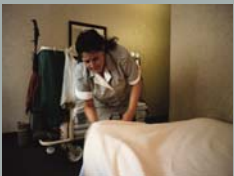


Semiannual Report to the Congress

Office of Inspector General
U.S. Department of Labor



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A Message from the Inspector General

I am pleased to submit this Semiannual Report to the Congress, which highlights the most significant activities and accomplishments of the Department of Labor (DOL), Office of Inspector General (OIG), for the six-month period ending March 31, 2007. During this reporting period, our investigative work led to 312 indictments, 249 convictions, and over \$151 million in monetary accomplishments. In addition, we issued 40 reports and questioned \$22 million in costs.

OIG audits made significant recommendations to address vulnerabilities identified in DOL programs and operations. For example, we issued a performance audit of an administrative agency for a Workforce Investment Board (WIB). The audit questioned \$1.3 million in building costs and identified \$11.6 million in unsupported labor cost distributions. The OIG audited another WIB which had received a Federally funded grant. This audit determined that the WIB had not conducted full and open contract competitions, which resulted in over \$3.1 million in questioned costs.

Our investigations continue to combat labor racketeering in the workplace and fraud against the Foreign Labor Certification Programs and other DOL programs. For example, an OIG investigation into a labor certification fraud case resulted in an immigration attorney being sentenced to 40 months imprisonment and ordered to forfeit \$2 million.

One of our most significant investigations resulted in the sentencing of two officials of the American Maritime Officer's Association union to 78 and 15 months of imprisonment, respectively. By dominating and controlling the union operations and its employee benefit plans, they used the union as a racketeering enterprise to embezzle money and defraud its members. In another investigation, a member of the Genovese La Cosa Nostra Crime Family pled guilty and was sentenced to 13 months of imprisonment for extorting salary payments from officers of a drywall industry union in New York City.

We have been focusing closely on Employee Retirement Income Security Act (ERISA) benefit plan corruption, especially relative to cases involving service providers. Moreover, an OIG investigation led to an investment manager/adviser being ordered to serve 23 months of imprisonment and to pay restitution of \$4.2 million to the benefit plans of a Teamsters local union after pleading guilty to charges of embezzlement, fraud, and theft.

Since the summer of 2005, the OIG provided audit and investigative oversight of the DOL's response to Hurricane Katrina. We conducted an audit during this period to determine the financial impact of claimants using invalid Social Security Numbers to obtain unemployment benefits. An OIG investigation led to the sentencing of the owner of a disaster reconstruction company for fraud.

The OIG remains committed to promoting the economy, integrity, effectiveness, and efficiency of DOL. I would like to express my sincere gratitude to a professional and dedicated OIG staff for their significant achievements during this reporting period. Finally, I appreciate the constructive relationship between my office and the Department.



Gordon S. Heddell
Inspector General

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Selected Statistics

Investigative recoveries, cost-efficiencies, restitutions, fines and penalties, forfeitures, and civil monetary action	\$151 million
Investigative cases opened.....	227
Investigative cases closed	295
Investigative cases referred for prosecution	153
Investigative cases referred for administrative/civil action	103
Indictments.....	313
Convictions	249
Debarments	20
Audit and other reports issued	40
Total questioned costs	\$22.3 million
Outstanding questioned costs resolved during this period	\$3.1 million
Allowed ¹	\$2.2 million
Disallowed ²	\$0.9 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, fraud, waste, or abuse.

Mine Safety and Health

Of continuing concern for the OIG is the safety and health of our nation's miners. To this end, the OIG continues to be active in its oversight of the Mine Safety and Health Administration (MSHA). Our FY 2006 report on the coal mine hazardous condition complaint process made a number of recommendations, including that MSHA quantify the expectation of evaluation and inspection timeliness, ensure that complaints are recorded accurately and completely, and make certain that complaint evaluations and inspections are consistent with the Mine Safety and Health Act of 1977 and MSHA policy.

During this reporting period, we completed an audit of the reliability and completeness of MSHA's performance data. We found that MSHA needs to improve the reliability of its performance data. For example, we found that MSHA could not ensure it had accounted for all hours worked by miners. Further, MSHA did not have adequate monitoring procedures in place to verify to source documents the mine employee hours worked as submitted by mine operators. The OIG is also continuing its work in the area of MSHA's Accountability Program, whose purpose is to evaluate the quality of MSHA enforcement activities through peer reviews conducted of District Office activities.

We had issued a management letter on the coal mine Accountability Program in September 2006 in which we raised concerns about several issues, including the selection process for mines to be inspected and the need for a central tracking system for deficiencies and corrective actions. We have also initiated audits of MSHA's mandatory mine inspections and of how MSHA determines whether fatalities are a result of mining activity. The OIG will continue to place a priority on providing oversight in this important area.

Procurement

The organizational structure supporting DOL's procurement activities continues to be a concern. As previously reported, past OIG audits identified issues relating to inadequately segregated responsibilities for program and procurement activities, which we believe compromise the effectiveness and integrity of the procurement function. In this Semiannual Report, we discuss a finding that a Job Corps Regional Director, who was responsible for monitoring and assessing the performance of contractors, was also a warranted Contracting Officer with responsibility for competing and awarding contracts including contracts to operate Job Corps centers. We concluded that having one individual serve in both roles impaired the independence of the Contracting Officer and that the lack of independence could result in bias

and preferential treatment in the award of contracts. In response to the draft report, the National Director of Job Corps stated that Job Corps had separated the duties of the Regional Directors and Contracting Officers by placing those functions in two different reporting structures.

To address such issues, the OIG has in the past recommended that the Department create an independent Acquisition Office, reporting directly to the Deputy Secretary, which would supervise the Department's acquisition workforce. Our recommendations stemmed from an FY 2005 audit report on MSHA procurements which found that inadequately separated duties allowed program staff to exert undue influence over the procurement process. This audit was one of the factors leading to our recommendation that the Department establish an independent Acquisition Office, as discussed in the Procurement section below.

Also, the Services Acquisition Reform Act of 2003 requires DOL and other executive agencies to appoint a Chief Acquisition Officer (CAO) whose primary duty is acquisition management. Secretary's Order 2-2007, issued January 30, 2007, formally established the CAO position within DOL and required that acquisition management be the CAO's primary duty. However, a CAO whose primary duty is acquisition management has not been appointed. Further, the Secretary's Order does not provide that the CAO will supervise the Department's acquisition workforce. The OIG believes the Department should move quickly to fill the CAO position and place the Department's acquisition workforce under the supervision of the CAO to bring needed accountability and independence to DOL's procurement activities.

Job Corps

Another area of continuing concern is the Job Corps Program. This Semiannual Report discusses two audits that identified irregularities in how Job Corps centers used leave categories to account for students who were absent from the Centers or to extend their stay, thus inflating On-Board Strength, a key efficiency measure. Similar findings were reported in past Semiannual Reports. One of the two reports discusses the status of a prior OIG audit on a Center operated by another Federal agency. The prior audit identified conditions that posed serious health and safety risks to the student and staff population. These included inoperable fire alarms, food sanitation problems caused by a leaky cafeteria roof, and a firing range in close proximity to the Center.

Job Corps agreed to take corrective action on the data accountability findings and has decided to temporarily close the Center with the safety and health problems. Job Corps further stated it would institute more rigorous monitoring of Job Corps Centers, especially those operated by other Federal agencies. We believe the Department needs to be diligent in taking prompt action to identify and correct conditions such as the ones OIG reported, particularly those that threaten student safety and health.

Information Technology Security

The Department's Information Technology (IT) supports major applications, general support systems, and mission-critical systems, many of them sensitive. After numerous incidents occurred involving the compromise or loss of sensitive information within the Federal government, OMB issued a memorandum in June 2006 that stressed the need for Federal agencies to take all necessary and reasonable measures to swiftly eliminate vulnerabilities to the sensitive information entrusted to them. Specifically, OMB asked the agencies to implement protections over personally identifiable information (PII) which is accessed remotely or physically removed or stored outside of Departmental facilities. OMB required four specific recommendations to be completed and appropriately reviewed by August 7, 2006.

Our work has shown that the Department has taken steps to implement the security controls for protection of remote information provided in OMB's memorandum as well as the four specific OMB recommendations. However, the Department does not expect to complete implementation until the first quarter of fiscal year (FY) 2009. While positive steps have been taken, the Department needs to continue efforts to ensure the protection of PII that is accessed remotely or physically transported or stored outside of Department facilities.

Direct Grants

This Semiannual Report describes the results of three OIG audits of DOL "direct" grantees, those that receive non-formula grants directly from DOL without first passing through a State or other entity. Two of the audits were initiated in response to hotline complaints. One grantee received an "earmark" award, funds that were set aside from an appropriation for a specific entity. Another was funded to serve older workers under the Senior Community Service Employment Program. The third was awarded an H-1B Technical Skills Training Grant, whose purpose was to provide training to U.S. workers to fill jobs in specialty occupations for which foreign workers were being brought in under H-1B nonimmigrant visas, such as IT. DOL's ETA was responsible for overseeing these direct grants.

The OIG audits contained findings in the areas of underperformance, services to participants whose eligibility was not established, unsupported or unallowable costs, and inadequate financial and performance reporting systems. For example, our audit of the earmark grant found 75 percent of the participants served were either ineligible or had insufficient documentation to establish eligibility, nor could the grantee support any of the 428 claimed placements. The audit of the older worker grant found three sole source contracts were awarded without justification to entities associated with the grantee's Director, constituting a conflict of interest. The H-1B Skills Training Grant we audited planned to provide advanced high-skilled IT training to 562 out-of-work, marginally employed residents from the region. The grantee reported 568 training completions. However, based on our projections, there was insufficient evidence to support at least 343 of the 568 participants

reported as having completed training. Questioned costs in the three audits totaled over \$2 million altogether, about two-thirds of total funds awarded to two of the grantees, and about one-third of the award to the remaining grantee.

Based on the above findings and because direct grants are often awarded to entities with relatively less experience in operating Federal programs, the OIG has initiated audits of additional direct grants and will report results in future Semiannual Reports.

Hurricane Katrina

In response to the hurricanes, we 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 Unemployment Insurance (UI) and Disaster Unemployment Assistance (DUA) benefits. As part of this effort, the OIG has opened over 297 investigations to date, which have resulted in 67 indictments and 33 convictions.

Phase II of the OIG's investigative work commenced in May 2006 and is concentrating on labor racketeering schemes. Many involve non-traditional organized crime groups and loosely-knit criminal enterprises in reconstruction and debris removal. These cases are divided into the following three categories:

- Companies, including labor leasing, that hire undocumented workers to perform debris removal and reconstruction work in the disaster region circumventing DOL's foreign labor certification process.
- Companies, including labor leasing, that hire illegal aliens to perform debris removal and reconstruction work through the filing of false labor certifications under the H-2B visa program.
- Companies awarded Davis-Bacon and Service Contract Act contracts that employ illegal aliens through the schemes described above and fail to pay the prevailing wage, while at the same time submitting false claims to the government.

Foreign Labor Certification

We continue to be concerned about the high incidence of fraud against the Department's Foreign Labor Certification programs. During this reporting period, our investigations involving immigration attorneys, labor brokers, and applicants led to significant indictments and convictions. In addition, we continue to investigate visa fraud and fraudulent applications filed with DOL on behalf of fictitious companies or applications using names of legitimate companies without their knowledge.

