements in order to obtain foreign labor certifications. Yum and co-conspirator Michael “Gang” Huh submitted fraudulent labor certifications and other supporting documents on behalf of aliens seeking entry into the United States. Yum arranged with the aliens and Huh, who fraudulently acted as a sponsoring employer, to provide fictitious pay stubs with the applications in order to falsely demonstrate to DHS that the aliens were working. Yum paid Huh \$7,500 per alien he agreed to sponsor. Yum charged the aliens in excess of \$25,000 each for his services. As a result of the investigation, Yum forfeited his law license and closed his law firm, which he had owned since 1990. This was a joint investigation with the Department of State OIG, DHS, and the FBI. *U.S. v. Christopher C. Yum* (E.D. Virginia)

### **Attorney and Wife Charged in Immigration Case**

A 16-count indictment was unsealed on July 21, 2006, after the arrests of a Kansas husband and wife who are charged with submitting fraudulent FLC application forms to DOL and the USCIS. The husband, an attorney who was disbarred from practicing law in 2004, and his wife, who also in 2004 improperly held herself out as an attorney, were indicted by a Federal grand jury in Kansas in January 2006.

It is alleged that in 2001 and 2003, through their scheme, they conspired to violate both immigration and labor laws by defrauding the FLC program and violating the Immigration and Nationality Act through the filing of forms for employers purportedly petitioning for foreign workers. The two are suspected of submitting applications containing forged signatures to the Kansas Department of Human Resources and the Missouri Department of Labor on behalf of various Kansas and Missouri employers. Some employers had no knowledge of the law firm, others had no knowledge of the FLC program, and one person had been dead for two months at the time the application was allegedly signed. This case is being worked jointly with ICE.

### **Attorney Pleads Guilty to Immigration Visa Fraud Charges**

Stephen Timmer, a former immigration attorney, pled guilty on July 19, 2006, to wire fraud and immigration visa fraud charges. Timmer was hired by companies to lawfully file I-129 “Petition for Nonimmigrant Worker” forms on behalf of foreign nationals whom the companies wanted to employ or continue to employ in the United States. From 1999 to 2002, Timmer did not file any documentation with DOL in an effort to gain work visas for the foreign national employees/employment candidates. However, Timmer billed the

companies for legal fees for immigration work that had not been performed. He created documents that falsely represented that the Immigration and Naturalization Service (INS) had approved the I-129 applications and forwarded these false, fraudulent, and counterfeit documents to the companies. The plea agreement requires Timmer to make restitution in the amount of \$45,614. This investigation was worked jointly with ICE. *U.S. v. Stephen Timmer* (N.D. Illinois)

### **Bar Owner Pleads Guilty to Charges of Human Trafficking**

Luisa Medrano, a New Jersey bar owner, pled guilty on September 12, 2006, to charges of harboring and tax evasion in connection with a human smuggling and forced labor ring that brought young Honduran women into the United States and required them to work in her bars to offset smuggling debts that ranged from \$10,000 to \$20,000. From October 2004 until January 2005, Medrano harbored and employed young Honduran females, including at least four juveniles who obtained false identification.

As part of the plea agreement, Medrano agreed to make full restitution for all losses to victims of her offense. She further agreed to forfeit two parcels of real property she owns, valued in excess of \$500,000, where illegal aliens were harbored. Medrano must also pay back taxes of approximately \$250,000.

Noris Elvira Rosales Martinez, Ana Luz Rosales Martinez, and Jose Dimas Magana pled guilty on August 3, 2006, to forced labor charges resulting from transporting the smuggled women to one of three of Medrano's apartments in the New York/New Jersey area, where they were required to live until their smuggling debts had been repaid.

This is a joint investigation with ICE; the Guttenberg, New Jersey, Police Department; the General Prosecutor of the Republic of Honduras; and the Special Investigation Police of Honduras. *U.S. v. Luisa Medrano, et al.*; *U.S. v. Noris Elvira Rosales-Martinez*; *U.S. v. Ana Luz Rosales-Martinez*; and *U.S. v. Jose Dimas Magana* (D. New Jersey)

### **More Than 550 Undocumented Workers Brought into the United States by Labor Leasing Firm**

Jaroslav Sawczuk and Jozef Bronislaw Bogacki pled guilty on September 13, 2006, for their roles in a conspiracy to provide undocumented workers to American companies, which had hired the defendants to provide them with legally authorized foreign workers. On that same date, Pavel Preus was sentenced for his role in the conspiracy. Preus had pled guilty to similar charges on September 13, 2005.

Through this scheme, undocumented workers, who had entered the United States on tourist visas, were employed illegally in the Midwest and Southeastern United States at major commercial or corporate farming/agricultural operations. During the course of the conspiracy, the

defendants failed to pay \$5.7 million in payroll taxes, including approximately \$330,000 in unpaid UI taxes. They also laundered monies in excess of \$28 million. Three remaining defendants are Federal fugitives, at large and believed to be overseas. This was a joint case with ICE and the IRS. *U.S. v. Jaroslaw Sawczuk; U.S. v. Jozef Bronislaw Bogacki; and U.S. v. Pavel Preus* (S.D. Florida)

## Unemployment Benefits

*The Unemployment Insurance (UI) program, a Federal-state partnership, is the Department's largest income maintenance program. This multibillion-dollar program provides income maintenance to persons who are unemployed and otherwise meet eligibility requirements as determined under state law, which must conform to Federal law requirements. The purpose of the Disaster Unemployment Assistance (DUA) program is to provide unemployment assistance to individuals who become unemployed or cannot commence employment as a direct result of a major disaster, but are not covered under the Federal or state UI programs.*

*OIG audits conducted during this period questioned costs claimed by one state and identified a number of UI and DUA overpayments to persons impacted by Hurricanes Katrina and Rita. OIG investigations are currently identifying UI and DUA 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.*

### State of California Could Not Document Direct Labor Costs Charged to ETA Grants

The OIG conducted a performance audit of \$462.7 million in direct labor costs charged to DOL ETA grants awarded to the State of California Employment Development Department (EDD) for State Fiscal Years (SFYs) 2001 and 2002. We found that EDD could not support the basis for allocation of about \$76.7 million in costs claimed. EDD did not have adequate internal controls to ensure compliance with Federal cost principles, and allocated the costs on an estimated basis without reviewing and adjusting the estimated costs to actual costs. As a result, we questioned the \$76.7 million in unsupported costs.

We recommended that ETA direct EDD to submit documentation to support the adjustment from estimated to actual costs concerning the \$76.7 million for SFYs 2001 and 2002, as well as support for the adjustment from estimated to actual costs charged to ETA grants for SFYs 2003–2005. Based on the results of these adjustments, ETA should recover the costs overcharged to the ETA grants. We also recommended that ETA direct EDD to submit for approval an allocation methodology for the costs that benefit more than one program or activity to ensure that its methodology for charging costs to ETA grants fully complies with applicable criteria mandated by Office of Management and Budget (OMB) Circular A-87.