Major Management Challenges at DOL

The Report Consolidation Act of 2000 (P.L. 106-531) requires the OIG to identify the most serious management challenges faced by DOL. These challenges and the Department's response to them are published in the Department's Performance and Accountability Report (PAR). The challenges identified by the OIG in the fiscal year (FY) 2006 PAR are:

- Improving Procurement Integrity
- Safeguarding UI
- Improving the Federal Employees' Compensation Act Program
- Maintaining the Integrity of Foreign Labor Certification Programs
- Improving Financial and Performance Accountability
- Developing and Securing IT Systems and Protecting Related Information Assets
 - Strengthening System Development and Management of High Risk Systems
 - Maintaining IT Security
 - Protecting Information Assets and Securing Sensitive Information
- Ensuring the Security of Employee Benefit Plan Assets
- Ensuring the Safety and Health of Miners
- Ensuring the Effectiveness of the Job Corps Program
- Preparing for Emergencies

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

Hurricane Katrina Response

In response to Hurricane Katrina, the OIG initiated a two-phased approach to the unprecedented workload brought on by this natural disaster. Phase I focused on addressing possible cases of fraudulent claims for UI and DUA benefits. Phase II commenced in May 2006 and is concentrating on labor racketeering schemes in reconstruction and debris removal.

Louisiana May Have Paid at Least \$3.7 Million in Hurricane-Related Unemployment Claims to Claimants Using Invalid Social Security Numbers

On August 29, 2005, Hurricane Katrina hit the Louisiana, Mississippi, and Alabama coasts, resulting in a national disaster. A national emergency was declared, making DUA available to residents of the affected areas who lost their jobs, or were unable to return to their jobs as a result of Hurricane Katrina, if they did not qualify for state UI. Additionally, on September 23, 2005, Hurricane Rita hit the Texas and Louisiana coasts, resulting in another national emergency declaration on September 24, 2005. Because of the emergency nature of the hurricanes, Louisiana suspended controls over authenticating DUA claimants' identities when processing claims.

We conducted an audit to determine the financial impact of claimants using invalid Social Security numbers (SSNs). We determined that the Louisiana Department of Labor (LDOL) paid approximately \$5 million in DUA/UI benefits against questionable SSNs, as follows:

- \$314,913 against SSNs that were never issued;
- \$661,293 against SSNs that belonged to deceased persons; and
- At least \$2.7 million in cases in which the claimants' names did not match the names of the individuals assigned those numbers.

Further, although a real-time connection to the Social Security Administration's (SSA's) database is available as a tool to confirm the validity of information claimants provide before claims are established, LDOL had not implemented this process in its claims system prior to the hurricane. We believe that if this process been in place, it would have been an effective compensating control in identifying claims processed with invalid SSNs.

We recommended that ETA ensure that LDOL continues its investigations into fraudulently obtained benefits and uses the tools available, including a real-time connection to an SSA database of SSNs, to identify fraudulent claims and mitigate the risks of identity theft. In its response, LDOL committed to implementing the recommendations. (Report [06-07-001-03-315](#), issued March 7, 2007)

Florida Man Sentenced in Katrina Disaster Assistance Fraud Scheme

Scott Roberts was sentenced on October 27, 2006, to 18 months' imprisonment and five years' supervised release with 50 hours of community service, and ordered to pay restitution to the Federal Emergency Management Administration (FEMA) for defrauding LDOL. Roberts fraudulently submitted eight different claims for Louisiana DUA using various names and SSNs and had debit cards mailed to seven different addresses in Billings, Montana. This was a joint investigation with the SSA OIG; the Sacramento, California, Police Department; and the Billings, Montana, Police Department. *U.S. v. Roberts* (M.D. Louisiana)

Illinois Woman Who Defrauded Katrina Relief and Other Public Benefit Programs Sentenced to 4 Years in Prison

Tina Winston was sentenced on January 17, 2007, to 48 months' imprisonment, 36 months' supervised release, and ordered to pay restitution and special assessment fees after pleading guilty to aggravated identity theft and fraudulent activities related to receiving Hurricane Katrina benefits. Winston, who lived in Illinois when Hurricane Katrina struck, filed an Internet application for disaster assistance using a false SSN. She also misrepresented to FEMA that her home in New Orleans was damaged, she suffered loss of personal property, she lost two children in the disaster, and she lacked funds to pay for the childrens' memorial service. This was a joint investigation with the U.S. Postal Inspection Service (USPIS); the SSA-OIG; the U.S. Department of Agriculture (USDA)-OIG; the U.S. Department of Housing and Urban Development (HUD)-OIG; and the U.S. Department of Health and Human Services (HHS)-OIG. *U. S. v. Winston* (S.D. Illinois)

Disaster Reconstruction Company Owner Sentenced to Prison for Fraud

Sergio Buezo, owner of Bayou Abatement (Bayou), was sentenced on December 15, 2006, after pleading guilty to mail fraud and failure to account for and pay taxes. He was ordered to pay \$871,042 in restitution to the Internal Revenue Service (IRS) for unpaid employment taxes and \$100,000 to the Indiana Workforce Development (IWD) for unpaid unemployment taxes. Buezo also received a sentence of 57 months' imprisonment, 24 months' supervised release, and was required to forfeit two vehicles valued at \$97,095. In addition, IWD assessed an additional \$420,444 in unemployment taxes and penalties. Buezo was further ordered to set aside \$130,000 as back pay for former workers.

Bayou, a labor leasing company based in Indiana, knowingly hired hundreds of mostly undocumented Hispanic workers and employed them in asbestos removal and extensive Hurricane Katrina cleanup work around the Midwest and in the South. This was a joint investigation with SSA-OIG; Immigration and Customs Enforcement (ICE); IRS; U.S. Environmental Protection Agency

(EPA); USPIS; Indiana State Police; and the Carmel, Indiana, Police Department. *U.S. v. Buezo* (S.D. Indiana)

Nevada Residents Indicted in Hurricane Katrina Disaster Assistance Fraud

Three Nevada residents were individually indicted on February 14, 2007, on charges of theft of government funds related to their separate alleged receipt of FEMA disaster benefits and/or DUA as a result of Hurricane Katrina. One of the three was charged with additional violations of identity theft and misuse of an SSN for allegedly using three different SSNs to collect FEMA disaster relief benefits and American Red Cross disaster relief benefits. The three allegedly received over \$61,000 in benefits to which they were not entitled. This is a joint investigation with the Las Vegas Hurricane Katrina Fraud Task Force.

Labor Racketeering

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 (DOJ), 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 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.

New York Union Official Charged in RICO Indictment

A 44-count RICO indictment was unsealed October 17, 2006, charging a New York union official with fraud, embezzlement, and money laundering. The union official was also charged with the receipt of payments and other things of value from companies that employed union members he represented. He allegedly embezzled thousands of dollars from a bank account of a division of the International Brotherhood of Electronic Workers, which is responsible for maintaining, repairing, and installing all the street and traffic lights in New York City. The bank account was largely funded by deductions from the union members' salaries. He purportedly used this money to pay his personal credit card bills and country club dues, and accepted payments from contractors that employed union members. The union official purportedly also received three vehicles from these same contractors.

The union official and another individual are suspected of maintaining an interest in a company that did business with employers of union members and of using their union positions to promote the company's financial interests. This resulted in their receiving hundreds of thousands of dollars in proceeds from that company's business activities.

Former Teamsters President Convicted of Fraud and Union Embezzlement

Charles Crawley, former president of the International Brotherhood of Teamsters Local 988 (Local 988), was convicted on December 8, 2006, of theft of honest services, mail fraud, embezzlement, and false entry in union records.

Crawley defrauded Local 988 union members of their right to honest services by fixing Local 988's October 2002 election. Crawley placed 362 phony ballots marked in favor of himself into secret return ballot envelopes representing Local 988 members who he believed would not vote. Given the fraud scheme, Crawley was not entitled to the salary paid him as president beginning in January 2003. His use of the union's computer system to generate the fraudulent ballots resulted in his conviction for embezzling union property.

Additionally, Crawley was convicted of embezzlement for his role in a scheme in which he solicited a kickback from the installer of a telephone system in Local 988's new union hall. He overstated the cost of the telephone system

by \$20,000 by making false entries in official union records. This was a joint investigation with the Office of Labor-Management Standards (OLMS) and the FBI. *U.S. v. Crawley* (S.D. Texas, Houston Division)

Former Business Manager of Tunnel Workers Local 88 Sentenced on Federal Racketeering Charges

Scott Boidi, the former business manager of Laborers' International Union of North America (LIUNA) Local Union 88 (Local 88), was sentenced on February 28, 2007, to seven years' imprisonment, four years' supervised release, and ordered to pay \$13,000 in restitution to Local 88 and its bonding company. Boidi was convicted on October 13, 2006, of several charges, including racketeering, embezzlement of union assets, and conspiracy to possess with intent to distribute cocaine. LIUNA had previously revoked Boidi's union membership due to his conviction for ordering a vicious assault on one of his own union members.

From June 1991 through May 2002, Boidi was responsible for, among other things, processing membership applications, which included collecting initiation fees from prospective members and placing members in jobs. He used the union to engage in a pattern of racketeering that included stealing over \$25,000 in union assets and possession with intent to distribute over 500 grams of cocaine. Boidi is the final defendant in this investigation. This was a joint investigation with the Drug Enforcement Administration (DEA); FBI; ICE; the Boston, Massachusetts Police Department's Special Investigations Unit; and the Quincy, Massachusetts, Police Department. *U.S. v. Boidi* (D. Massachusetts)

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.

Prison Sentences and \$2.5 Million in Forfeiture Ordered Following Union Corruption Convictions

Two brothers, Michael and Robert McKay, were sentenced on March 29, 2007, after being found guilty of racketeering conspiracy and mail fraud on January 5, 2007. Michael (the former president of the American Maritime Officers [AMO] union) and Robert (the former secretary-treasurer) dominated and controlled the union operations and its employee benefit plans (AMO plans). They used the AMO as a racketeering enterprise to embezzle money and commit mail and honest services fraud. AMO represents 4,000 maritime officers aboard U.S. merchant, military support, and cruise vessels.

Michael McKay was sentenced to 78 months' imprisonment, 36 months' supervised release, and ordered to pay restitution of \$271,040 and a special assessment of \$525. Robert McKay was sentenced to 15 months' imprisonment, and 36 months' supervised release, and ordered to pay restitution of more than \$258,443 and a special assessment of \$450. The McKays, who had served in their respective positions since 1994, are now barred from any union-related employment for 13 years as a result of their conviction. On March 13, 2007, the court also ordered forfeiture judgments collectively against Michael and Robert for over \$2.5 million.

In addition, on February 13, 2007, James Lynch, a former ship captain and AMO union dispatcher, was convicted of RICO conspiracy and related charges of theft, embezzlement, mail fraud, and graft in connection with the AMO plans. Lynch and Michael McKay used funds from various employee benefit plans (including pension, medical, retirement, vacation, and apprenticeship plans subject to the Employee Retirement Income Security Act [ERISA]) for their personal benefit and enrichment. They also used the funds to pay individuals who made political contributions to candidates favored by McKay.

Three other individuals associated with AMO were sentenced during this reporting period after previously pleading guilty to lesser charges. Gordon Spencer, AMO's legislative director, was sentenced to two years' probation, \$9,000 in restitution, a \$5,000 fine, and a \$100 special assessment. Jerome Joseph, a former AMO vice president, was sentenced to three years' probation, \$12,000 restitution, a \$3,000 fine, and a \$100 special assessment. Thomas Kelly, another former AMO vice president, was sentenced to two years' probation, criminal restitution totaling \$34,500, a \$15,000 fine, and a \$100 special assessment.

The McKays and others had embezzled money from AMO and the AMO plans since 1993 by: obtaining cash from vendors and having the vendors inflate their invoices; paying false and fictitious bonuses to employees of the AMO and the AMO plans as reimbursement for making political campaign contributions; submitting false, inflated, and duplicate receipts for expense reimbursements; providing extended lodging at the AMO plans' property free of charge for personal vacations or stays unrelated to official business; and providing personal goods and services paid for by the AMO plans, including hockey tickets, cigars, and free boat repairs. *U.S. v. McKay*; *U.S. v. Lynch*; *U.S. v. Spencer*; *U.S. v. Joseph*; *U.S. v. Kelly* (S.D. Florida)

Former Company Executives Sentenced to Prison for Fraud and Embezzlement

John Jackson Jr., former president and chief executive officer of The Burruss Company (Burruss), and Larry Carey, Burruss' former vice president of finance, were sentenced on January 3, 2007, following their convictions on violations of fraud and embezzlement of Burruss' employee benefit and health care plans (plans). Jackson was sentenced to nine years in prison and Carey to seven years and three months in prison.

Between August 1999 and October 2000, both Jackson and Carey made false statements to Fleet Capital Corporation, now Bank of America, by falsely inflating Burruss lumber inventory levels and falsely re-aging accounts receivable invoices in order to gain additional funds. The inflated inventory levels allowed Burruss to obtain additional cash advances to which it was not entitled. Fleet Capital Corporation lost approximately \$17 million as a result of the defendants' actions. This loss was the largest loss in Fleet Capital Corporation's Southeast Region.

Jackson and Carey also failed to properly pay over \$320,000 to the employee pension plan, depriving employees of months of interest earnings. Despite deducting health care contributions from employee wages, they also failed to remit the premiums to the plan's third-party administrator. As a result of their actions, Burruss was forced to file bankruptcy and over 700 employees lost their jobs. Employees were left with unpaid health care bills, some in excess of \$40,000. Jackson and Carey paid themselves exorbitant salaries, and from 1998 to 2000 they paid themselves bonuses totaling \$744,000. The OIG participated in this investigation at the request of the U.S. Attorney and DOL Employee Benefits Security Administration (EBSA), working jointly with the FBI. *U.S. v. Jackson and Carey* (W.D. Virginia)

Investment Management Firm Owner Sentenced to Prison and Ordered to Repay over \$4.2 Million Embezzled from Union Benefit Plans

Kenneth Decter, the owner of Unity Management, Inc., was sentenced on December 20, 2006, to 23 months' imprisonment and ordered to pay \$4,251,444 in restitution. He had pled guilty in 2004 to wire fraud, theft from an employee benefit plan, and theft from a health care benefit plan.

From approximately 1996 through 1998, Decter embezzled and diverted to overseas accounts over \$2.5 million from the Teamsters Local 456 Pension, Annuity, and Unemployment Funds, and approximately \$400,000 from the Local 456 Health and Welfare Fund. He falsely represented in quarterly portfolio reviews that the money had been invested in certificates of deposit. None of the diverted assets has been returned to the benefit funds as of the end of our reporting period. This was a joint investigation with the FBI's Long Island White Collar Crime Squad. *U.S. v. Decter* (E.D. New York)

Indictments and Guilty Plea in Multimillion-Dollar Fraud Schemes

Stuart Levine, an attorney and businessman, pled guilty on October 27, 2006, to charges of mail fraud and money laundering for his role in pension kickback schemes involving the Illinois Teachers Retirement System (TRS) and other entities in which he held a position of trust. An alleged co-conspirator was separately charged on October 11, 2006, with fraudulently obtaining more than \$10 million in loans for a restaurant and defrauding investors in that restaurant.

Levine conspired with others to fraudulently obtain millions of dollars and lucrative contracts funded with union funds by requiring firms that sought to do business with the TRS pension fund and the Illinois Health Facilities Planning Board to pay kickbacks in order for their applications to be approved. He also used his position on the board of the Rosalind Franklin University of Medicine and Science, then known as the Chicago Medical School, to steer the sale of school-owned land to a certain buyer in exchange for a \$1.5-million cut of a third party's finder fee. *U.S. v. Levine* (N.D. Illinois)

Third-Party Administrator Pleads Guilty to Embezzling from Union Benefit Plans

James W. James, a third-party administrator for the United Association of Plumbers and Steamfitters Local 159 (Local 159), pled guilty on November 3, 2006, to embezzling \$179,000 intended for union employees' benefit plans.

James was hired by Local 159 to track employee data, employer contributions, and employee benefits. Local 159 later entered into an agreement with Union Solutions, Inc. (USI), of which James was a shareholder, to perform administrative and record-keeping services for Local 159's two employee benefit plans.

James made three wire transfers totaling \$179,000 from Local 159's accounts for employer contributions to bank accounts that he controlled. The wire transfers were not for legitimate expenses or investments for the trust funds. James then altered the bank account statements in order to make it appear that the wire transfers had gone to the intended union employee benefit plans. This was a joint investigation with EBSA. *U.S. v. James* (N.D. California)

Office Manager Sentenced to Prison and Ordered to Pay Back \$1.8 Million Stolen from Union Trust Fund

Janice Hughes, former office manager of the National Plastering Industry's Joint Apprenticeship Trust Fund (NPIJATF), was sentenced on February 7, 2007, to 51 months' imprisonment and three years' supervised release, and ordered to pay \$1.8 million in restitution and asset forfeiture for her role in an embezzlement scheme.

Since at least 1995, Hughes and an alleged co-conspirator deposited checks written to NPIJATF vendors, some of which were fictitious, into an account they created. They diverted approximately \$911,000 into this account. Over \$503,000 were DOL funds received to administer training programs for disadvantaged youth at Job Corps centers, and more than \$82,000 were employee benefit contributions. Hughes used the money she diverted to make mortgage payments, monthly vehicle payments, and payments on personal credit cards. This was a joint investigation with the U.S. Department of the Interior (DOI)-OIG; IRS Criminal Investigation Division (CID); and EBSA. *U.S. v. Hughes* (D. District of Columbia)

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.

Indictment Alleges \$6.5 Million in Labor Fraud and Bribery of Union Employee

The owners of a drywall construction company in New York were charged on December 28, 2006, with conspiring to violate the collective bargaining agreement their company signed with the United Brotherhood of Carpenters and Joiners of America (UBCJ) and with failing to make benefit fund contributions for their employees. On the same day, a UBCJ shop steward was charged with submitting false shop steward reports.

For the past 11 years, the company owners allegedly schemed to defraud the UBCJ benefit funds by using nonunion labor, paying union carpenters off the books, and bribing shop stewards and a union benefit fund employee. To avoid detection in routine union audits, the company owners purportedly made payments to a shop steward to submit false reports to the UBCJ reflecting that fewer men were working on their company’s jobs. The company owners allegedly defrauded the funds of the approximately \$6.5 million charged in the indictment.

Two Sentenced and Two Plead Guilty in Drywall Industry Corruption Case

Robert Carbone, a Genovese LCN crime family soldier, was sentenced on October 5, 2006, to 13 months’ incarceration, 36 months’ supervised release, and ordered to pay a \$2,000 fine, and a special assessment of \$100, for Hobbs Act extortion. He previously pled guilty to using fear of economic harm to force officers of Operative Plasterers Local 530 (Local 530) to pay a portion of their salaries to him. Frank Malangone was sentenced February 20, 2007, to three months’ incarceration, three years’ supervised release, and ordered to pay a \$5,000 fine, and a \$100 special assessment. Malagone, who co-owned three taping companies, previously pled guilty to conspiring with Local 530 officials to defraud the union and its benefit funds by violating Local 530’s Collective Bargaining Agreement and to subsequently save substantial amounts of money by using nonunion labor and failing to pay into the Local 530 benefit funds.

Riccardo Figliolia, a union contractor, pled guilty on October 17, 2006, to conspiracy to commit ERISA fraud, embezzlement of union funds, mail fraud, conspiracy to defraud the United States, and structuring. Figliolia conspired with other defendants to utilize nonunion labor, pay workers cash wages, avoid making required contributions to Local 530 benefit funds, evade income taxes, and structure financial transactions to evade mandatory reporting requirements. Marco Durand, a former Local 530 shop steward, pled guilty on

October 18, 2006, to theft or embezzlement from an employee benefit plan. Durand accepted illegal cash payments to allow a contractor to violate the terms of the Local 530 CBA. *U.S. v. Carbone*; *U.S. v. Malangone*; *U.S. v. Figliolia*; *U.S. v. Durand* (S.D. New York)

Former Shop Steward Charged with Conspiracy Resulting in Approximately \$400,000 of Unpaid Union Benefits

A former shop steward for UBCJ Local 157 (Local 157) in New York was indicted on February 14, 2007, for allegedly receiving approximately \$10,000 in pay for days he did not work, and for conspiring with his employer to leave carpenters off the shop steward reports to avoid or to reduce pension and welfare benefit contributions in violation of the employer's collective bargaining agreement. The shop steward's actions purportedly caused hundreds of hours to go unreported to the UBCJ benefit funds. This resulted in approximately \$400,000 in unpaid contributions to the Local 157 Pension and Health and Welfare Funds.

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 (P.L. 95-164) 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. MSHA conducts investigations, inspections, enforcement, and reporting programs for all mining operations. In addition, MSHA conducts respirable dust programs and workplace noise programs for both the coal and the metal and nonmetal mining industries.

MSHA Needs to Improve Controls over Performance Data

We conducted an audit to determine the completeness and reliability of the calendar year (CY) 2003 data used to support the MSHA FY 2003 performance goals 3.1A, "Reduce the mine industry fatal injury occurrence rate by 15 percent annually," and 3.1B, "Reduce the all injury occurrence below the FY 2000 baseline by the end of FY 2005."

Generally, the performance data included in MSHA's system were supported by source documents or documents submitted by the mine operators. However, not all data that should have been included were included. For example, for performance goal 3.1A, MSHA could not ensure it had accounted for all hours worked—a critical data element on which the performance measure is calculated—since mine operators were not required to submit documentation that supported hours worked by contractors. Further, MSHA did not have adequate monitoring procedures in place to verify to source documents the mine employee hours worked as submitted by mine operators. An additional issue that we are reviewing separately in response to a Congressional request relates to MSHA's process for determining whether fatalities were mining related.

Performance data for goal 3.1B were supported by source documentation, with one exception: MSHA did not have complete data to support that its testing to ensure noise exposure did not exceed established limits.

We recommended that (1) MSHA require mine operators to report all hours worked for both employees and contractors to allow verification that all data needed to support the reported injuries and fatalities have been included; (2) mine operators submit or maintain and mine inspectors review as part of their normal inspection process documentation that supports the amounts of hours worked by mine employees and contractors; and (3) controls be developed and put in place to ensure adherence to procedures that require systematic and regular entry of noise sample data. MSHA disagreed with the first two recommendations and concurred in part with the last recommendation. MSHA disagreed with the first two recommendations because MSHA believes it is in compliance with performance data completeness and reliability requirements articulated by OMB Circular A-11. (Report [22-07-008-06-001](#), issued December 26, 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.

Company Owner and Manager Plead Guilty to Charges Related to Employee's Death

Nasir Bhatti, owner of Metla Construction, Inc. (Metla), pled guilty on December 6, 2006, to a willful safety violation causing the death of an employee. On that same day, Bhatti's brother and Metla supervisor, Tariq Alamgir, also pled guilty to false statements related to the death of the employee.

Metla willfully failed to provide fall-protection equipment for its workers on a construction site, and in 2005 a Metla worker fell approximately 60 feet to his death while working on a scaffold. OSHA had issued 18 citations, totaling nearly \$190,000, for safety violations and had previously cited Metla for fall-protection violations in 2004 and 2005. This was a joint investigation with OSHA. *U.S. v. Alamgir and Bhatti* (E.D. New York)

Job Corps

Job Corps was established by Congress in 1964. It 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, which is administered by the Office of Job Corps at DOL and carried out in partnership with states and communities. The program is primarily carried out at residential facilities that provide intensive education, vocational training, youth development, counseling, job placement, and follow-up services. Job Corps' objective is to provide young people with the skills they need to obtain and stay employed, enter the Armed Forces, or enroll in advanced training or further education. The Department operates the Job Corps Centers through private companies or other Federal agencies. Through competitive contracting processes, the Department awards private companies contracts to operate the centers.