EDD officials responded that they adjusted five years of sampled employee timesheet data from estimated to actual costs. They stated that factoring in costs they had underreported resulted in a net undercharge of \$234,000 to ETA grants. EDD officials also stated that, effective July 1, 2005, EDD submitted to DOL for approval an Indirect Cost Rate Proposal that uses

revised cost pools and allocation procedures. The recommendations will be resolved during ETA's formal audit resolution process. ([Report 03-06-006-03-315, issued September 13, 2006](#))

## Individuals Received Unemployment Benefits While Receiving Public Service Employment Wages

While conducting an ongoing performance audit, the OIG performed a series of data mining and data analyses on unemployment benefits and Public Service Employment (PSE) wages received by individuals in Louisiana, Mississippi, and Texas. After Hurricane Katrina hit on August 29, 2005, a national emergency was declared, making DUA available to residents of the affected areas who had lost their jobs, or were unable to return to their jobs as a result of the hurricane, if they did not qualify for state UI. Hurricane Rita resulted in another national emergency declaration on September 24, 2005.

In response to Hurricane Katrina, ETA awarded Louisiana and Texas each with a National Emergency Grant (NEG) to provide temporary PSE jobs for dislocated workers. The NEGs were later modified to allow the temporary PSE jobs to also include temporary jobs in the public sector that were not directly related to the disaster, and to provide the same services to individuals affected by Hurricane Rita.

Through our analyses, we found that numerous individuals received unemployment benefits while also receiving PSE wages:

- Louisiana overpaid \$126,663 in DUA or UI benefits to 177 of 201 sampled Texas PSE participants.
- Louisiana overpaid \$105,170 in DUA or UI benefits to 107 of 120 sampled Louisiana PSE participants.
- Texas overpaid \$17,384 in DUA or UI benefits to 17 individuals while they received PSE wages in Texas.
- Mississippi overpaid \$4,498 in UI benefits to 3 individuals while they received PSE wages in Texas.

We also found that Louisiana's and Texas' Management Information Systems (MIS) did not accurately reflect PSE participants' program status:

- Louisiana's MIS data files identified that only 5 of the 120 sampled participants' PSE program participation had ended. For the 115 participants the State's MIS showed as still enrolled in PSE, 76 participants (66 percent) were not enrolled and 13 claimants never worked under the PSE program.
- Texas' MIS data files identified that only 21 of the 201 sample participants' PSE program participation had ended. For the 180 participants the State's MIS showed as still enrolled in PSE, 83 participants (46 percent) were not enrolled and 22 claimants never worked under the PSE program.

We recommended that ETA work with the states to establish and collect identified DUA and UI overpayments, as appropriate, and to determine whether additional overpayments should be established based on State

payroll audits of the PSE programs. We also recommended that ETA ensure that the States' NEG participant data is updated to properly reflect PSE participants' termination status, where necessary. ETA agreed to take appropriate action to address our recommendations. (Management Letters [06-06-006-03-315](#), [06-06-007-03-315](#), and [06-06-011-03-315](#), issued September 29, 2006)

## Individuals Received Unemployment Benefits in More Than One State

While conducting an ongoing performance audit, we analyzed DUA and UI claims filed in Louisiana and Mississippi following Hurricanes Katrina and Rita to identify instances of individuals receiving DUA in one state while receiving either DUA or state UI in the other state.

Through our analysis, we determined the following:

- The State of Louisiana paid \$54,782 of Hurricanes Katrina- and Rita-related DUA to 45 individuals who also received UI from the State of Mississippi.
- The States of Louisiana and Mississippi paid DUA claims to the same 40 individuals, resulting in overpayments of \$74,382 in DUA benefits.
  - Louisiana overpaid claims totaling \$59,682 through the week ending March 4, 2006 and
  - Mississippi overpaid claims totaling \$14,700 through the week ending February 25, 2006.

Louisiana has already taken action to collect refunds on a portion of the identified overpayments.

We recommended that ETA direct the states to establish and collect the overpayments not already collected; determine any other overpayments made to these claimants and include them in the states' overpayments and collections; and continue to work with OIG criminal investigators and the states to expedite the identification of fraudulent claims for appropriate action. ETA agreed to take appropriate action to address our recommendations. (Management Letters [06-06-009-03-315](#), issued September 13, 2006, and [06-06-010-03-315](#), issued September 29, 2006)

## Hurricane Katrina Reconstruction Company Owner Charged with Not Paying \$1.4 Million in Employment Taxes

The owner and operator of an Indiana-based labor leasing company was charged August 8, 2006, with mail fraud and failure to account for and remit employee withholding taxes relating to its disaster reconstruction work involving Hurricanes Francis and Katrina. In the alleged scheme, the owner hired employees to travel to Florida, paid the employees hourly wages, and purported to withhold their income and Social Security taxes. While allegedly withholding the taxes, the owner did not account for and pay the Federal

taxes to the IRS. The owner is charged with neither registering with the state of Indiana nor paying into its unemployment compensation fund as required.

The charges further allege that the owner spent approximately \$1.4 million, which should have been paid to state and Federal agencies, on personal expenses including mortgage payments, automobiles, a boat, a swimming pool, home improvements, and jewelry. This is a joint investigation with the IRS, ICE, SSA OIG, Environmental Protection Agency (EPA), USPIA, Indiana State Police, Indiana Department of Workforce Development, and Carmel Police Department.

### **Former Contractor Pleads Guilty to Charges of Defrauding Disaster Unemployment Assistance Program**

Wayne Peter Lawless, a former contractor for the Louisiana National Guard at the Baton Rouge Career and Job Center, pled guilty on July 17, 2006, to charges of “Extortion Under Color of Official Right” for his role in the filing of approximately 80 fraudulent DUA and UI claims with the Louisiana Department of Labor relating to Hurricane Katrina relief payments.

Lawless assisted in the filing and processing of DUA and UI claims for people he knew were not qualified to receive such assistance. A number of these claims involved the use of fraudulent Social Security numbers and names. The scheme caused debit cards valued at a total of over \$141,942 to be mailed to claimants at addresses provided by an accomplice. Each false claim had the potential to collect \$3,822 in fraudulent benefits, for a total of \$305,760. This was a joint investigation with the SSA OIG, USPIA, and FBI. *U.S. v. Wayne P. Lawless* (M.D. Louisiana)

### **Man Pleads Guilty to Disaster Unemployment Assistance Fraud Charges**

Dee Jay Frazier pled guilty on July 6, 2006, to charges of false use of Social Security numbers for his scheme to obtain Louisiana DUA debit cards. Beginning on or about September 29, 2005, Frazier fraudulently submitted 11 different claims for Louisiana DUA using various names and Social Security numbers. DUA debit cards were mailed to Frazier at four different addresses in Denver, Colorado. At the time of Frazier’s arrest, 29 weeks of DUA benefits had been credited to each of the 11 cards, resulting in a total loss of approximately \$28,420. Frazier had the potential to collect over \$42,000. This was a joint investigation with the SSA OIG. *U.S. v. Dee Jay Frazier* (M.D. Louisiana)

### **Indictments and Guilty Pleas in UI Identity Theft Scheme**

A June 22, 2006, superseding indictment charged 6 additional individuals in a scheme to defraud the California Employment Development Department (EDD). This judicial action has brought to 13 the number of people charged

with conspiracy, mail fraud, identity theft, and aggravated identity theft for filing thousands of false UI claims with the EDD. On June 12, 2006, 2 of the 13 pled guilty for their roles in the scheme. Francisco Lopez pled guilty to mail fraud and aiding and abetting, and Francisco Ramos pled guilty to conspiracy to commit mail fraud and identity theft.