Review of Complaint Involving Job Corps Contractor

Dynamic Educational Systems, Inc. (DESI), provides career training and job placement services to more than 50 Job Corps centers annually through its Outreach, Admissions and Career Transition Services Division. DESI also operates six Job Corps centers.

We conducted a performance audit in response to a complaint alleging misconduct by DESI in the performance of its responsibilities under a Job Corps contract. The complaint raised concerns about DESI allowing applicants with criminal records into Job Corps by selectively contacting courts as part of the background check. There were other allegations related to student eligibility and record keeping.

Our review of the largest of the five Job Corps centers included in DESI's contract found most of these allegations to be either unsubstantiated or inconclusive. However, we did find that DESI did not always contact all courts in the jurisdiction covering an applicant's residence. DESI contacted the appropriate District Court based on the applicant's place of residence but did not also contact the corresponding Justice Courts. District Courts in the State try the more serious cases, including all criminal felonies, while Justice Courts deal primarily with misdemeanors. A long record of misdemeanors, information of such found at the Justice Courts, is an important factor for admissions counselors to consider when assessing applicants' ability to participate successfully in Job Corps.

To determine whether applicants have a history of criminal behavior, we recommended that Job Corps issue additional policy guidance clarifying the Policy Requirements Handbook requirement for contacting courts. In its response, Job Corps agreed to take the necessary corrective actions. (Report [21-07-001-01-370](#), issued January 18, 2007)

Cincinnati Job Corps Center Overstated Its On-Board Strength—\$208,000 in Liquidated Damages

The Cincinnati Job Corps Center is operated by the Management and Training Corporation (MTC), under contract with the Office of Job Corps. The Center has both residential and nonresidential students. The Center has a capacity for 225 students.

This audit followed up on issues identified in a prior audit that involved allegations made against MTC. The previous audit substantiated that the Center used Present for Duty Off Center (PDOF) and other leave to extend the students' separation dates beyond their actual departure from the Center. The audit also substantiated that there was a pattern of excessive unexcused absences. However, the previous audit did not determine the effect of extending the stay of the students, and the audit could not determine if the Center took appropriate action on unexcused absences because the Center destroys the student's files six months after the separation unless a student separates from the Job Corps program for disciplinary reasons.

The objectives of the follow-up audit were to determine to what extent the Center misused PDOF and other leave to artificially extend students' length of stay, and whether the Center took action to address the behavior of students who had excessive unexcused absences from class.

We found that by artificially extending the students' length of stay, the Center overstated its on-board strength, one of the performance measures that Job Corps uses to determine center contractor efficiency. The contract provides for liquidated damages if the contractor does not comply with contract requirements prohibiting the artificial extension of students' separation dates. We also found that the Center's process for addressing the behavior of students who had excessive unexcused absences from class was inconsistent and not effective. As a result, the students did not receive the necessary academic and social development during class hours. Excessive unexcused absences could have a negative impact on the students' vocational, educational, and social development and the students' employability.

We recommended that the National Director of the Office of Job Corps assess MTC liquidated damages of \$208,121. We also recommended the National Director require the Center to follow standard operating procedures in addressing the behavior of students who have excessive unexcused absences. Our recommendations also included that the Center identify the underlying causes that may be unique to non-resident students who have excessive unexcused absences and determine if they need to develop appropriate procedures to address these students' behavior.

In response to the draft report, the Office of Job Corps did not specifically address our recommendations, but stated that Job Corps is undertaking a review of policies related to performance data to determine if they need to be strengthened and/or clarified. (Report Number: [03-07-003-01-370](#); issued March 30, 2007)

Job Corps Regional Director's Authority as Contracting Officer Raises Concerns

In response to an anonymous hotline complaint, we conducted an audit to determine whether allegations of improper actions by a former Regional Director of the Atlanta Regional Office of Job Corps could be substantiated. The complaint alleged that the former Regional Director gave preferential treatment to contractors during the quality assessment scoring process. It was also alleged that the former Regional Director abused contracting authority by violating procurement regulations to acquire contractor services and misused Federal funds to purchase boxing gloves and books.

We did not substantiate these allegations. However, our audit did substantiate one allegation, finding that the former Regional Director abused contracting authority by violating procurement regulations to acquire personal services and that the former Regional Director also created a conflict of interest by directing an individual--who was the spouse of an official of a competing Job Corps contractor--to participate on contractor quality assessment reviews. Our audit focused on allegations that occurred during the period January 1, 2000, through December 31, 2004.

We recommended the National Director of Job Corps separate the Contracting Officer and Regional Director responsibilities to two individuals in each region, in order to strengthen controls and provide for greater independence in the selection and award of future Job Corps contracts. We also recommended Job Corps ensure adherence with the Federal Acquisition Regulation regarding personal service contracts and conflicts of interest. In response to the draft report, the National Director of Job Corps agreed with our findings and recommendations and stated that the Regional Director and Contracting Officer functions have been placed in separate reporting structures. (Report [04-07-002-01-370](#), issued March 30, 2007)

National Park Service Oconaluftee Job Corps Center Shows Pattern of Abusive Practices

The National Park Service (NPS), a Federal entity within the Department of Interior, operated the Oconaluftee Job Corps Center located in North Carolina. We conducted an audit of the Oconaluftee Center to determine if the Center properly reported student accomplishments and attendance and complied with financial reporting requirements.

Our audit identified concerns related to students' health and safety that were reported to Job Corps through an Alert Report, "National Park Service Has Not Assured the Safety and Health of Students at the Oconaluftee Job Corps Center," dated July 7, 2006. This audit also disclosed problems by NPS management and Center-level staff that resulted in Job Corps not having accurate assessment information. In addition, students were not given the level of services expected by Job Corps. We also found that, contrary to requirements, Center personnel were not separating students who exceeded Absence Without Leave limitations. This inflated the Center's on-board strength.

Further, we projected that half of the leave granted were not documented in accordance with Job Corps requirements. We also found that NPS misreported costs totaling \$2.8 million, including \$124,608 that NPS improperly charged the Center for an Equal Employment Opportunity (EEO) settlement payment. We also found that Job Corps did not request or receive a refund of \$190,367 for an “under-run” that resulted because the Center served fewer students than were funded by DOL for program year (PY) 2004.

We concluded that NPS and Center management contributed to a weak internal control environment that the Office of Job Corps must rectify. We recommended the National Director of Job Corps collect the cost under-run of \$190,367 and recover \$124,608 in questioned EEO settlement costs from NPS as well as require an annual reconciliation of PY funds provided to and expenditures reported by Federally operated Centers. We also recommended that the National Director ensure Job Corps Regional Office Project Managers and NPS personnel improve their monitoring and understanding of the requirements governing student accomplishments, attendance, and financial activities.

The Department bears a special responsibility for the health and safety of the students served by Job Corps programs, as the young people reside at these facilities. The shortcomings our audit identified at Oconaluftee merit quick attention to ensure that similar problems do not exist at other centers.

Although the Office of Job Corps agreed with our recommendations, NPS top-level management did not agree that the EEO settlement payment charged to the Center budget was an improper charge. The Job Corps National Director temporarily closed the Oconaluftee Job Corps Center on March 22, 2007, citing student health and safety concerns as reasons for the closure. (Report [26-07-001-01-370](#); issued March 30, 2007)

H-1B Technical Skills Training Grants

The American Competitiveness and Workforce Improvement Act of 1998 authorized H-1B Technical Skills Training Grants. The goal of the grants was to raise the technical skill levels of American workers in order to fill specialty occupations presently filled by temporary workers admitted to the United States under the provisions of the H-1B nonimmigrant visa.

Alleged Misuse of H-1B Technical Skills Training Grant Funds by the Community Preservation Development Corporation—\$870,821 in Questioned Costs

The Community Preservation Development Corporation (CPDC) is a nonprofit corporation in Washington, D.C., whose primary mission is to revitalize and rehabilitate run-down and distressed housing communities. In May 2002, the Department awarded CPDC a \$2,594,488 H-1B Technical Skills Training Grant. The grant covered the period May 1, 2002, to December 31, 2004.

In June 2004, we received a complaint alleging that CPDC allocated salary expenses to the grant for staff not directly involved in providing H-1B services, reported outcome data that were of questionable validity, and did not meet its matching-funds requirement. Our audit questioned \$870,821 in salary and indirect costs charged to the grant that did not meet OMB A-122 cost principle requirements for Federal grants to nonprofit organizations.

Further, we determined that CPDC's reported participant outcome data was not valid and reliable in that it overstated the reported number of participants trained and placed in employment and who received promotions and/or wage gains. For example, although CPDC planned to train 562 out-of-work or marginally employed residents and reported that 557 participants had completed training, we projected that the number of training completions was overstated by 332. Our findings demonstrate the significance of grant recipients having strong internal controls to help ensure that funds are used in the approved and allowable manner.

We recommended that ETA recover the \$870,821 in questioned salary and indirect costs charged to the grant. We also recommended that CPDC re-submit the final grant close-out package with corrected outcomes. In addition, we asked that prior to awarding future grants to CPDC, ETA perform a review to ensure CPDC has: a financial accounting system that meets Federal requirements; internal accounting controls; a Federally approved indirect cost plan; and a management information system that will ensure that reported performance data is accurate, supportable, and reliable.

CPDC agreed to resubmit a final grant close-out package with correct outcomes. With regard to questioned costs related to salary and indirect costs charged to the grant, CPDC disagreed with the report's conclusions and related recommendation. (Report [03-07-001-03-321](#), issued March 30, 2007)

Workforce Investment Act

The goal of the Workforce Investment Act of 1998 (WIA) is to increase employment, retention, and earnings of participants. Doing so improves the quality of the workforce to sustain economic growth, enhances productivity and competitiveness, and reduces welfare dependency. Authorization for WIA ended in 2003--although funds have been appropriated each year since then--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, multi-service, research, and multi-state projects under which Congress has funded multiple "earmark" grants.

Kingston-Newburgh Enterprise Corporation Was Unable to Substantiate Performance—\$1.2 Million in Questioned Costs

The Kingston-Newburgh Enterprise Corporation (KNEC) is a not-for-profit corporation. Its mission is to revitalize New York's Enterprise Community zone neighborhoods in Kingston and Newburgh.

We conducted a performance audit of three earmark grants awarded to KNEC in 2001, 2002, and 2004, for a total award of \$1.9 million. The grants required KNEC to serve 840 eligible residents enrolled in the Temporary Assistance to Needy Families (TANF) or WIA programs and to place in employment 428, or 51 percent, of planned participants.

KNEC could not provide verifiable outcome data for any of the 428 participants it claimed to have placed in employment because it did not have a system to document, track, or report outcomes. KNEC was unable to obtain outcome data from its contractors. KNEC also did not have adequate policies and procedures for procurement and contract administration to ensure costs paid met Federal requirements. KNEC could not provide participant documentation for 5 of the 27 contracts it had awarded for participant training and employment services. Furthermore, 685, or 75 percent, of the 916 participants KNEC could identify as having served were either ineligible or had insufficient documentation to establish eligibility. As a result, DOL and KNEC cannot be assured that program participants were actually placed in jobs. This lack of accountability underscores the importance of ensuring that grant recipients have procedures in place to enable the Department to evaluate their performance.

We questioned approximately \$1.2 million in grant costs. In its response to our draft report, KNEC strongly disagreed with the report's findings and recommendations. It claimed that it had inherent flexibility in grant operations under the provisions of *Employment and Training Administration—Reference Book One: Technical Assistance for Writing Earmark Grant Proposals*. KNEC further stated that ETA grant monitoring did not mention significant problems with eligibility or documentation. The ETA guidance cited by KNEC is a guide for developing grant proposals and does not take precedence over requirements in executed grant agreements. The report's recommendations

will be resolved during ETA's formal audit resolution process. (Report [02-07-201-03-390](#), issued March 12, 2007)

San Diego Workforce Partnership, Inc., Grant Costs Were Not Accurate, Allowable, and Allocable— \$2.6 Million in Questioned Costs and an Additional \$11.6 Million in Unsupported Labor Cost Distributions

The San Diego Workforce Partnership, Inc. (SDWP), is the administrative agency for the Workforce Investment Board (WIB) of the City and County of San Diego. For 30 years, it has been administering job training and employment programs to show an increase in the participants' employment, job retention, earnings, and occupational skills. We conducted a performance audit of SDWP. Our audit objectives incorporated ETA's request of a review of SDWP's cost of moving its headquarters, unreported program income, and irregular requirements for awarding contracts.

We audited over \$90 million in expenditures during the period and concluded that certain grant costs were not accurate, allowable, and allocable. We questioned \$1.3 million in building costs and \$1.3 million in excessive costs related to an equipment purchase-sale-leaseback transaction. We also identified \$1 million in unreported program income that SDWP considered discretionary. We also identified \$11.6 million in direct labor and associated costs whose distribution was not supported.

Our findings demonstrate the need for sustained monitoring of grantees by ETA and the states to ensure that Federal funds are being used for the intended purpose and WIA improper payments are minimized. In the case of SDWP, money that should have benefited recipients by training them for better jobs was used to buy equipment and lease building space, among other things.

We made 18 recommendations including: (1) questioning \$2.6 million in costs related to DOL grants; (2) requiring \$1.1 million in program income be put to better use for allowable program purposes; and (3) requiring an analysis of \$11.6 million in direct labor and associated costs and determining if those costs were reasonable for the products and services received. With the exception of agreeing that a portion of the equipment purchase-lease-back transaction may be unallowable and agreeing to improve its procurement processes and equipment records, SDWP disagreed with our recommendations. ETA and the grantee are required to enter into an audit resolution process to address our recommendations. (Report [09-07-001-03-390](#), issued February 14, 2007)

Several Factors Caused the Disproportionate Increase in Illinois WIA Statewide Activity Reported 4th-Quarter Expenditures

DOL, Congress, and outside parties rely on expenditure data reported by the states to make decisions that have an impact on current and future funding

when determining appropriation levels. Statewide activity expenditures reported by the State of Illinois, Department of Commerce and Economic Opportunity (DCEO), to ETA for the fourth quarter of PY 2003 (ending June 30, 2004) were significantly higher when compared to the preceding three PY quarters.

We conducted a performance audit to determine the causes for the State's disproportionate increase in reported fourth-quarter expenditures and whether the increase had an impact on data provided to ETA.

We found that the State's disproportionate increase in expenses was caused by inaccurate recording and reporting of expenditure data during the transfer of program responsibilities from the Illinois Department of Economic Security to DCEO; inaccurate reporting of expenditure transfers from one funding year to another; accrual reporting issues at Local Workforce Investment Areas; and grant management issues.

As a result of expenditures being reported in incorrect periods, ETA relied on quarterly financial status reports that included differences of up to \$4.5 million. Accurate and reliable financial data are essential to ensuring that program funds are being spent appropriately. Our findings highlighted the need for ETA to require states to have adequate systems to maintain and report this data.

We recommended that ETA ensure DCEO's reporting system includes a timely reconciliation of recorded expenditures to those reported to ETA. In addition, DCEO's expenditures should be reported to ETA consistently on an accrual basis. In its response to the draft report, DCEO concurred with the audit findings and recommendations. (Report [02-07-202-03-390](#), issued March 30, 2007)

Clerk Charged with Embezzling over \$2 Million in WIA Funds

An accounts payable clerk at a Florida employment assistance facility was charged on October 17, 2006, with allegedly embezzling at least \$2.1 million of WIA funds. Between 2002 and 2006, the clerk allegedly wrote one to three checks per month for between \$16,000 and \$19,000 each. The checks were recorded in the accounting system as payable to several inactive vendor codes. This is a joint investigation with the Lauderhill, Florida, Police Department and the IRS-CID.

Welfare-to-Work

The 1997 Welfare-to-Work (WtW) legislation authorized the Department to provide \$3 billion in both formula grants to states and competitive grants awarded directly to local and community-based organizations. These grants were designed to assist states and local communities in creating job opportunities for hard-to-employ welfare recipients. 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.

KentuckianaWorks Mismanaged Competitive and Formula Welfare-to-Work Grants—\$3.2 Million in Questioned Costs

During FY 1998, the Commonwealth of Kentucky was awarded \$17,722,913, with a matching requirement of \$8,861,457, to administer the WtW formula grant. The State passed through \$2,240,570 to the Greater Louisville Workforce Investment Board, a government entity doing business as KentuckianaWorks, located in Louisville, Kentucky. KentuckianaWorks also received a WtW competitive grant in the amount of \$4,999,898. The formula grant and the competitive grant were combined and accounted for as a single funding stream of \$7,240,468. The purpose of the combined grants was to provide services over a two-and-a-half-year period to 4,000 participants already employed.

We conducted a performance audit of the \$7,240,468 Federally funded WtW grants awarded to KentuckianaWorks. Our audit found that KentuckianaWorks did not adequately manage its WtW competitive grant funds and did not submit accurate and reliable participant data. We questioned \$3.2 million of costs related to contracts awarded to its grant partners without the required full and open competition.

Of the \$3.2 million questioned, we also questioned \$2.4 million because KentuckianaWorks did not ensure costs claimed by four of its grant partners were necessary and reasonable. We also found that the Department did not provide effective oversight of KentuckianaWorks' management of grant funds. Finally, we found that KentuckianaWorks overreported the number of participants served, the number of participants retained in unsubsidized employment for six months, and the total participants' wage gains.

Because KentuckianaWorks overreported the number of participants served, the Department cannot make an accurate assessment of the services provided. In addition, inadequate financial management resulted in funds being diverted from individuals who should have been receiving post employment services and support.

In addition to the questioned costs, we recommended that ETA provide effective monitoring oversight to ensure that KentuckianaWorks reports accurate and reliable participant performance data for any current or future

Departmental grants. In its response to the draft report, KentuckianaWorks strongly disagreed with our findings and recommendations. In particular, officials at KentuckianaWorks stated that they relied on guidance from ETA that competitive procurement was not required for partners named in the application. However, ETA's official guidance required competition. ETA and the grantee are required to enter into an audit resolution process to address our recommendations. (Report [04-07-001-03-386](#); issued March 30, 2007)

Senior Community Service Employment Program

The Senior Community Service Employment Program (SCSEP) is intended to promote pathways to economic self-sufficiency for older individuals. The program's stated mission is to provide job training and placement for people with limited financial resources who are age 55 or older, and to provide employers with trained, motivated workers.

National Caucus and Center on Black Aged, Inc., Misused Senior Community Service Employment Program Grant Funds—\$125,000 in Questioned Costs

The National Caucus on Black Aged (NCBA) receives DOL grants to operate SCSEP in 10 states, the District of Columbia, 86 counties, and two cities.

As a result of a hotline complaint alleging misuse of grant funds and a conflict of interest in contracting activities, we conducted a performance audit of \$189,392 of NCBA travel and contract expenditures. The complaint specifically alleged that NCBA inappropriately used government funds for car rentals and hotel accommodations. It also alleged that NCBA operational funds were used to finance a computer program designed and implemented by a part-time NCBA director, resulting in a conflict of interest.

Our audit questioned \$125,193 in costs related to three contracts that NCBA awarded sole source, without written justification, to a parent company and its subsidiary. NCBA's part-time director had a relationship with these two companies, constituting a conflict of interest. We also determined that NCBA was reimbursed \$5,221 for travel expenses that did not comply with the requirements of Federal Travel Regulations. Our findings illustrate the importance of grant recipients having strong internal controls to help ensure that funds are used appropriately.

We recommended that ETA recover the questioned travel and procurement costs. We also recommended ETA ensure that NCBA adheres to established criteria/regulations with respect to travel policy and procedures and procuring products and services. Our recommendation also included the recovery of amounts paid for computer program maintenance that occurred after the audit period ending June 30, 2005. NCBA generally disagreed with our recommendations, stating that actions taken that resulted in unallowable costs were justified. However, NCBA officials acknowledged that they did not follow applicable regulations in that they did not properly document the justification for or obtain written approvals prior to incurring these costs. NCBA has taken corrective action, through issuance of internal memorandums, to strengthen internal controls and operating procedures related to travel and procurement. (Report [21-07-002-03-360](#), issued March 30, 2007)

Foreign Labor Certification

The Department's foreign labor certification programs provide U.S. employers access to foreign labor. The Permanent Foreign Labor Certification Program allows an employer to hire a foreign worker to work permanently in the United States. Administration of the program is the responsibility of three Federal departments: Labor, Homeland Security, and State. Prior OIG audits have identified vulnerabilities, and our investigations, some of which have been initiated based on referrals from ETA, continue to identify fraud against these programs.

Guilty Verdict in Visa Fraud Trial of Immigration Attorney and Assistant

Yali Huang, an immigration attorney, was found guilty February 13, 2007, of conspiracy and visa fraud for a scheme in which false and fraudulent documents were filed with employment-based visa applications to permit foreign nationals to enter and remain in the United States. She submitted more than 200 applications to extend B1 visas, which allow foreign citizens to come to the United States for a short time period and conduct business on behalf of a foreign employer. These applications included a supporting letter purportedly from the applicant's Chinese employer. Huang's assistant, Yongping Liu, was convicted of visa fraud for her role in the scheme.

Between 2000 and 2005, Huang conspired with U.S. company owners to make offers of employment to Chinese citizens that allowed them to obtain immigration benefits in the United States. She made payments to these company owners for their sponsorship of the Chinese citizens. In addition, Huang created companies and in some cases used her own residential address as the location for the sham employing company. Her fees for processing fraudulent visa applications ranged from \$5,000 to \$140,000. This was a joint investigation with ICE and USFIS. *U.S. v. Liu, et al.* (S.D. Texas)

\$2 Million Forfeiture and 3 Sentences Handed Down in Labor Certification and Immigration Fraud Case

Mohamad Alamgir, a former immigration attorney, was sentenced November 21, 2006, to 40 months' imprisonment and was ordered to pay a forfeiture of \$2 million and a \$16,400 special assessment. Tariqul Islam Khan, a World Bank employee and a relative of Alamgir, was sentenced December 19, 2006, to two years' probation and ordered to pay a \$5,000 fine and perform 300 hours of community service. Praveendra Dhingra, a restaurateur involved in the scheme, was sentenced to three years' probation and ordered to pay a \$50,000 fine and perform 300 hours of community service.

Alamgir, who owned a Washington, D.C., law firm, pled guilty in April 2004 to conspiracy, money laundering, and 159 substantive counts of labor certification and immigration fraud. He generated false employment documentation that enabled scores of would-be immigrants from Bangladesh and elsewhere to fraudulently obtain U.S. work visas.

To facilitate this scheme, Alamgir enlisted small-business employers to file over 150 false applications with DOL for Alien Employment Certifications. These applications were for nonexistent jobs, on behalf of nonexistent aliens or aliens whom the employers never intended to hire. Alamgir used those fraudulent certifications to file over 100 false immigrant petitions for visas for alien workers, which he then sold for thousands of dollars. Ten employers were convicted of participating in this scheme, and additional defendants have been indicted and are scheduled to stand trial. This is a joint investigation with the FBI and the IRS. *U.S. v. Alamgir; U.S. v. Khan; U.S. v. Dhingra* (D. District of Columbia)

Business Consulting Company President Sentenced for Immigration Fraud

Narendra Mandalapa, the owner and president of Cybersoftec, Inc., was sentenced on January 22, 2007, to 20 months' imprisonment to be followed by two years of supervised release for his role in fraudulently assisting hundreds of immigrant aliens to live and work illegally in the United States. The court also ordered the forfeiture of \$5.7 million and two luxury automobiles, which represented proceeds of his crimes. Finally, he was ordered to pay a \$25,000 fine and a \$100 special assessment.