The subjects of the later indictment are either current or past employees of a car dealership. They are alleged to have stolen credit card applications from that dealership to carry out their scheme. The group allegedly filed claims using thousands of fraudulently acquired employees' identities, which included names and Social Security numbers. They then purportedly used the fraudulently acquired information to both file false claims with the EDD and have UI checks sent to numerous post office boxes and other addresses they controlled. One individual is accused of causing approximately \$36,000 in UI checks to be mailed to four of his former residences. As of the reporting date, approximately \$1,514,930 in suspected fraudulent claims has been paid. This is a joint investigation with the FBI and the California EDD. *U.S. v. Juan Rosas Jr., et al.* (E.D. California)

### Sentences in Unemployment Insurance Fraud Scheme

Two individuals were sentenced in August 2006 for their roles in a conspiracy to defraud the DOL UI benefits system. John Slaughter, a former Texas Workforce Commission (TWC) employee, was sentenced on August 11, 2006, to 24 months in Federal prison and 36 months' supervised probation after release, and ordered to pay \$939,903 in restitution. Brenda Bowers was sentenced on August 18, 2006, to 12 months' home confinement and five years' probation, and ordered to pay \$13,848 in restitution. Two other defendants, Denetra McElroy and LaJuana Destin, are awaiting sentencing after being jointly convicted on April 3, 2006, of mail fraud and conspiracy.

As part of his duties at the TWC, Slaughter interviewed UI claimants and assisted in determining who qualified for benefits. Over a five-year period, Slaughter assisted several individuals in obtaining UI benefits to which they were not entitled. Additionally, he created several fictitious employers and solicited bribes to file and process false, fraudulent claims for UI benefits. As part of the scheme, other individuals who were acquaintances of Slaughter assisted in the filing of fraudulent UI claims by allowing themselves to be listed as bogus employers. Slaughter's actions allowed more than 250 fraudulent claims to be approved, which resulted in approximately \$500,000 in illegal payments. This was a joint investigation with the TWC. *U.S. v. John Slaughter* (S.D. Texas)

### Former UI Employee Sentenced for Creating Fraudulent Claims

Simona Franklin, a former Michigan Unemployment Insurance Agency (MUIA) employee, received an 18-month suspended sentence on September 18, 2006, with a requirement to serve one day in the custody of the Bureau of

Prisons, three years' supervised release, and pay restitution of \$143,479. She was also ordered to be employed on a full-time basis and to enroll in an intensive drug-treatment program. The incarceration portion of the sentence was suspended provided that Franklin not have a positive drug test during her supervised release period. Franklin pled guilty to charges of mail fraud charges on June 19, 2006, for her role in a scheme to defraud MUJA. Franklin's mother, Christine Dugger, pled guilty to charges of mail fraud on May 10, 2006, for her role in Franklin's scheme. On September 19, 2006, a superseding information was filed that charges another family member with mail fraud.

Franklin established fraudulent unemployment claims for individuals who were not eligible to receive unemployment benefits. Franklin manually input identity information for six individuals, including three of her family members, into the MUJA system to generate 93 fraudulent benefit checks totaling \$143,479. This case is being worked jointly with MUJA and the FBI. *U.S. v. Simona Franklin* (E.D. Michigan)

### **California UI System Employee Charged in Fraudulent Claims Scheme**

A former accounting technician for the California EDD was charged on April 27, 2006, with making improper entries in EDD's computerized UI system. A review of computer entries showed that between December 2004 and October 2005, wage histories of several of the defendant's friends and relatives had been altered by adding wages to increase their collection of UI benefits. As part of her scheme, the defendant allegedly used two inactive companies as base period employers, allowing the filing of several fraudulent UI claims. The entries resulted in substantial benefits for the defendant's friends and family members, who received over \$100,000 in UI benefits, most of which they were not entitled to receive. This is a joint investigation with the California EDD.

## 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 \$2.5 billion in medical and death benefits and wage loss compensation was paid from October 2005, to September 2006, 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.*

### Better Controls Needed for OWCP's Nurse Intervention Program

In response to a complaint from a former OWCP contract nurse, the OIG performed an audit of OWCP's procedures for ensuring that contract nurses with the Nurse Intervention Program were properly licensed and that their access to confidential medical records was restricted to only assigned cases. We found that while OWCP generally had procedures for documenting contract nurse licenses and restricting their access to medical records in claimant files, these procedures needed to be strengthened. OWCP's procedures for requiring verification of nurse licenses during contracting and hiring did not also require periodic review to ensure that licenses were renewed and in good standing. OWCP's procedures for restricting contract nurse access to medical records required the claimant to be responsible for notifying medical providers when a contract nurse should or should not receive medical information. However, OWCP communications with claimants did not state the claimant's level of responsibility for notifying medical providers regarding nurse access to medical information, and claimants were not notified when contract nurses were no longer actively assigned to the claim.

We recommended that ESA improve internal controls for the Nurse Intervention Program with respect to periodic documentation of nurse licenses and restricting access to medical records. In its comments, ESA concurred and stated it will be developing new procedures to address the recommendations. ([Report 02-06-207-04-431, issued September 29, 2006](#))

### Daughter Sentenced for Receiving Deceased Father's Benefit Money

Alice F. Wheeler, the daughter of a deceased Black Lung Trust Fund beneficiary, was sentenced on June 16, 2006, to five years' probation and 30

days' home confinement for theft of government property. Wheeler was further ordered to pay \$45,765.30 in restitution to the DOL Black Lung Trust Fund, and a \$100 assessment for failing to notify the DOL of her father's death and for submitting falsified biyearly forms on his behalf. Wheeler had pled guilty on April 7, 2006. From November 1997 through May 2005, Wheeler submitted documents to DOL that implied her father was still alive. Suspicion was raised after she noted that her father was hospitalized, blind, and had Alzheimer's disease. Wheeler lied to a DOL Black Lung Trust Fund claims examiner and falsely signed her father's signature on a DOL form submitted five years after his death. *U.S. v. Alice Wheeler* (N.D. Ohio)