Mandalapa's scheme caused at least 250 fraudulent I-140s (petitions for an alien worker to become a lawful resident in the United States) to be submitted to the U.S. Citizenship and Immigration Services (USCIS) on behalf of aliens between September 2004 and October 2005. Along with fraudulent I-140s, Mandalapa also provided USCIS with labor certifications that DOL had not approved. Mandalapa received up to \$22,000 from each of the aliens for filing the fraudulent documents. This was a joint investigation with ICE, USCIS, and DOL Wage and Hour Division. *U.S. v. Mandalapa, aka Ramesh Dashrth* (D. New Jersey)

\$12 Million Forfeiture in Illegal Labor Case

Maximino Garcia, president and co-owner of Garcia Labor Company, Inc. (GLC), was sentenced on March 1, 2007, for his role in a conspiracy that provided hundreds of illegal aliens to work for a national air cargo firm in circumvention of the foreign labor certification programs. In addition to being sentenced to 15 months' incarceration and 24 months' supervised release, he was ordered to pay a fine of \$25,000 and a special assessment of \$100. Garcia's companies were also required to forfeit illegal proceeds of \$12 million and interest in land and property in Ohio. The companies previously pled guilty to conspiracy to encourage, induce, and aid and abet illegal aliens to reside or remain in the United States for commercial advantage or private financial gain.

Dominga McCarroll, sister of Garcia and former vice president of GLC, and Gina Luciano, a GLC human relations director, were sentenced for their roles in the scheme. McCarroll was sentenced to 2 months' incarceration, 24 months' supervised release, and ordered to pay a fine of \$5,000 and a

special assessment of \$100. Luciano was sentenced to 8 months' incarceration, 24 months' supervised release, and ordered to pay a fine of \$7,000 and a special assessment of \$100.

GLC and its officers violated Federal laws from December 1999 through January 2005 by having job applicants fill out the I-9 employment eligibility forms, which were preprinted to list two specific forms of identification: a Resident Alien card and a Social Security card. These contract laborers were then leased to work at an Ohio air mail sorting facility. This was a joint investigation with the Department of Homeland Security (DHS)-ICE and SSA-OIG. *U. S. v. Garcia Labor Company, Inc., et al.* (S.D. Ohio)

Immigration Consultant Sentenced in Visa Fraud Scheme

Henry Hossein Haghighi Heguman (Haghighi), an immigration consultant, was sentenced on March 14, 2007, to 30 months in prison for immigration/visa fraud, money laundering, and conspiracy. The sentencing was in relation to a scheme in which he acted as an agent for employers by preparing and submitting fraudulent employment visa applications for foreign nationals. He used more than 200 California businesses as intended employers for nearly 100 foreign nationals who never went to work for these employers. Haghighi's operation charged its clients between \$6,000 and \$24,000 to obtain fraudulent employment-based visas. This was a joint investigation with ICE, Department of State, IRS-CID, the Ventura County Sheriff's Department, and the FBI. *U.S. v. Haghighi* (C.D. California)

Unemployment Benefits

The 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 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.

Stolen Identities Used to Obtain More Than \$600,000 in Unemployment Benefits

Enrique Valencia Caratachea and Jose Luis Valencia Caratachea were sentenced on November 20, 2006, to 33 months and 27 months in prison, respectively, for defrauding the State of California Employment Development Department (EDD), of over \$600,000 in UI benefits. Between 2002 and 2005, the Valencias and other family members used stolen identities from payroll records to file approximately 285 fraudulent UI claims on behalf of individuals who had no idea that their identities were being used. The defendants were ordered to pay \$647,935 in restitution to the EDD. This was a joint investigation with California EDD. *U.S., et al. v. Caratachea, et al.* (E.D. California)

Former Claims Examiner, Co-Conspirator, and Courier Sentenced in \$2 Million UI Scheme

Benjamin Hopkins, a claims examiner for the Illinois Department of Employment Security (IDES), was ordered on February 21, 2007, to pay restitution to IDES in the amount of \$1.9 million. He was also sentenced to 27 months' imprisonment followed by three years' supervised release, and ordered to pay a special assessment of \$100. Willie Kennedy, a security guard at the IDES facility who acted as a courier for Hopkins, was sentenced December 12, 2006, to 12 months' probation and ordered to pay a special assessment fee of \$100 and restitution to IDES in the amount of \$3,320. Carmelo Castillo, a co-conspirator, was sentenced December 14, 2006, to 14 months' incarceration followed by three years' supervised release, and ordered to pay a special assessment fee of \$100 and full restitution in the amount of \$295,000.

From approximately 1985 until April 2005, in exchange for cash, food, beer, and other in-kind benefits, Hopkins processed approximately 579 fraudulent UI claims, which caused nearly \$2 million in UI benefit checks to be sent to various addresses provided to Hopkins by four co-conspirators. Two of the other co-conspirators have already been sentenced; the fourth is a fugitive. This was a joint investigation with ICE; USPIS; FBI; and the State of Illinois Office of Executive Inspector General. *U.S. v. Hopkins, et al.* (N.D. Illinois)

Office of Workers' Compensation Programs

The Employment Standards Administration's (ESA's) Office of Workers' Compensation Programs (OWCP) administers four major disability compensation programs, which provide wage replacement benefits, medical treatment, vocational rehabilitation, and other benefits to certain workers who experience work-related injury or occupational disease. Some of the injured workers' dependents and survivors may also be entitled to monetary benefits. Two such programs are the Federal Employees' Compensation Act (FECA) program and the Black Lung Benefits program. In FY 2006, the FECA program provided 264,000 workers and survivors nearly \$2.4 billion in benefits for work-related injuries or illnesses. Of these benefit payments, over \$1.6 billion were for wage-loss compensation, \$668 million for medical and rehabilitation services, and \$129 million for death benefit payments to surviving dependents.

Woman Sentenced for Embezzling More Than \$100,000 of Deceased Mother's Benefit Checks for over 20 Years

Mildred Webb was sentenced on December 1, 2006, to five years' probation with 10 months of home detention, and ordered to pay \$102,589 in restitution for embezzlement of Black Lung survivor benefit funds. Webb cashed benefit checks payable to her deceased mother on a monthly basis from January 1983 through September 2004. Webb's mother died in 1977 but was survived by her husband, who passed away in 1983. Upon receipt of each U.S. Treasury check, Webb would endorse the back of the check by signing her mother's name, then her own name, indicating she was the daughter, and then an account number. Webb opened a joint bank account in March 1995, forging her mother's signature to the account application signature card to further the scheme. *U.S. v. Webb* (W.D. Pennsylvania)

FAA Worker Convicted for Defrauding FECA of over \$100,000

Jeffrey Bell, a Federal Aviation Administration (FAA) electronics technician, was convicted on January 25, 2007, of making and using false documents and concealing material facts to illegally obtain Federal workers' compensation benefits. As a result, on March 30, 2007, the FAA removed Bell from Federal employment for criminal misconduct.

In 2001, Bell reported that he had injured his neck at his workplace. Over the course of several months between March 2005 and August 2006, he received in excess of \$103,000 in tax-free workers' compensation benefits. Bell failed to disclose that he earned more than \$133,000 during this same period from U.S. Aircraft Instruments, a company he owned. The successful prosecution of Bell and subsequent termination of his benefits will result in over \$600,000 in savings to the FECA program over the next nine years. This was a joint investigation with the Defense Criminal Investigative Service (DCIS). *U.S. v. Bell* (D. New Jersey)

Former U.S. Capitol Police Officer Sentenced for Worker Compensation Fraud

On February 12, 2007, David Robb Jr., a former U.S. Capitol Police Officer, was sentenced to two years' probation and ordered to pay restitution in the amount of \$53,000 for defrauding the FECA program. Robb pled guilty October 18, 2006, to theft of government funds. In July 1997 Robb sustained an injury to his left knee after his police motorcycle fell on top of him. Shortly after being placed on the periodic rolls, Robb engaged in full-time employment over a span of three years, earning a total of \$86,425 from four employers located in Maryland. All but \$13,000 of these wages went unreported on forms submitted to OWCP, which requires the disclosure of information regarding work and earnings, dependency, and other benefits. *U.S. v. Robb* (D. Delaware)

Guilty Verdict Ends 15 Years of FECA Fraud

Sherman Berry, a former U.S. Department of Treasury employee, was convicted February 1, 2007, of making false statements to obtain Federal employees' compensation, wire fraud, and false statements. In 1991, Berry sustained a lacerated toe while employed as a packer in the Treasury's Bureau of Engraving and Printing. Following the initial injury, and over the course of the next 15 years, Berry submitted or caused to be submitted attending physician reports to OWCP. The reports, purportedly completed by actual physicians who were later determined to be fictitious, were used to support Berry's claim for continuing worker's compensation. Berry has received in excess of \$270,000 in compensation benefits since 1991. Berry is currently awaiting sentencing. This was a joint investigation with the Treasury-OIG and the FBI. *U.S. v. Berry* (D. District of Columbia)

Guilty Plea in Postal Service Medical Provider Kickback Scheme

Daniel Parker Jr., the owner of Performance Health Medical Group, pled guilty on October 23, 2006, to several charges, including conspiracy and illegal kickbacks for patient referral. He conspired to pay kickbacks to an injury compensation specialist at the U.S. Postal Service. After being asked to participate in the scheme, the specialist contacted OWCP to alert it to the scheme and cooperated in the subsequent investigation by agreeing to refer injured postal employees to one of Parker's physical therapy clinics. Parker used a middleman to enter into an agreement with the specialist to disguise the true nature of the scheme and to provide "legal insulation." Parker's middleman paid the specialist \$1,000 a month for the illegal kickbacks for patient referrals and promised more money for additional referrals. This was a joint investigation with the U.S. Postal Service-OIG, California Department of Insurance, and the IRS-CID. *U.S. v. Parker* (C.D. California)

Health Care Provider Agrees to Pay \$1.36 Million Civil Settlement

Crawford & Company, a vocational rehabilitation health care provider based in Atlanta, Georgia, agreed in an October 4, 2006, civil settlement to pay the Federal government over \$1.36 million to resolve allegations that it violated the False Claims Act when it submitted invoices to the Federal government that contained inflated charges in connection with workers' compensation-related services. In 2003, a Crawford subsidiary pled guilty to mail fraud and was required to pay an \$8 million criminal fine in connection with similar conduct that occurred in its Baltimore and Norfolk offices. The civil settlement resulted from a sampling of 20 Crawford branches that inflated fees and was based on an average inflated fee charged for each service.

Between 1992 and 2002, the company provided services to the Federal government that were intended to streamline the delivery of medical care to injured Federal employees and to expedite the employees' reentry into the workforce. The false-claim practices included billing the government for services at rates set by Crawford managers rather than billing the actual time spent performing those services. Additionally, the company billed the time spent on one activity to multiple client files and attempted to pass along overhead expenses to the Federal government by invoicing them as incurred costs. This was a joint investigation with OWCP; DOL Solicitor's Office; U.S. Postal Service-OIG; DCIS; and the DOJ Commercial Civil Litigation Division. *U.S. v. Crawford & Company* (D. District of Columbia).

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.

The Department Needs to Continue Efforts to Ensure the Protection of Personally Identifiable Information

Following numerous incidents across government involving the compromise or loss of sensitive personal information, the Office of Management and Budget (OMB) issued Memorandum M-06-16, "Protection of Sensitive Agency Information," on June 23, 2006. The memorandum stressed that Federal agencies need to take all necessary and reasonable measures to swiftly eliminate significant vulnerabilities to the sensitive information entrusted to them. OMB M-06-16 specifically requested that agency heads implement the security controls for the protection of remote information included in the National Institute of Standards and Technology Special Publication 800-53, *Recommended Security Controls for Federal Information Systems*, Security Checklist (NIST Checklist) as well as four additional recommended safeguards. Agencies were required to take certain actions to ensure that safeguards were in place and appropriately reviewed within 45 days (i.e., by August 7, 2006) from the issuance of the memorandum. The Inspectors General were tasked by OMB M-06-16 to evaluate the agency implementation and report back to OMB on the implementation status.