### **Granddaughter Pleads Guilty to Charges of Stealing Grandmother's Benefit Money**

Jacqueline Louden pled guilty on August 18, 2006, to mail fraud charges for defrauding the DOL's Division of Coal Mine Workers' Compensation. Louden was the caretaker of her grandmother, who was a living widow beneficiary for Black Lung Trust Fund benefits. In February 1999, Louden placed her grandmother into a nursing home but failed to report her grandmother as a Black Lung beneficiary. Because Louden did not correctly report the Black Lung benefit, her grandmother's care was paid for by Medicare and by her Social Security benefits. From February 1999 through September 2003, the grandmother's benefit checks were mailed to Louden, who forged her grandmother's signature and signed her own name underneath to negotiate the check at a local bank. Louden stole \$26,983.50 worth of Black Lung monies, and is currently awaiting sentencing. *U.S. v. Jacqueline Louden* (E.D. Kentucky)

### **Former TVA Ironworker Fails to Report Income**

Dennis M. Jordan, a former ironworker for the Tennessee Valley Authority (TVA), was sentenced on April 5, 2006, to five years' probation and 12 months' home detention, and ordered to make restitution in the amount of \$98,015.40 for making false statements to obtain FECA benefits. Jordan claimed an on-the-job injury to his lower back on January 28, 1981, and was placed on the periodic rolls in lieu of disability retirement on November 29, 1990. During the fall of 2000, Jordan concealed the fact that he was being employed to dig wells. On February 6, 2006, OWCP reported an overpayment amount of \$308,079.52 relating to Jordan's work activity. This case was worked jointly with the TVA OIG. *U.S. v. Dennis M. Jordan* (N.D. Alabama)

### **Handyman in Hawaii Accused of Defrauding FECA**

A former insulator at the Pearl Harbor Naval Shipyard was indicted on June 22, 2006, for making false statements to obtain Federal employee disability compensation. In November 1980, the defendant received a serious head injury when he was hit by a loosened steam valve handle. He began receiving monthly FECA benefits shortly after the injury. In January 1999, it is alleged that the defendant and his wife incorporated a home maintenance

and handyman business. While collecting monthly benefits and not reporting the business income to DOL OWCP, the defendant claimed that he earned zero income in order to prevent OWCP from reducing his benefit checks. The alleged scheme involved the claimant collecting FECA benefits while earning a total of \$140,509.78 by working as a handyman. Between January 1999 and February 2003, the claimant allegedly submitted falsified forms to OWCP and received approximately \$139,000 in FECA benefits. This was a joint investigation with the U.S. Navy Office of Human Resources.

### **Federal Government and Private Insurance Companies Falsely Billed Millions**

Alpha Treatment Centers, Inc. (ATCI), pled guilty on September 27, 2006, to one count of conspiracy for receiving money from insurance claims to which it was not entitled. ATCI, the operator of Texas Durable Medical Equipment, received the money as a result of illegal and fraudulent claims submitted by its employees. Jason White, an employee of ATCI, pled guilty on July 12, 2006, to conspiracy charges for his role in a scheme to commit mail fraud and health care fraud. ATCI is operated by Alpha Group, which also operates numerous medical-related businesses in Texas.

Several state and Federal workers' compensation patients were billed by ATCI under their workers' compensation claim number for durable medical equipment known as cryotherapy units, a system designed to circulate cold or hot water through pads strapped to patients' body parts. Alpha billed OWCP \$495 every nine days for the unit and \$395 for the pads. For some of the 146 Federal claimants, OWCP paid between \$18,000 and \$40,000 in rental fees. The purchase price for the units is approximately \$295. Alpha continued to bill OWCP even if claimants returned or never received the units. OWCP and private insurance companies were defrauded millions of dollars through the scheme. This case was worked jointly with the U.S. Postal OIG, USPIS, Texas Workers' Compensation Commission, and Texas Mutual Insurance Company. *U.S. v. Jason White* (N.D. Texas)

## Information Technology

*The Department operates sensitive systems consisting of major applications, general support systems, and mission-critical systems. DOL relies on these critical information systems to monitor and analyze the nation's labor market and economic activities, manage workforce services, and protect and compensate American workers. The OIG tested these systems to ensure that system controls were in place and operating effectively. We also tested and updated the audit findings and recommendations identified in previous years.*

### Federal Information Security Management Act

As required by the Federal Information Security Management Act (FISMA), the OIG conducted annual independent audits and evaluations to determine whether the Department's information security program adequately protects data and information systems. During this semiannual reporting period, we completed audits of four of the Department's 85 sensitive systems. We also performed an evaluation of the Department's protection of sensitive agency information, resolution work on selected agency information security control recommendations, and independent verification and validation of agency plans of action and milestones.

Over the past year, DOL has been recognized for its leadership in reaching green in all categories associated with the President's Management Agenda, which includes IT security. The Department has continued to focus on activities aimed at improving its information security program. However, based on the results of our work, we believe DOL's overall information security program can be improved by focusing on access controls in high- and medium-risk systems containing sensitive information. Placing a high priority on this area will help reduce the risk of unauthorized access to systems and sensitive information. Doing so will protect against inadvertent or deliberate misuse, fraudulent use, improper disclosure, or destruction, possibly occurring without detection.

The results of our evaluation of the Department's protection of sensitive agency information and four information system controls audits present challenges to the Department to improve its information security program including protection over sensitive agency information and System security controls effectiveness.

#### Protection Over Sensitive Agency Information

Through our evaluation of DOL's protection of personally identifiable information (PII), as required by OMB Memorandum 06-16, we determined the Department still needs to take significant steps in order to ensure the protection of PII in its information systems. These steps include encrypting all data on mobile computers/devices that carry agency data unless the data is determined, in writing, to be non-sensitive; allowing remote access using a two-step process in which one of the steps is separate from the other, for example, (1) user/password log-on and (2) smartcard access; and using a

“time-out” function for remote access and mobile devices requiring the user to log on after 30 minutes of inactivity. These controls are key elements in the Department’s ability to ensure the protection of PII that is accessed remotely or physically transported or stored outside Department facilities.