We performed an evaluation of the Department's compliance with OMB Memorandum M-06-16 to determine if DOL implemented protections over sensitive agency information, specifically personally identifiable information (PII).

Based on our evaluation, the Department has taken positive steps to address the protections outlined in OMB M-06-16, but needs to continue efforts to ensure the protection of PII that is accessed remotely or physically removed or stored outside of Department facilities. We found that the Department had partially implemented the NIST Checklist for protection of remote information. The four specific requirements were: logging data extracts, time-out, two-factor authentication, and data encryption. The Department implemented two of these four specific OMB M-06-16 recommendations. The Department implemented the two that related to two-factor authentication and a time-out function. The Department has indicated plans to implement recommendations that related to encryption and logging of data extracts but has yet to do so.

We recommended that the Office of the Chief Information Officer (OCIO) ensure full Department-wide implementation of the security controls included in the NIST Checklist. We also recommended full Department-wide implementation of the four specific OMB M-06-16 recommendations related

to encryption of mobile devices, remote access through two-factor authentication, logging of sensitive database extracts, and a 30-minute time-out function for remote access and mobile devices.

OCIO concurred with the evaluation recommendations and has plans to take corrective actions for both recommendations, which are expected to be fully implemented by the first quarter of FY 2009. (Report 23-07-001-07-001, issued March 30, 2007)

Financial Management

Consolidated Financial Statement Audit

The OIG contracted with KPMG, LLP, to audit DOL's FY 2006 statements. DOL received an unqualified opinion on its annual consolidated financial statements for the 10th consecutive year.

While KPMG issued an unqualified opinion, KPMG also found that DOL did not comply, in all material respects, with the standards of the Federal Financial Management Improvement Act (FFMIA). The Act's standards require agencies to implement and maintain systems that provide timely, accurate, and useful information upon which to base decisions, and to ensure accountability on an ongoing basis. KPMG's examination disclosed a material noncompliance with FFMIA because of certain weaknesses in DOL's financial management systems related to general computer access controls, application access controls, and related manual controls. The Department represented that, in accordance with provisions and requirements of FFMIA, the Secretary determined that DOL's financial management systems were in substantial compliance with FFMIA.

Reportable Conditions

KPMG noted eight new areas involving internal controls that they considered to be reportable conditions, although none were considered material weaknesses. KPMG also noted two reportable conditions from prior years that continue to require management's attention.

New Reportable Conditions

Weaknesses over Property, Plant and Equipment

KPMG found that DOL did not consistently implement or follow policies and procedures designed to ensure that property, plant, and equipment (PP&E) balances, including construction-in-progress, are stated in accordance with Federal accounting standards. Management agreed to take the necessary corrective action to address the issues raised.

Weaknesses over Grants

KPMG identified segregation of duties weaknesses related to the ETA grant accrual and validation process, and determined that procedures for this process were not documented. KPMG also found that the Department had no monitoring procedures in place to ensure that audits of its grantees were completed, and reports received, in a timely manner for each grantee meeting the \$500,000 audit threshold in OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (A-133). ETA agreed that backup procedures and personnel should be in place for the grant accrual and validation process, and stated that the financial systems specialist now performs the management review of the accruals, and additional accounting office personnel will be trained to perform the accuracy analysis during FY 2007. Regarding the finding related to ensuring grantees

were getting their required A-133 audits, the Department agreed that its procedures should be strengthened and will coordinate with appropriate agencies to develop and implement changes to track grantees' required A-133 audit reports.

Weaknesses in the Change Control Process for a Benefits System

Prior to February 2006, an ESA benefits system did not have in place a documented standard process for requesting, reviewing, developing, testing, and approving changes. While change control procedures were established and documented in February 2006, the procedures were inconsistently followed during the months of February and March 2006. ESA agreed to take recommended corrective actions to address the identified change control weaknesses.

Weaknesses in FECA Accounting and Financial Reporting

The Department did not implement or consistently follow its existing management review procedures related to year-end activity reconciliations and continuing FECA eligibility. The Office of the Chief Financial Officer (OCFO) did not adequately reconcile the general ledger to the FECA subsidiary ledgers, and ESA did not adequately reconcile the FECA history databases to the charge-back report used to bill FECA customer agencies. KPMG's audit also found that the Department did not have procedures in place to review the fourth-quarter estimates used to prepare the schedule Liability for Current Federal Employees Compensation Act Benefits. KPMG further found that ESA claims examiners were not consistently following up to ensure that annual certifications of earnings information and dependent status were received for each claimant. Management concurred and will develop and implement necessary corrective actions.

Lack of Segregation of Duties over Journal Entries

DOL agencies were able to access the DOL Accounting and Reporting System (DOLAR\$) and enter journal entries without any system-controlled review or approval before they were posted to the general ledger. Management agreed that DOLAR\$ did not have a system-controlled approval process and supported the concept of building in automated internal controls into the system that will replace DOLAR\$ as long as these controls are reasonable. However, management did not believe that it was feasible or cost effective to retrofit the current system with these controls.

Weaknesses over Payroll Accounting

The U.S. Department of Agriculture's National Finance Center (NFC), which processes DOL's payroll, received a qualified opinion for FY 2006 regarding the effectiveness of its internal controls. DOL did not have policies and procedures in place to reconcile the payroll information it submitted to NFC to that received and processed by NFC. In addition, KPMG noted that the DOL policy on payroll accounting had not been updated since October 1981 to reflect changes in payroll policies and procedures—most notably the change to NFC as DOL's payroll services provider. While management disagreed with the finding regarding a lack of reconciliation controls, management

stated that DOL policy on payroll accounting was in the process of being updated and issued.

Weaknesses in Budgetary Accounting

During FY 2006, OCFO did not have adequate resources and did not adequately enforce policies to ensure complete, timely reconciliations related to the Apportionment and Reapportionment Schedules and the Report on Budget Execution and Budgetary Resources. Management was working to enhance its current policies and procedures to address the reported weaknesses.

Weaknesses in Custodial Activities

KPMG identified weaknesses in the assessment and collection of fines and penalties at three of the four agencies responsible for these activities – ESA, OSHA, and MSHA. The Department has initiated action to update its procedures in this area.

Continuing Reportable Conditions from Prior Years

Lack of Strong Application Controls over Access to and Protection of Financial Information

In FYs 2004 and 2005, the OIG reported consistent weaknesses across the Department related to application controls, including documentation of supporting environments, application password settings and user access, segregation of duties policies, user account review and reauthorization, and audit trails. From current year testing, KPMG found numerous continuing application control weaknesses. Management believes that it has made substantial progress during FY 2006 to strengthen application security controls in response to the OIG's prior-year recommendations. Management also believes that DOLAR\$ has sufficient compensating controls to address the identified deficiencies.

Lack of Strong Logical Security Controls to Secure DOL's Networks and Information

Beginning in FY 2001, the OIG identified and reported continuing weaknesses with DOL's technical security standards and policies; access controls; and segregation of duties. KPMG's audit found DOL continues to lack strong logical security controls to secure its networks and information. KPMG's current year testing showed that improvements are still needed in the areas of technical security standards and policies, segregation of duties, and access controls. Management believes it has made substantial progress to improve its logical security controls and plans to implement additional corrective actions to address the remaining recommendations in FY 2007. Management also believes compensating controls within DOLAR\$ address the weaknesses identified related to logical security controls. (Report [22-07-003-13-001](#), issued November 13, 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

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. 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.

In addition, 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, legislative action is needed requiring 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 USCIS 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	45
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.....	55
Section 5(a)(4)—Matters Referred to Prosecutive Authorities.....	57
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	52
Section 5(a)(7)—Summary of Significant Reports	ALL
Section 5(a)(8)—Statistical Tables on Management Decisions on Questioned Costs	51
Section 5(a)(9)—Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	50
Section 5(a)(10)—Summary of Each Audit Report Over Six Months Old for Which No Management Decision Has Been Made.....	55
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	0	0.0
Issued during the reporting period	2	1.2
Subtotal	<hr/> 2	<hr/> 1.2
For which management decision was made during the reporting period:		
• Dollar value of recommendations that were agreed to by management		0.0
• Dollar value of recommendations that were not agreed to by management		0.0
For which no management decision had been made as of the end of the reporting period	2	1.2

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	5	438.5
For which management or appeal decisions were made during the reporting period	0	0.0
Subtotal	<hr/> 5	<hr/> 438.5
For which final action was taken during the reporting period:		
• Dollar value of recommendations that were actually completed		0.0
• Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		0.0
For which no final action had been taken by the end of the period	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)	51	96.3
Issued during the reporting period	17	22.3
Subtotal	68	118.6
For which a management decision was made during the reporting period:		
• Dollar value of disallowed costs		0.9
• Dollar value of costs not disallowed		2.2
For which no management decision had been made as of the end of the reporting period	44	115.5
For which no management decision had been made within six months of issuance	23	93.1

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)*	84	33.9
For which management or appeal decisions were made during the reporting period	15	0.9
Subtotal	99	34.8
For which final action was taken during the reporting period:		
• Dollar value of disallowed costs that were recovered		1.3
• Dollar value of disallowed costs that were written off by management		0.6
• Dollar value of disallowed costs that entered appeal status		0.4

*These figures are provided by DOL agencies and are unaudited. Does not include \$2.4 million of disallowed costs that are under appeal. Partial recovery/write-offs are reported in the period in which they occur. Therefore, many audit reports will remain open awaiting final recoveries/write-offs to be recorded.

<u>Program Name</u> Name of Report	Date Issued	Report Number	# of Nonmonetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)
Employment and Training Programs					
Indian and Native American Program					
Single Audit: Denver Indian Center, Inc.	02/21/07	21-07-514-03-355	3		
Single Audit: Seminole Nation of Oklahoma	03/15/07	21-07-523-03-355		121,268	
Older Workers Program					
Alleged Misuse of Financial and Administrative Title V Funds by the National Caucus and Center on Black Aged, Inc.	03/30/07	21-07-002-03-360	3	130,414	
Single Audit: AARP Foundation	02/17/07	21-07-516-03-360	12	911,154	
Job Corps Program					
Audit of Cincinnati Job Corps Center's Student Leave and Unexcused Absences	03/30/07	03-07-003-01-370	2	208,121	
Job Corps Regional Director's Authority as Contracting Officer Raises Concerns	03/30/07	04-07-002-01-370	3		
Complaint Involving Dynamic Educational Systems, Inc.	01/18/07	21-07-001-01-370	1		
Single Audit: Future Entrepreneurs and Workers Training Administration	11/15/06	21-07-501-01-370	49	13,287	
Single Audit: Women in Community Service, Inc.	10/12/06	21-07-503-01-370	9		
Performance Audit of the Oconaluftee Job Corps Center	03/30/07	26-07-001-01-370	7	124,608	190,367
Welfare-to-Work Program					
Performance Audit of the KentuckianaWorks' Competitive and Formula Welfare to Work Grants	03/30/07	04-07-001-03-386	2	3,166,933	
Workforce Investment Act					
Kingston-Newburgh Enterprise Corporation Earmark Grants	03/12/07	02-07-201-03-390		1,201,110	
Illinois Workforce Investment Act Statewide Activity Fourth Quarter Expenditures	03/30/07	02-07-202-03-390	2		
Audit of the San Diego Workforce Partnership, Inc.	02/14/07	09-07-001-03-390	11	14,192,002	961,490
Single Audit: Kiowa Tribe of Oklahoma	11/03/06	21-07-504-03-390	2		
Single Audit: The Navajo Nation	11/21/06	21-07-506-03-390	2		
Single Audit: American College of the Building Arts	02/21/07	21-07-515-03-390	10	98,199	
Single Audit: San Diego Workforce Partnership, Inc	03/14/07	21-07-522-03-390	6		
Goal Totals		18	124	20,167,096	1,151,857
Worker Benefit Programs					
Unemployment Insurance Program					
Louisiana May Have Paid at Least \$3.7 Million in Hurricane-Related Unemployment Claims Based on Claimants Using Invalid Social Security Numbers	03/06/07	06-07-001-03-315	3	1,076,098	
Single Audit: Government of the District of Columbia	12/05/06	21-07-505-03-315	11	114,171	
Single Audit: State of Michigan Unemployment Agency Compensation Fund	12/07/06	21-07-512-03-315	8	26,212	
Federal Employees' Compensation Act					
Report Relating to the Federal Employees' Compensation Act Special Benefit Fund	10/24/06	22-07-002-04-431			
Federal Employees' Compensation Act Internal Control and Compliance Report	03/30/07	22-07-007-04-431			
Goal Totals		5	22	1,216,481	