### System Security Controls Effectiveness

- **Access Controls:** Three component agencies had significant deficiencies in their overall information systems security programs. These deficiencies included improper account management, poor passwords, lack of audit log reviews, excessive access permissions to sensitive directories, and running unnecessary services on production servers. Inappropriate access controls could lead to unauthorized access and changes to the information system, which could ultimately impact the confidentiality and integrity of sensitive data generated and stored by the system.
- **Change Control Procedures:** Two agencies’ information systems did not have a sufficient process in place to document requests and approvals to make changes to systems. Neither agency documented the systems’ existing hardware and software, which is important in understanding when systems require updating during routine and preventive maintenance. One system had outdated and unpatched operating system software running on a production server. Without proper system documentation and a process to request and approve system changes, an unnecessary risk is being taken in which security controls may inadvertently or deliberately be omitted or malicious code could be introduced.
- **Service Continuity:** Three information systems had contingency planning weaknesses, which included contingency plans that were inaccurate, incomplete, and outdated, and did not meet DOL and Federal requirements. In addition, personnel were not being trained in their responsibilities and roles to bring systems back online in an orderly fashion after a system outage. Losing the capability to process, retrieve, and protect information maintained electronically can significantly affect an agency’s ability to accomplish its mission.
- **Incident Response Procedures and Training:** Weaknesses in establishing how to respond to computer security incidents existed in two component agencies. Neither agency had plans outlining the steps to take to adequately identify and report incidents to appropriate officials, nor had these agencies trained individuals with incident response roles and responsibilities in their duties. Security incidents, whether caused by viruses, hackers, or software bugs, are becoming more common and are of more concern because systems depend on other systems and a breach of one system’s security can place multiple information assets and resources at risk of corruption or disclosure. Lack of a formal documented incident response process, including training, may

lead to inefficient and ineffective incident response, which may prevent the detection and proper handling of security incidents.

## Accounting for Costs of DOL Websites Can Be Improved

The OIG conducted an audit of the Enterprise Communication Initiative (ECI) of DOL Websites at the suggestion of the Deputy Secretary of Labor. In July 2004, the Secretary of Labor announced the ECI to better manage the Department's dispersed public Internet and Intranet Websites, communications centers, and translation services. ECI supports the President's Management Agenda component of expanded E-Gov by utilizing the Internet to support the dissemination of vital DOL information and data to the public. The Assistant Secretary for Public Affairs (ASPA) has been delegated authority and responsibility for implementing and managing the ECI.

We found that DOL agencies did not accurately account for the costs of purchases, staff, and contracting services dedicated to developing and maintaining their Websites. Specifically, they did not always use the special accounting code established by the Office of the Chief Financial Officer to ensure that these costs were reported as Website costs in the Department's accounting system (DOLAR\$). As a result, the Website costs were understated. We also found that:

- written policies requiring the use of the accounting code for applicable Website costs were ineffective because they were both unclear and not adhered to;
- staff did not account for specific time spent on website activities, and DOLAR\$ was not set up to automatically allocate time based on each individual activity an employee undertakes; and
- there was inadequate monitoring to ensure that costs intended to be reported as Website costs were reported correctly in DOLAR\$.

We made three recommendations to the ASPA to ensure Website-related costs are properly reported in DOLAR\$ and monitored for compliance by agency management. The ASPA agreed with the recommendations but stated that corrective actions will require the involvement of other agencies. ([Report 03-06-007-01-001, issued September 29, 2006](#))

## Procurement

*As part of the OIG's ongoing oversight of the Departmental procurement function, we issued two reports relating to DOL's adherence to acquisition requirements.*

### **There Was No Evidence Contracting Officers Were Checking Required Sources Before Making GSA Schedule Procurements**

The OIG conducted an audit to determine whether DOL procured supplies and services through the General Services Administration (GSA) Schedules program in accordance with prescribed rules and regulations. In FY 2005, DOL agencies procured an estimated \$1.7 billion in supplies and services through over 8,300 separate actions. Of these, over 2,500 represented procurements through GSA Schedules at a cost of about \$166 million. According to the Federal Acquisition Regulation (FAR), agencies are required to check two different sources before procuring through GSA Schedules: existing government inventories of excess personal property, if applicable, and nonprofit agencies on the procurement list provided by the Committee for Purchase from People Who Are Blind or Severely Disabled.

DOL requires that Contracting Officers (COs) complete the Simplified Acquisition Documentation Checklist to show that required sources of supplies/services were reviewed prior to the selection of the vendor. In OASAM and the Bureau of Labor Statistics (BLS), the Checklist form was in the contract files; however, the form does not provide sufficient information to indicate whether or not Contracting Officers were checking these required sources when applicable. In ETA and MSHA, the COs used an alternate form and not the required Checklist. We made three recommendations to the Chief Acquisition Officer to ensure COs' compliance with prescribed rules and regulations regarding checking excess inventories and required sources prior to procuring supplies and services. The agency concurred with the recommendations and has initiated corrective actions. ([Report 05-06-004-07-001, issued September 15, 2006](#))

### **ETA Contract Violated Small Business Administration Section 8(a) Program Requirements**

We conducted a performance audit of ETA, Division of Contract Services' procurement action with The Creative Eye dba TCE Digital Solutions (TCE) of Camp Springs, Maryland. We found that ETA violated Small Business Administration (SBA) regulations and the contract provisions. As a result, we issued an Alert Report calling for ETA's immediate attention. Although the contract was awarded by ETA, it also involved Job Corps.

In June 2005, ETA contacted SBA concerning its requirement for a potential acquisition under Section 8(a) of the SBA Act. Based on the information presented to SBA in ETA's request, SBA authorized ETA to negotiate and contract directly with TCE for specified services, in accordance with

streamlined 8(a) contracting procedures outlined in the partnership agreement between SBA and DOL.

We identified three violations of either SBA regulations or the contract provisions:

- the current value of the TCE contract exceeded the \$3 million limit for the life of the contract allowed in SBA regulations;
- contrary to the regulations, TCE had not “performed 50 percent of the cost of the contract incurred for personnel with its own employees”; and
- although the solicitation package that ETA submitted, and SBA approved, was limited to tasks only in the Job Corps program, the Statement of Work in the executed contract with TCE provided for general tasks, which allowed ETA to issue task orders for programs and functions throughout ETA.

We made three recommendations to the Deputy Secretary to take immediate action to ensure that all pending modifications to the TCE contract were stopped; ensure that no additional funds or task orders were added to the contract; and, since the \$3 million lifetime limit of the contract had been exceeded, not exercise the contract’s one-year option. ETA agreed with the recommendations and has initiated corrective actions. ([Report 05-06-005-03-390, issued June 19, 2006](#))

## 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 DOL and the 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 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 the 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 can 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 the 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 their eligibility determined 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, with no substitutions allowed.
- 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 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 an 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 .....	51
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.....	62
Section 5(a)(4)—Matters Referred to Prosecutive Authorities.....	64
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 .....	58
Section 5(a)(7)—Summary of Significant Reports .....	All
Section 5(a)(8)—Statistical Tables on Management Decisions on Questioned Costs .....	57
Section 5(a)(9)—Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use .....	56
Section 5(a)(10)—Summary of Each Audit Report Over Six Months Old for Which No Management Decision Has Been Made.....	62
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	1	36.7
Issued during the reporting period	0	0.0
Subtotal	1	36.7
For which management decision was made during the reporting period:		
• Dollar value of recommendations that were agreed to by management		33.0
• Dollar value of recommendations that were not agreed to by management		3.7
For which no management decision had been made as of the end of the reporting period	0	0.0

**Implemented by DOL**

	Number of Reports	Dollar Value (\$ millions)
For which final action had not been taken as of the commencement of the reporting period	6	438.6
For which management or appeal decisions were made during the reporting period	1	33.0
Subtotal	7	471.6
For which final action was taken during the reporting period:		
• Dollar value of recommendations that were actually completed		20.1
• Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		13.0
For which no final action had been taken by the end of the period	5	438.5

**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)	34	16.2
Issued during the reporting period	36	90.2
Subtotal	70	106.4
For which a management decision was made during the reporting period:		
• Dollar value of disallowed costs		1.2
• Dollar value of costs not disallowed		8.8
For which no management decision had been made as of the end of the reporting period	51	96.4
For which no management decision had been made within six months of issuance		6.3

**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)*	77	22.8
For which management or appeal decisions were made during the reporting period	18	15.5
Subtotal	94	38.3
For which final action was taken during the reporting period:**		
• Dollar value of disallowed costs that were recovered		3.7
• Dollar value of disallowed costs that were written off by management		.2
For which no final action had been taken by the end of the reporting period	85	34.4

\* 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 \$1.7 million of disallowed costs that are under appeal.