Appendix

Final Audit and Attestation Reports Issued

<u>Program Name</u> Name of Report	Date Issued	Report Number	# of Nonmonetary Recommendations	Questioned Costs (\$)	Funds Put to Better Use (\$)
Worker Safety, Health, and Workplace Rights					
Foreign Labor Certification					
Audit of a Complaint Involving the Community Preservation and Development Corporation's H-1B Technical Skills Training Grant	03/30/07	03-07-001-03-321	2	870,821	
Mine Safety and Health					
Mine Safety and Health Administration Needs to Improve Controls over Performance Data	12/26/06	22-07-008-06-001	3		
Goal Totals		2	5	870,821	
Departmental Management					
ETA Management					
Single Audit: State of Ohio	10/12/06	21-07-502-03-001	46	93,351	
Single Audit: Downriver Community Conference	02/21/07	21-07-513-03-001	4	1,575	
Single Audit: Commonwealth of Puerto Rico Department of Labor and Human Resources, Fiscal Year 2004	02/27/07	21-07-518-03-001	51		
Single Audit: Commonwealth of Puerto Rico Department of Labor and Human Resources, Fiscal Year 2005	03/05/07	21-07-519-03-001	50		
Office of the Chief Financial Officer					
Independent Auditor's Report on the Department of Labor's Fiscal Year 2006 Financial Statements	11/13/06	22-07-003-13-001			
Special Purpose Report: Closing Package Financial Statement Reports as of September 30, 2006	11/17/06	22-07-004-13-001			
Multi-Agency Programs					
Computer Security Incident Involving E-Mail Distribution List Testing	03/30/07	23-07-002-50-598			
Goal Totals		7	151	94,926	
Final Audit and Attestation Report Totals		32	302	22,349,324	1,151,857

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 six 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 (\$)
Employment and Training Programs					
Workforce Investment Act					
Interim Report: Special Project on Workforce Investment Act Executive Compensation	01/31/07	02-07-203-03-390			
Quality Control Review: Single Audit of Workforce Partners, Inc.	03/27/07	21-07-517-03-390			
Goal Totals		2			
Departmental Management					
OASAM Management					
Evaluation of the Department of Labor's Compliance With the Office of Management and Budget's Memorandum M-06-16, Protection of Sensitive Agency Information	03/30/07	23-07-001-07-001	5		
Multi-Agency Programs					
Quality Control Review: Single Audit of South Carolina Employment Security	11/24/06	21-07-507-50-598			
Quality Control Review: Single Audit of Philadelphia Shipyards Development Corporation	02/02/07	21-07-508-50-598			
Quality Control Review: Single Audit of Philadelphia Workforce Development Corporation	11/24/06	21-07-509-50-598			
Quality Control Review: Single Audit of Agency on Aging, Region X	02/02/07	21-07-510-50-598			
Quality Control Review: Single Audit of National Association of Service and Conservation Commission	03/30/07	21-07-511-50-598			
Goal Totals		6	5		
Other Report Totals		8	5		

Agency/ Program	Date Issued	Name of Audit	Report Number	# of Recommendations	Questioned Costs (\$)
Nonmonetary Recommendations and Questioned Costs					
OIG Conducting Followup Work During FY 2007 Financial Statement Audits					
CFO/Admin	02/27/98	FY 1997 Consolidated Financial Statements	12-98-002-13-001	1	
Final Management Decision Issued by Agency Did Not Resolve; OIG Negotiating with Program Agency					
DOL/Multi	08/06/02	Single Audit: State of Florida	22-02-512-50-598	1	38,799
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	
ETA/SESA	09/30/04	State Workforce Agencies' WIA Grant Programs Are Accruing Federal Equity in Real Properties	06-04-003-03-325	1	
ETA/TAA	09/30/05	Performance Audit of Health Coverage Tax Credit (HCTC) Bridge and Gap Programs	02-05-204-03-330	2	
OASAM/DIRM	03/31/05	Award and Management of Contracts for Encryption Software Were Significantly Flawed	05-05-005-07-720	1	
MSHA/Admin	10/29/04	MSHA Procurements Showed a Pattern of Disregard for Federal and DOL Acquisition Rules and Requirements	25-05-001-06-001	1	
Pending Workforce Investment Act Reauthorization					
ETA/WIA	09/30/03	Evaluation of WIA Youth Program	06-03-006-03-390	1	
Final Management Decision Not Yet Issued—Agency Awaiting Response from Internal Revenue Service					
EBSA	03/29/02	Improved Oversight of Cash Balance Plan Lump Sum Distributions Is Needed	09-02-001-12-121	2	
Final Management Decision Being Reviewed by OIG					
VETS/Admin	09/22/03	GISRA Audit: Veterans' Employment and Training Service	23-03-012-02-001	8	
ETA/WTW	09/30/05	City of Savannah PY 1998 and PY 1999 WTW Grant	04-05-004-03-386	4	2,856,430
DOL/Admin	05/17/06	Single Audit: Commonwealth of Puerto Rico	21-06-535-03-001	46	2,537,509
DOL/Admin	05/17/06	Single Audit: Commonwealth of Puerto Rico	21-06-536-03-001	2	330,554
DOL/Admin	08/18/06	Single Audit: State of Tennessee	21-06-556-03-001	21	17,041
ETA/Admin	01/23/06	ETA Application Security Controls	23-06-005-03-001	1	
OSHA/Admin	10/29/04	OSHA Needs to Remedy Significant Control Deficiencies for the IMIS Redesign Whistleblower WEB Application	23-06-016-10-001	1	
BLS/Admin	10/29/04	BLS Needs to Remedy Significant Security Control Deficiencies for the Producer Price Index System	23-06-013-11-001	5	
Final Management Decision Not Issued by Agency by Close of Period					
VETS/Admin	12-04/03	Rehabilitation Services and Veterans Programs, Albuquerque, New Mexico	06-04-001-02-201	2	1,593,700
VETS/Gntee	04/30/04	Single Audit: U.S. Veterans Initiative	22-04-508-02-201	1	
VETS/Admin	03/24/05	Single Audit: State of Florida	21-05-523-02-001	2	245,226
OSEC/JCC	09/29/06	Performance Audit Job Corps Center Operating Costs	03-06-005-01-370	7	21,174
OSEC/JCC	09/29/06	ABC Georgia Overstated Job Corps Placement Outcomes	09-06-004-01-370	7	214,992
OSEC/JCC	09/29/06	Los Angeles Job Corps Center	09-06-005-01-370	3	303,870
OSEC/JCC	08/16/06	Single Audit: YWCA of Greater Los Angeles	21-06-543-01-370	13	220,000
OSEC/JCC	08/18/06	Single Audit: Future Entrepreneurs and Workers Training Administration	21-06-553-01-370	49	10,000
OSEC/JCC	09/29/06	Boston Regional Office Procurement of Job Corps Center Operators and Service Providers in Puerto Rico	26-06-002-01-370	2	
OSEC/JCC	09/26/05	Strengthening Efforts to Assess and Account for Students with Cognitive Disabilities Would Help Job	09-06-001-03-370	3	

Appendix

Unresolved Audit Reports Over Six Months Old

Agency/ Program	Date Issued	Name of Audit	Report Number	# of Recommendations	Questioned Costs (\$)
		Corps Achieve Its Mission			
ETA/Admin	06/14/06	Single Audit: State of Washington	21-06-539-03-001	10	482,385
ETA/Admin	08/16/06	Single Audit: State of Florida	21-06-554-03-001	26	205,472
ETA/UIS	09/13/06	State of California Direct Labor Costs	03-06-006-03-315	3	76,700,000
ETA/WTW	09/29/06	The DOE Fund	02-06-206-03-386	3	1,616,259
ETA/WIA	09/29/06	Westchester-Putnam County Consortium for Workers Education and Training, Inc. Earmark Grant	02-06-204-03-390	6	128,233
ETA/WIA	09/28/06	Questionable Eligibility of College Students in Mississippi's NEG Training Program	04-06-008-03-390	3	
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	
ETA/WIA	09/28/06	St. Charles Department of Workforce Development	05-06-001-03-390	3	4,110,061
ETA/WIA	11/04/05	Single Audit: Sullivan County, New York Board of Cooperative Education Services	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
ETA/WIA	03/23/06	Single Audit: National Association of Workforce Boards	21-06-538-03-390	6	
ETA/WIA	07/11/06	Single Audit: Commonwealth of Kentucky	21-06-544-03-390	7	565,437
ETA/WIA	08/31/06	Single Audit: Commonwealth of Northern Marianas	21-06-559-03-390	9	528,046
ETA/WIA	08/31/06	Single Audit: Government of Guam	21-06-561-03-390	10	48,412
MSHA/Admin	09/29/06	Coal Mine Hazardous Condition Complaint Process Should Be Strengthened	05-06-006-06-001	6	
MSHA/Admin	09/29/06	Coal Mine Safety and Health Accountability Program	05-06-007-06-001	1	
Total Nonmonetary Recommendations, Questioned Costs				296	93,113,357

	Division Totals	Totals
Cases Opened:		229
Program Fraud	180	
Labor Racketeering	49	
Cases Closed:		295
Program Fraud	248	
Labor Racketeering	47	
Cases Referred for Prosecution:		153
Program Fraud	116	
Labor Racketeering	37	
Cases Referred for Administrative/Civil Action:		124
Program Fraud	101	
Labor Racketeering	23	
Indictments:		313
Program Fraud	208	
Labor Racketeering	105	
Convictions:		257
Program Fraud	153	
Labor Racketeering	104	
Debarments:		20
Program Fraud	2	
Labor Racketeering	18	
Recoveries, Cost Efficiencies, Restitutions, Fines/ Penalties, Forfeitures, and Civil Monetary Actions:		\$151,421,996
Program Fraud	\$62,006,967	
Labor Racketeering	\$89,415,029	

Recoveries:

(The dollar amount/value of an agency's action to recover or reprogram funds or to make other adjustments in response to OIG investigations)

\$1,065,152

Cost-Efficiencies:

(The one-time or per annum dollar amount/value of management's commitment, in response to OIG investigations, to utilize the government's resources more efficiently)

\$4,945,555

Restitutions:

(The dollar amount/value of restitutions resulting from OIG criminal investigations)

\$122,526,163

Fines/Penalties:

(The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations)

\$20,555,695

Civil Monetary Actions:

(The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, or other penalties resulting from OIG civil investigations)

\$2,329,431

Total\$151,421,996

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 1,910 contacts. Of these, 1,668 were referred for further review and/or action.

Contacts Received (by source):

Calls, Correspondence, and Walk-ins from Individuals or Organizations	1859
Correspondence from Congress	11
Correspondence from DOL Agencies	9
Letters from Non-DOL Government Agencies	16
Incident Reports from DOL Agencies	8
Reports by OIG Components.....	7
Total	1910

Contacts Referred for Further Review and/or Action:

Referred to OIG Components	65
Referred to DOL Program Management.....	673
Referred Outside DOL	930
Total	1668