<u>Program Name</u> <u>Name of Report</u>	<u>Date</u> <u>Issued</u>	<u>Report</u> <u>Number</u>	<u># of Nonmonetary</u> <u>Recommendations</u>	<u>Questioned</u> <u>Costs</u> <u>(\$)</u>	<u>Funds Put to</u> <u>Better Use</u> <u>(\$)</u>
<b>Employment and Training Programs</b>					
<b>United States Employment Service</b>					
Single Audit: State of Montana	06-29-06	21-06-545-03-320	3	31,416	0
Single Audit: State of California	07-13-06	21-06-550-03-320	3	0	0
Single Audit: Department of Labor and Industrial Relations, State of Hawaii	07-11-06	21-06-551-03-320	1	165,535	0
<b>Trade Adjustment</b>					
Single Audit: State of Texas Comptroller of Public Accounts	07-25-06	21-06-548-03-330	3	17,556	0
<b>Indian and Native American Program</b>					
Single Audit: Denver Indian Center, Inc.	08-16-06	21-06-540-03-355	3	0	0
<b>Older Workers Program</b>					
Single Audit: SER Jobs for Progress, Inc.	05-17-06	21-06-526-03-360	24	0	0
Single Audit: Senior Service America, Inc.	09-13-06	21-06-563-03-360	6	794,228	0
<b>Job Corps Program</b>					
Job Corps Student Pay Allotment and Management Information System for 2 Years Ended 9/30/05	09-29-06	03-06-003-01-370	6	0	0
Complaint Involving the Cincinnati Job Corps Center	09-29-06	03-06-004-01-370	0	0	0
Performance Audit of Job Corps Center Operating Costs	09-29-06	03-06-005-01-370	5	21,174	0
ABC Georgia Overstated Job Corps Placement Outcomes	09-29-06	09-06-004-01-370	6	214,992	0
Los Angeles Job Corps Center: Allegations of Misuse of DOL Funds and Property	09-29-06	09-06-005-01-370	1	303,870	0
Single Audit: YWCA of Greater Los Angeles	08-16-06	21-06-543-01-370	12	220,000	0
Single Audit: Future Entrepreneurs and Workers Training Administration	08-16-06	21-06-553-01-370	48	10,000	0
Federal Information Security Management Act Audit of the Job Corps Student Pay, Allotment, and Management Information System	09-27-06	23-06-014-01-370	1	0	0
Boston Regional Office Procurement of Job Corps Center Operator and Service Providers in Puerto Rico	09-29-06	26-06-002-01-370	2	0	0
<b>Welfare-to-Work Program</b>					
Welfare-to-Work Grant: The Doe Fund	09-29-06	02-06-206-03-386	2	1,616,259	
<b>Workforce Investment Act</b>					
Westchester-Putnam Counties Consortium for Worker Education and Training Earmark Grant	09-29-06	02-06-204-03-390	4	128,233	0
St. Charles County's Department of Workforce Development Claim to Missouri is Unsupported	09-28-06	05-06-001-03-390	2	4,110,061	0
State of Georgia One-Stop System is a Work in Progress, Based on an Audit of Two One-Stop Centers	06-29-06	06-06-002-03-390	0	0	0
Single Audit: State of West Virginia	06-12-06	21-06-528-03-390	11	0	0
Single Audit: Ute Mountain Ute Tribe	06-02-06	21-06-537-03-390	7	0	0
Single Audit: National Association of Workforce Boards	07-11-06	21-06-538-03-390	6	0	0
Single Audit: Commonwealth of Kentucky	07-11-06	21-06-544-03-390	6	565,437	0
Single Audit: Commonwealth of Northern Marion Islands	08-31-06	21-06-559-03-390	5	528,046	0
Single Audit: Government of Guam	08-31-06	21-06-561-03-390	8	48,412	0
<b>Labor Statistics</b>					
Bureau of Labor Statistics Needs to Remedy Significant Security Control Deficiencies for the Producer Price Index System	09-29-06	23-06-013-11-001	15	0	0
<b>Goal Totals</b>		<b>27</b>	<b>190</b>	<b>8,775,219</b>	<b>0</b>

<u>Program Name</u> Name of Report	Date Issued	Report Number	# of Nonmonetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)
<b>Worker Benefit Programs</b>					
<b>Unemployment Insurance Program</b>					
State of California Direct Labor Costs Charged to Employment and Training Grants	09-13-06	03-06-006-03-315	2	76,700,000	0
Single Audit: State of Michigan Unemployment Agency Compensation Fund	05-16-06	21-06-529-03-315	8	4,286	0
Single Audit: State of Michigan Department of Consumer and Industry Services, Unemployment Agency Administration Fund	05-16-06	21-06-531-03-315	5	114,867	0
Single Audit: Government of the U.S. Virgin Islands	07-13-06	21-06-555-03-315	15	36,805	0
<b>Federal Employees' Compensation Act</b>					
Office of Workers' Compensation Programs Licensing and Confidentiality Procedures for Contract Nurses	09-29-06	02-06-207-04-431	2	0	0
Service Auditors' Report on the Integrated Federal Employees' Compensation System and Medical Bill Processing System	09-29-06	22-06-011-04-431	0	0	0
<b>Longshore and Harbor Workers' Compensation</b>					
Longshore and Harbor Workers' Compensation Act Special Fund Financial Statements and Independent Auditors' Report	09-21-06	22-06-008-04-432	0	0	0
District of Columbia Workmens' Compensation Act Special Fund Financial Statements and Independent Auditors' Report	09-21-06	22-06-009-04-432	0	0	0
<b>Employees' Benefit Security</b>					
Resolution of Prior Year Recommendations from the Federal Information Security Management Act Audit of the Employee Benefits Security Administration's Employee Retirement Income Security Act Filing Acceptance System	09-29-06	23-06-017-12-001	3	0	0
<b>Goal Totals</b>		<b>9</b>	<b>35</b>	<b>76,855,958</b>	<b>0</b>
<b>Worker Safety, Health, and Workplace Rights</b>					
<b>Mine Safety and Health</b>					
Coal Mine Hazardous Condition Complaint Process Should Be Strengthened	09-29-06	05-06-006-06-001	13	0	0
<b>Occupational Safety and Health</b>					
Single Audit: State of North Carolina Occupational Safety and Health Administration Needs to Remedy Significant Security Control Deficiencies for the Integrated Management Information System Redesign Whistleblower Web Application	07-11-06	21-06-546-10-001	2	82,751	0
	09-29-06	23-06-016-10-001	18	0	0
<b>Goal Totals</b>		<b>3</b>	<b>33</b>	<b>82,751</b>	
<b>Departmental Management</b>					
<b>Office of the Secretary</b>					
Audit of Spending and Management Control of Department of Labor Websites	09-29-06	03-06-007-01-001	3	0	0
<b>ETA Management</b>					
Single Audit: State of Ohio	05-04-06	21-06-510-03-001	51	0	0
Single Audit: Seminole Nation of Oklahoma	05-16-06	21-06-525-03-001	0	14,939	0
Single Audit: Commonwealth of Puerto Rico Department of Labor and Human Resources, Fiscal Year 2002	05-17-06	21-06-535-03-001	43	2,537,509	0

<u>Program Name</u> Name of Report	Date Issued	Report Number	# of Nonmonetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)
Single Audit: Commonwealth of Puerto Rico Department of Labor and Human Resources, Fiscal Year 2003	05-17-06	21-06-536-03-001	0	330,554	0
Single Audit: State of Washington, Fiscal Year 2004	06-14-06	21-06-539-03-001	8	482,385	0
Single Audit: State of North Carolina	07-11-06	21-06-541-03-001	9	38,478	0
Single Audit: South Carolina Employment Security	08-16-06	21-06-542-03-001	13	0	0
Single Audit: State of Tennessee	07-25-06	21-06-547-03-001	20	352,210	0
Single Audit: State of Utah	08-16-06	21-06-549-03-001	12	4,171	0
Single Audit: National Center on Education and The Economy	08-16-06	21-06-552-03-001	4	0	0
Single Audit: State of Florida	08-16-06	21-06-554-03-001	23	205,472	0
Single Audit: Commonwealth of Pennsylvania	08-18-06	21-06-556-03-001	20	17,041	0
Single Audit: City and County of Denver, Colorado	08-15-06	21-06-557-03-001	2	0	0
Single Audit: Maui Economic Development Board, Inc.	09-01-06	21-06-560-03-001	2	47,703	0
Single Audit: State of Washington, Fiscal Year 2005	09-13-06	21-06-562-03-001	5	54,523	0
<b>OASAM Management</b>					
There is No Evidence Contracting Officers Are Checking Required Sources before Making GSA Schedule Procurements	09-15-06	05-06-004-07-001	3	0	0
Office of the Assistant Secretary for Administration and Management Needs to Remedy Significant Control Deficiencies for the Employee Computer Network/Departmental Computer Network	09-29-06	23-06-015-07-001	17	0	0
<b>Goal Totals</b>		<b>18</b>	<b>235</b>	<b>4,084,985</b>	
<b>Final Audit and Attestation Report Totals</b>		<b>57</b>	<b>493</b>	<b>89,798,913</b>	<b>0</b>

**NOTE:** All single audit reports shown in the above schedule represent audits of States, local governments and nonprofit organizations conducted, in accordance with generally accepted government auditing standards, by independent public accounting firms and/or state and local government auditors under the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996. Upon receipt of the Single Audit report, OIG reviews the report to identify findings and recommendations directed at DOL programs. OIG then issues a report to the funding agency that summarizes the DOL findings and recommendations, and requests that the funding agency take resolution action on the recommendations within 6 months of the date of the OIG report.

<u>Program Name</u> Name of Report	Date Issued	Report Number	# of Nonmonetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)
<b>Employment and Training Programs</b>					
<b>Job Corps Program</b>					
Alert Report: National Park Service Has Not Assured the Safety and Health of Students and Staff at the Oconaluftee Job Corps Center	07-07-06	26-06-001-01-370	3	0	0
<b>Workforce Investment Act</b>					
Management Letter: Questionable Eligibility of College Students in Mississippi's National Emergency Grant Training Program	09-28-06	04-06-008-03-390	3	0	0
Alert Report: The Employment and Training Administration's Contract with The Creative Eye d/ba TCE Digital Solutions is in Violation of SBA Section 8(a) Program Requirements	06-19-06	05-06-005-03-390	1	0	0
<b>Goal Totals</b>		<b>3</b>	<b>7</b>	<b>0</b>	<b>0</b>
<b>Worker Benefit Programs</b>					
<b>Unemployment Insurance Program</b>					
Management Letter: Individuals Received Unemployment Benefits in Louisiana While Receiving Public Service Employment Wages in Texas	09-29-06	06-06-006-03-315	0	126,663	0
Management Letter: Individuals Received Unemployment Benefits in Louisiana While Receiving Public Service Employment Wages in Louisiana	09-29-06	06-06-007-03-315	0	105,170	0
Management Letter: Individuals Received Disaster Unemployment Assistance in Louisiana While Receiving Unemployment Compensation in Mississippi	09-13-06	06-06-009-03-315	0	54,782	0
Management Letter: Individuals Received Disaster Unemployment Assistance in Both Louisiana and Mississippi	09-29-06	06-06-010-03-315	0	74,382	0
Management Letter: The States of Texas and Mississippi Overpaid Unemployment Benefits to Some Texas Public Service Employment Participants	09-29-06	06-06-011-03-315	0	21,882	0
<b>Goal Totals</b>		<b>5</b>	<b>0</b>	<b>382,879</b>	<b>0</b>
<b>Worker Safety, Health, and Workplace Rights</b>					
Management Letter: MSHA Accountability Program Coal Mine Safety and Health	09-29-06	05-06-007-06-001	5	0	0
<b>Goal Totals</b>		<b>1</b>	<b>5</b>	<b>0</b>	<b>0</b>
<b>Other Report Totals</b>		<b>9</b>	<b>12</b>	<b>382,879</b>	<b>0</b>

Agency/ Program	Date Issued	Name of Audit	Report 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 Financial Statements	12-98-001-13-001	1	0
CFO/Admin	12/15/05	Findings and Recommendations to the Chief Financial Officer as a Result of an Audit of the U. S. Department of Labor's Report on Performance and Accountability	22-06-001-13-001	1	0
<b>Being Resolved in Conjunction with Longshore and Harbor Workers' Financial Statement Audit</b>					
ESA/DLHWC	09/30/05	Longshore and Harbor Workers' Compensation Act Special Fund Financial Statements and Independent Auditor's Report, September 30, 2004 and 2003	22-05-010-04-432	1	0
<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	0
ETA/OJC	09/22/99	Talking Leaves Job Corps Center	06-99-010-03-370	2	0
ETA/UIS	09/13/02	State of Maryland Workforce Agency UI Tax and Benefit Information System	23-02-008-03-315	14	0
ETA/UIS	09/13/02	UI Tax and Benefit Information System Security – ETA	23-02-009-03-315	9	0
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	0
ETA/UIS	03/11/03	UI Tax and Benefit Information System Security – Michigan	23-03-003-03-315	53	0
ETA/UIS	02/27/03	UI Tax and Benefit Information System Security – California	23-03-005-03-315	1	0
ETA/WIA	09/30/03	Audit of Services Provided and Outcomes Obtained for Participants Enrolled in the WIA Dislocated Workers Program During PY 2000	02-03-204-03-390	2	0
VETS/Admin	12-04/03	Rehabilitation Services and Veterans Programs, Albuquerque, New Mexico	06-04-001-02-201	2	1,593,700
ETA/SESA	09/30/04	Despite Assurances to the Contrary DOL Has Not Maintained Accountability Over Equity in Real Property Held By States	06-04-002-03-325	8	0
ETA/SESA	09/30/04	State Workforce Agencies' WIA Grant Programs Are Accruing Federal Equity in Real Properties	06-04-003-03-325	1	0
ETA/TAA	09/30/05	Performance Audit of Health Coverage Tax Credit (HCTC) Bridge and Gap Programs	02-05-204-03-330	2	0
OASAM/DIRM	03/31/05	Award and Management of Contracts for Encryption Software Were Significantly Flawed	05-05-005-07-720	1	0
ETA/Admin	09/14/05	Single Audit: The Navajo Nation	21-05-546-03-001	16	68,962
ETA/UIS	09/28/05	Federal Information Security Management Act Audit – State of Texas UI and Tax Benefit System	23-05-019-03-315	27	0
ETA/WTW	09/26/05	Seminole Nation of Oklahoma	21-05-553-03-386	3	10,434
ETA/WIA	09/14/05	Single Audit: Seminole Nation of Oklahoma	21-05-555-03-390	6	0
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 Pattern of Disregard for Federal and Department of Labor Acquisition Rules and Requirements	25-05-001-06-001	1	0
ETA/WIA	07/10/06	Single Audit: Powhatan Renape Nation	21-06-511-03-390	2	0
ETA/WIA	04/02/05	Single Audit: Trimmer Education Foundation	21-05-508-03-390	2	10,304

Agency/ Program	Date Issued	Name of Audit	Report Number	# of Recommendations	Questioned Costs (\$)
ESA/Admin	01/23/06	Employment Standards Administration Application Security Controls	23-06-003-04-001	5	0
<b>Pending Workforce Investment Act Reauthorization</b>					
ETA/WIA	09/30/03	Evaluation of WIA Youth Program	06-03-006-03-390	1	0
<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	0
<b>Final Management Decision Being Reviewed by OIG</b>					
ETA/Admin	03/31/04	Single Audit: State of Montana	22-04-545-03-001	7	57,000
ETA/WTW	09/30/05	Performance Audit – City of Savannah	04-05-004-03-386	4	2,856,430
ETA/Admin	01/23/06	ETA Application Security Controls	23-06-005-03-001	1	0
<b>Final Management Decision Not Issued by Agency by Close of Period</b>					
VETS/Gntee	04/30/04	Single Audit: U.S. Veterans Initiative	22-04-508-02-201	1	0
VETS/Admin	03/24/05	Single Audit: State of Florida	21-05-523-02-001	2	245,226
ETA/WIA	09/26/05	Single Audit: Powhatan Renape Nation	21-05-556-03-390	10	1,000
ETA/WTW	03/31/06	National Puerto Rican Forum	02-06-201-03-386	3	424,080
ETA/WIA	02/28/06	Management Letter: Grant Implementation Issues for National Emergency Grant Issued to Alabama Department of Economic and Community Affairs	04-06-003-03-390	2	0
OSEC/JCC	09/26/05	Strengthening Efforts to Assess and Account for Students with Cognitive Disabilities Would Help Job Corps Achieve Its Mission	09-06-001-03-370	3	0
OSEC/PCEP	02/08/06	Single Audit: Way Station, Inc.	21-06-519-01-080	8	93,251
VETS/Gntee	02/08/05	Single Audit: Way Station, Inc.	21-06-520-02-201	2	95,296
ETA/Admin	11/04/05	Single Audit: State of Arizona	21-06-504-03-001	8	414,619
ETA/WIA	11/04/04	Single Audit: Sullivan County	21-06-505-03-390	2	183,508
ETA/WIA	03/23/06	Single Audit: National Association of Workforce Boards	21-06-533-03-390	4	156,249
<b>Total Nonmonetary Recommendations, Questioned Costs</b>				<b>238</b>	<b>6,311,709</b>

	<b>Division Totals</b>	<b>Totals</b>
<b>Cases Opened:</b>		325
Program Fraud	265	
Labor Racketeering	60	
<b>Cases Closed:</b>		321
Program Fraud	252	
Labor Racketeering	69	
<b>Cases Referred for Prosecution:</b>		163
Program Fraud	118	
Labor Racketeering	45	
<b>Cases Referred for Administrative/Civil Action:</b>		180
Program Fraud	97	
Labor Racketeering	83	
<b>Indictments:</b>		295
Program Fraud	141	
Labor Racketeering	154	
<b>Convictions:</b>		260
Program Fraud	145	
Labor Racketeering	115	
<b>Debarments:</b>		24
Program Fraud	6	
Labor Racketeering	18	
<b>Recoveries, Cost Efficiencies, Restitutions, Fines/ Penalties, Forfeitures, and Civil Monetary Actions:</b>		\$76,006,826
Program Fraud	\$36,784,654	
Labor Racketeering	\$39,222,172	

<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)	\$4,354,905
<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)	\$3,810,571
<b>Restitutions:</b> (The dollar amount/value of restitutions resulting from OIG criminal investigations)	\$42,415,717
<b>Fines/Penalties:</b> (The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations)	\$20,594,518
<b>Civil Monetary Actions:</b> (The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, or other penalties resulting from OIG civil investigations)	\$4,831,115
<b>Total</b>	<b><u>\$76,006,826</u></b>

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 1,989 contacts. Of these, 1,840 were referred for further review and/or action.

**Contacts Received (by source):**

Calls, Correspondence, and Walk-ins from Individuals or Organizations .....	1,935
Correspondence from Congress .....	11
Correspondence from DOL Agencies .....	10
Letters from Non-DOL Government Agencies .....	14
Incident Reports from DOL Agencies .....	13
Reports by OIG Components.....	6
<b>Total .....</b>	<b>1,989</b>

**Contacts Referred for Further Review and/or Action:**

Referred to OIG Components .....	99
Referred to DOL Program Management.....	711
Referred Outside DOL .....	1,030
<b>Total .....</b>	<b>1,840</b>

